

## SUMMARY OF PROJECT PERFORMANCE

### A. Background

1. Asian Development Bank (ADB) approved a loan in the amount of SDR35,041,000 from its Special Funds resources to the Government of Kyrgyz Republic on 7 June 2011 to finance the CAREC Corridor 1 (Bishkek–Torugart Road) Project 3.<sup>1</sup> The loan became effective on 13 February 2012 with a closing date of 31 March 2016. The current project will help the government improve the 60 km section from At Beit to Torugart at the PRC border—the last segment of the Bishkek–Torugart road which is part of the Central Asia Regional Economic Cooperation (CAREC) Corridor 1, and increase the sustainability of the national road network by staff training on infrastructure management.

2. The contract of \$2.5 million for the construction supervision and environmental management was awarded on 17 May 2012, and of \$54.3 million for the design-build of Bishkek–Torugart road reconstruction (km 479–km 539) awarded on 21 August 2012. The project road has an elevation above 3,000 meters and the weather allows only about five month (May to October) a year for any construction work. The contractor commenced the design work in November 2012 and mobilized to site in May 2013. As per the awarded contract, the civil works is due for completion in November 2015.

### B. Performance of the Project

3. The current project is assessed in the following aspects and considered performing well:

- (i) **Delivery of expected outputs.** The project has two outputs: (i) 60 km of two-lane Bishkek–Torugart road (km 479–km 539) repaired, rehabilitated, or reconstructed to national Category III road standards with roadside truck parking facility and special structures for protecting the environment, preserving the road structure, and reducing vehicle crashes; and (ii) improved infrastructure management skills of MOTC and other government agency staff through training, education, and mentoring from national and international consultants.

Given the unique project site conditions, i.e., high elevation, permanently frozen natural ground and contiguity to a unique wetland, the contractor is contracted to conduct detailed design and bring technology and construction methods more economical and relevant to the site. Upon detailed engineering investigations by the contractor and the construction supervision consultant including an independent technical expert, it was found necessary for additional engineering measures (mainly increasing the road embankment height, using suitable subgrade materials, and installation of additional road drainage system) to tackle the unforeseen frost heave of natural ground in some sections. This will help prevent premature pavement failure caused by pavement cracking and extend road service life. The detailed design has been completed and approved by the Kyrgyz State expertise GostStroi. Earthworks, bridges and drainage have progressed between km 479–530. At present, 20 km of first layer asphalt has been completed between km 479–499. The contractor and the supervision consultant confirmed that about 35 km will be completed up to asphalt layers by late

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<sup>1</sup> ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kyrgyz Republic for the CAREC Transport Corridor 1 (Bishkek–Torugart Road) Project 3*. Manila.

October—the ending construction season in 2014, which represents about 65% of total progress as against 67% of contract time elapsed.

Strengthening the infrastructure management skills of government staff engaged in the road sector is an essential and natural complement to the capital investment. While the on-site mentoring of MOTC and other government agency staff on infrastructure management skills is being implemented in parallel by the construction supervision and environmental management consultants, the development of terms of reference for a long-term, results-oriented program of learning and development for government staff encountered some delay in identifying appropriate needs and has been finalized by project consultant and MOTC in consultation with ADB. Currently, the recruitment of international and national consultants for implementing the results-oriented capacity development program is at the proposal evaluation stage. It is expected that the consultants will mobilize in the first quarter of 2015 to provide needed consulting services.

In view of the above progress, project outputs are expected to be delivered as intended and the project continues to be on track to meet its outcome—higher mobility for people and goods with origins and destinations in the road corridor between Naryn and Torugart—provided that corrective engineering measures are effectively implemented.

- (ii) **Satisfactory implementation progress.** The scope of current project includes civil works, consulting services, resettlement, contingencies, and financing charges on ADB's loan. The current project is performing well and is in advanced stage of implementation. All main contracts have been awarded and project performance rating is on track with 65% physical completion. Cumulative contract awards of \$47.4 million (against loan amount of \$55 million) and disbursements of \$29 million as of 30 October 2014 are at 89% and 62%, respectively. An additional disbursement of about \$4.5 million is expected by the ending construction season in 2014.
- (iii) **Satisfactory compliance with safeguard policy requirements.** To date, the current project satisfactorily complied with the environment safeguards covenants and met environment safeguards policy requirements. ADB assisted the government in conducting an environmental impact assessment (EIA). The draft EIA report was discussed with the stakeholders and disclosed to the public in November 2010, and was subsequently updated prior to civil works commencement and publically disclosed in January 2014. The approved Environmental Management Plan (EMP) is included as part of civil works contract and contractor has accordingly prepared the site-specific EMP (SEMP). The road construction is carried out following good environmental practices and related environmental mitigation measures in the EMP/SEMPs are adequately implemented by the contractor. Corrective actions have been timely taken whenever environmental related issues arise during the construction. Compliance monitoring is regularly conducted by the supervision consultant and its semi-annual monitoring reports are publicly available on ADB's website.

Upon the finalization of detailed engineering design, the contractor and the supervision consultant reconfirmed that there are no indigenous peoples in the project area, however, 11 roadside mobile trailer units near km 532 providing

rudimentary accommodation and refreshment facilities at the border holding area will have to be relocated about 100 meter away due to road rehabilitation and construction of a roadside truck parking facility. Accordingly, the current project is re-categorized as resettlement category B from original category C while indigenous peoples category C remains unchanged. The short resettlement plan has been prepared and discussed with affected persons. Given that the winter season very soon approaches the area, compensation payments and relocation of mobile trailer units will start in mid next year when the weather becomes warm. To date, the current project is in compliance with the social safeguards covenants and met social safeguards policy requirements.

- (iv) **Successful management of risks.** Major risks identified at the current project appraisal, including ecosystem damage, procurement delays, high bid prices, construction delays, sustainability, have been or are being effectively managed. Risk of further implementation delays is unlikely as project civil works are in advanced stage of implementation and this additional financing covers the financing gap until the project end. The project is expected to be completed within two years of the original schedule; and
- (v) **On track rating.** Project rating which takes into account aspects of technical, contract awards, disbursement, financial management and safeguards continuously remains “on track” in 2012-2014, according to the Performance overview tab of eOps.

### **C. Cost Overruns**

4. The cost overruns to the current project are attributed to engineering corrective measures and input price increases. The engineering corrective measures as elaborated in para. 3 (i) are essential to ensure that the finished road surface meets the quality requirements for road maintainability, safety and comfort. The input price increases relate to price escalation for main road materials including aggregates (the likely extra haulage caused by the constrained capacity of allowed borrow pits near project road) and bitumen (volatile market supply with high construction demand in the region).

### **D. Conclusion**

5. Additional financing is proposed for (i) financing additional engineering measures—an integral part of existing civil works—to treat the unforeseen frost heave of natural ground in some sections for better quality of the completed road and enhanced road safety characteristics; and (ii) meeting the increased cost of general price escalation.

6. The current project is in an advanced stage of implementation and the government accords high priority to this additional financing to meet cost overruns and achieve the project's intended outputs with greater technical quality. Given that additional engineering measures by nature are an integral part of ongoing civil works, additional financing is deemed a more suitable instrument compared to options of restructuring, scaling down and/or cancelling the current project. This is because (i) the current project will be either not completed to required standards or not delivered in full if cost overruns is not met, therefore unable to fully meet its development objectives; (ii) the project provided with additional financing can be completed within two years of the current loan closing date; and (iii) possible risks associated with the current project have been properly mitigated and/or addressed.