

**BANK MANAGEMENT RESPONSE TO
REQUEST FOR INSPECTION PANEL REVIEW OF THE
KAZAKHSTAN
SOUTH-WEST ROADS PROJECT:
WESTERN EUROPE-WESTERN CHINA INTERNATIONAL TRANSIT
CORRIDOR (CAREC-1b & 6b) (IBRD LOAN NO. 7681-KZ)**

Management has reviewed the Request for Inspection of the Republic of Kazakhstan South-West Roads: Western Europe-Western China International Transit Corridor (CAREC-1b & 6b) (IBRD Loan No. 7681-KZ), received by the Inspection Panel on February 5, March 10, April 8 and April 24, 2010 and registered on April 29, 2010 (RQ10/04). Management has prepared the following response.

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Currency Unit = Kazakhstan Tenge (KZT)
US\$1.00 = KZT 146.77

GOVERNMENT FISCAL YEAR:

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Metric System

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
APL	Adaptable Programmatic Loan
BP	Bank Procedure
CAREC	Central Asia Regional Economic Cooperation
CSO	Civil Society Organization
EA	Environmental Assessment
EARF	Environmental Assessment Review Framework
EBRD	European Bank for Reconstruction and Development
EMP	Environmental Management Plan
ESIA	Environmental and Social Impact Assessment
GDP	Gross Domestic Product
GNI	Gross National Income
HDM-4	Highway Development and Management model (fourth generation)
IBRD	International Bank for Reconstruction and Development
IsDB	Islamic Development Bank
IFIs	International Financial Institutions
IPN	Inspection Panel
JICA	Japan International Cooperation Agency
MEP	Ministry of Environment Protection
MoTC	Ministry of Transport and Communications
MoU	Memorandum of Understanding
NGO	Nongovernmental Organization
NFRK	National Fund of the Republic of Kazakhstan
OP	Operation Policy (of the World Bank)
OPCQC	Operations Policy and Country Services Quality Assurance and Compliance Unit
PAP	Project Affected Persons
PMC	Project Management Consultants
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SIL	Specific Investment Loans
SNIP	Technical Standards and Regulations of the Former Soviet Union
WE-WC	Western Europe – Western China

EXECUTIVE SUMMARY

On April 29, 2010, the Inspection Panel registered a Request for Inspection (IPN Request RQ 10/04) concerning the Republic of Kazakhstan South-West Roads Project: Western Europe-Western China International Transit Corridor (the WE-WC Corridor) financed by the IBRD (the Project). The Project is an integral part of the Government's Road Sector Development Program to improve the 2,840 km road corridor linking Western Europe to Western China through Kazakhstan and Russia (the Corridor). The estimated total cost of the program is US\$7.5 billion, of which 37 percent is financed by the Government and the balance by IBRD (hereafter "the Bank") and other International Financial Institutions (IFIs).

The IBRD Loan of US\$2.125 billion to the Republic of Kazakhstan is implemented by the Committee of Roads within the Ministry of Transport and Communications (MoTC). The Loan became effective on December 9, 2009. It covers: (i) upgrading and reconstruction of 1,062 km within South Kazakhstan and Kyzylorda oblasts; (ii) strengthening the capacity of MoTC and the Committee for Roads; and (iii) improving road safety and road services.

The Request

According to the Inspection Panel, an initial Request was submitted on February 5, 2010 by two residents of Birlik settlement (city of Turkestan, South Kazakhstan oblast) and was joined by separate submissions from over 45 households in the same settlement. Some of the signatories subsequently wrote to the Panel withdrawing this Request. Additional Requests were subsequently submitted by individual residents of Turkestan (who asked that their identities be kept confidential) joining the initial Request and adding some issues related to the city of Turkestan. The Panel has indicated that the Request may constitute non-compliance by the Bank with provisions of OP/BP 4.01 (Environmental Assessment); OP/BP 4.11 (Physical Cultural Resources); OP/BP 4.12 (Involuntary Resettlement); OP/BP 3.05 (Project Supervision); and the World Bank Policy on Disclosure of Information (June 2002).

