

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB3510

Project Name	National Road Rehabilitation (Osh-Isfana) Project
Region	EUROPE AND CENTRAL ASIA
Sector	Roads and highways (90%); General public administration sector (10%)
Project ID	P107608
Borrower(s)	MINISTRY OF FINANCE
Implementing Agency	
Environment Category	<input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	December 5, 2007
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1. Key development issues and rationale for Bank involvement

1. The Kyrgyz Republic has been successful in sustaining growth of around 4 percent per annum during the past five years despite formidable geographic barriers. The low-income country succeeded in achieving economic growth and significantly reducing poverty during the late 1990s and early 2000s through prudent management and structural reforms in some areas. Its central location between buoyant economies of Kazakhstan, Russia and China's Xinjiang Province offers the Kyrgyz Republic substantial potentials of becoming a transit link between China and Central Asia and further to Afghanistan. However, many reforms remain to be implemented, particularly in the area of reducing administrative barriers to growth and private sector development.

2. The Government's *Comprehensive Development Strategy* (CDS) for the period 2007-2010 focuses on strategic pillars which aim at sustaining economic growth. The geographic location and characteristics of the Kyrgyz Republic imply that efficient and safe transport systems are necessary prerequisites for the development of the economy and for national cohesion. The significant travel distances and the poor condition of the existing transport infrastructure have been identified as the main reason for the high costs of transport and barriers to domestic economic development and international trade in the region.

3. The current condition of the transport infrastructure is constraining the country's path towards sustainable economic growth. The Kyrgyz Republic reported in its *Road Sector Development Strategy for 2007-2010* a significant loss of about 200 kilometers of asphalt-surfaced roads every year. Road conditions have substantially deteriorated since independence primarily due to underinvestment, resulting in a large backlog of required major rehabilitation and reconstruction. Improving the efficiency of transit through Kyrgyz Republic would also require the removal of non-physical barriers at the borders and along corridors, the improvement of road safety, and adequate provision and maintenance of road infrastructure. In addition, the condition of local roads administered by the Oblasts is generally poor throughout the country.

Local roads provide access to markets for rural communities particularly for transporting agricultural products and essential inputs.

4. The *Presidential Program of Roads Development for 2008-2010* considers the rehabilitation of a core road network to be a development priority. It aims at rehabilitating five strategic road transport corridors which carry the majority of the traffic on the republican road network to ensure access to regional and local markets for goods and services. The goals of the program are to: (i) integrate the transport system, and ultimately the national economy; (ii) create modern transport infrastructure; (iii) develop and effectively use the transit potential; and (iv) reduce the share of transport in the final costs of products. The main sources of financing for the program are suggested to be from the public budget (for repairs and maintenance) and international financial institutions (for rehabilitation and construction of bypasses). Starting in 2008, the Government plans to allocate a minimum of USD 26 million for repairs and maintenance of roads with an annual increase by 20 percent thereafter¹.

5. Over the past years, the Bank and partner IFIs, particularly the ADB, have assisted the Government in its implementation of the transport sector development program through a variety of interventions. These include: (i) Second Road Rehabilitation Project (Bishkek Osh, ADB); (ii) Southern Transport Corridor Road Rehabilitation Project (Osh-Sary Tash-Irkeshtam, ADB); (iii) Technical Assistance on Road Maintenance and Public Expenditure; and (iv) Regional Trade and Transport Facilitation Performance Measurements.

6. The Bank's assistance in the transport sector will incorporate the following lessons learned from these interventions.

- *Improving the overall condition of the national (republican) road network is paramount.* This can be achieved through the introduction of modern road management systems, design standards, improved financial management and procurement for civil works contracts to maximize resource allocation and reduce unit costs of road works;
- *Long-term benefits of road investments can be lost by neglecting road maintenance.* Advisory TA associated with the project will help the Government continue the development and implementation of a road maintenance program. This will include a review of the efficiency of maintenance arrangements;
- *Improving the efficiency of transit traffic requires a focus on adequate road maintenance, implementation of traffic safety measures (e.g. safety engineering and audits), enforcement of road safety regulations, removal of non-physical barriers (e.g. unlawful road side stops) and reducing transit time at border crossings.*
- *Rehabilitation of main roads should be accompanied by appropriate maintenance of surrounding local roads.* Access to rural communities will be improved through low cost repairs to local roads in Batken and Osh Oblasts.

7. The proposed assistance by the Bank is fully consistent with the *Joint Country Support Strategy (JCSS) for the Kyrgyz Republic (2007-2010)*. The JCSS puts much emphasis on

¹ A World Bank commissioned study predicts that this level of capital expenditures will improve the network condition, reducing the average roughness, weighted per vehicle-km, from 5.9 IRI in 2006 to 3.9 IRI in 2010 and will increase the percent of the network in stable condition (<4.5 IRI) to 43 percent in 2010 from 19 percent in 2006.

promoting a road transport network that provides access to markets and facilitates trade and transport in the Central Asia Region. The Bank will support investments in priority sectors determined by the Government, and thereby assist the country to achieve its development objectives and sustainable growth.

8. For the transport sector, the Bank would be a key development partner to the government by: (i) sharing international experience and best practice in the modernization of road management and financing; (ii) leading discussions with other IFIs to support the government's efforts to secure additional grants and loans to cover total project costs; and (iii) drawing on its experience in rural development through the Village Improvement Project (phase I and II) particularly for improving local road networks.

9. In order to achieve the goals defined in the *Road Sector Development Strategy for 2007-2010*, the Government proposes the rehabilitation and re-routing of the existing road from Osh to Isfana. The road is about 360 km long (estimated to cost around USD 135 million) with new construction required to reconnect Batken Oblast with the rest of the country totaling about 100 km, including: (i) 14.7 km detour from Kok-Talaa to Pulgon (km 109-123); (ii) 50 km section from Pulgon to Burgandy (km 125 to 175); (iii) 4.7 km section, including a bridge across the Sokh river (km 195-200); and (iv) 23 km detour around the Tajik territory of Surkh (km 248 to 271). The World Bank contribution to the financing of the project would be USD 20 million as an IDA grant. Discussions are ongoing to supplement this with a sovereign loan from EBRD of USD 25-30 million and loan/grant from IsDB of USD 15 million to bridge part of the financing gap. The EC is currently financing construction of a 23 km detour around the Tajik territory of Surkh (km 248 to 271).

2. Proposed project development objective(s)

10. The proposed project development objective is **to restore reliable access to Batken oblast and provide an alternative transport route for potential transit traffic to/from Tajikistan**. This will ultimately support local and regional socio-economic development, which is a key objective for the Government. Benefits from the proposed project are expected to include increase in reliability of access to/from all areas of Batken oblast, transport efficiency gains from a reduction of transport costs and travel times for people and goods along the corridor, and reduction of the share of domestic transport costs and non-factor services in the total value of commodities transported along the corridor.

11. The main beneficiaries will be **the local population in Batken and Osh oblasts as well as domestic and regional transporters**. At present, road traffic is disrupted several times when crossing international borders at Uzbek and Tajik enclaves. On the eastern section of the corridor (between Osh and Kyzyl-Kiya) in the absence of any constraints, the average daily traffic is about 3,000 vehicles of which 30 percent are trucks. Further west however, where the traffic has to cross borders, the figures drop drastically.

3. Preliminary project description

12. The proposed PDO will be achieved through rehabilitation and new construction of the road from Osh to Isfana as well as repairs to rural roads in Batken oblast. The Osh-Isfana road, which is central to the economy of Southwest Kyrgyzstan, is in poor to fair condition and crosses

into Uzbek territory near Pulgon and at the Sokh enclave. The road also passes through Tajik territory between Batken and Isfana. As a result, movements along this corridor are limited due to cumbersome border-crossing procedures and processes. The Government is determined to restore reliable and efficient access to Batken oblast and by-passing the enclaves.

13. While sections of the road network in the Batken oblast have been rehabilitated under a traditional form of voluntary community participation (*ashar*), this method has proved to be unsustainable and of sub-standard quality. The Bank however supports the spirit of the *ashar* initiative which is to develop a community based mechanism to improve roads and would like to build on this through a low cost project component.

14. The proposed instrument for the project is an IDA grant. The overall project cost is estimated at USD 135 million of which the Bank financed component will include an IDA grant of USD 20 million. The Bank financed project will tentatively consist of the following components:

- *Component 1: Construction/Rehabilitation of a section of the Osh-Isfana Road* (estimated USD 17 million). This will include one of the sections described above (see 9);
- *Component 2: Institutional Development* (estimated USD 0.6 million). This would include technical assistance on road management and financing, road safety, training on environmental due diligence, and similar activities.
- *Component 3: Rehabilitation of Local Roads within the Batken Oblast* (estimated USD 2 million). This would include the financing of road rehabilitation inputs (materials, equipment, fuel) and supervision of technical designs to ensure sustainability of investments.
- *Component 4: Project Implementation and Donor Coordination* (estimated USD 0.4 million). This would partially finance the costs of a Project Implementation Unit (PIU) that would also coordinate the activities co-financed by other IFIs and by the Government.

15. The road design was initially carried out in 2000 by the Republican Design Institute ‘*KyrgyzDorTransProekt*’ (KDTP) and is currently being updated. The Bank has prepared, on behalf of the Government of the Kyrgyz Republic, an application for PHRD project preparation grant funding from the Government of Japan (US\$950,000) to finance the updating of the project feasibility study and the technical design. This application has been approved by Bank management and will be submitted once the next round of PHRD funding is announced (*the World Bank was informed that the announcement of the new round of PHRD funding is planned by the Government of Japan for December 2007*).

4. Safeguard policies that might apply

16. The following safeguard policies might apply to the proposed project: Environmental Assessment (OP/BP 4.01) and possibly Involuntary Resettlement (OP/BP 4.12).

17. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	10
International Development Association (IDA)	20
Total	30

5. Contact point

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