Country Context and Project Background

Kazakhstan enjoyed strong economic performance from 2000 to 2007, with average real GDP growth of 10 percent and a sharp increase in income per capita. Trade expanded rapidly from 2004 to 2008, gradually shifting towards China and other markets outside the Former Soviet Union. Despite the strong overall economic trends in Kazakhstan, a spiral of growth in commercial lending and foreign borrowing from 2005 until mid-2007 set the stage for difficulties in the financial and construction sectors. The economic crisis in Kazakhstan began with sharp declines in real estate prices from late 2007.

A strengthening of oil and other commodity export prices in the second half of 2009 has contributed to a stabilization of the overall financial position. In 2009 Kazakhstan needed strong capital inflows to compensate for substantial outflows associated with foreign debt payment obligations. This was offset partly by increased oil and gas exports and partly by foreign direct investments and lending, including expanded borrowing from IFIs on a large scale for the first time.

By channeling public resources into areas that alleviate constraints on long-term growth, the Government aimed to stimulate domestic demand and create jobs without causing economic distortions. The South-West Roads Project was given high priority in this context as it is expected to stimulate economic growth and reduce poverty in the poorest parts of the country by improving access to two regions as well as providing employment. Kyzylorda oblast is among the poorest in the country, while South Kazakhstan oblast has the highest rural population density. With improved access, these regions have high potential for growth particularly in the tourism, agriculture, textile and mining industries. The existing main road is in very poor condition, such that the 1,700 km journey between Shymkent to the Russian border, which should take less than 20 hours on roads in good condition, typically takes over 48 hours.

More broadly, the Government's strategic vision for economic development is based on diversification and integration of the economy into the global market, consistent with the regional strategy of the Central Asia Regional Economic Cooperation (CAREC). The CAREC countries have designated six major international transport corridors that link Central Asia with China, Russia, South Caucasus, South Asia, Turkey and Western Europe. The Project is financing improvements to parts of the CAREC corridors that pass through Kazakhstan and provide important transport links to other countries as well.

The Bank played a convening role in coordinating the participation of other IFIs, in part to ensure that there will be a common framework for environmental and social safeguards and that uniform technical standards will be applied. A Memorandum of Understanding signed by the MoTC and the IFIs specifies the commitments and mechanisms for harmonization and collaboration. During Project preparation, the Government and the IFIs agreed on the use of Project Management Consultants (PMC) to assist the Committee for Roads to manage implementation of the entire Corridor development program. This includes quality control in the management of all contracts, monitoring safeguards implementation and overseeing the work of supervising engineers.

Key Issues during Project Preparation and Supervision

The feasibility study for the entire Corridor showed that several bypasses planned for future development, including the potential northern or southern bypasses for Turkestan, were not economically viable. They would require construction in greenfield areas, involving high costs, significant resettlement issues and loss of access for settlements along the existing road alignment. The Bank reviewed the economic analysis (based on traditional cost-benefit analysis methods) and found it to be sound. The feasibility study also included a preliminary environmental assessment report which was approved by the responsible authorities in Kazakhstan. In order to comply with the safeguards requirements of the Bank and other IFIs, a Resettlement Policy Framework (RPF) and an Environmental Assessment Review Framework (EARF) were prepared for the entire Corridor.

The Project was initially designed to be financed through successive phases of an Adaptable Program Loan (APL). The EARF and RPF, being suitable environmental and social "due diligence" instruments for an APL, were disclosed as required prior to the planned appraisal of Phase 1 of the APL. However, during the appraisal mission, based on a Government request, the financing instrument was changed from an APL to a Specific Investment Loan (SIL). As this SIL

was classified as Environmental Assessment (EA) Category A, the EARF and RPF were no longer sufficient to comply with OP 4.01 and OP 4.12, respectively. A waiver was therefore sought from the Board to exempt the Project from the requirement for an EA and a Resettlement Action Plans (RAPs) to be completed and disclosed prior to appraisal. The waiver request memo indicated that the detailed EA report and the RAPs acceptable to the Bank would be completed prior to presentation of the Project to the Board of Executive Directors. The Government subsequently engaged independent consultants to carry out detailed environmental and social impact assessments and prepare an Environmental and Social Impact Assessment (ESIA) report. The ESIA report was reviewed and found acceptable to the Bank and was disclosed in the InfoShop and in-country in February 2009, and an Executive Summary was distributed to the Board in March 2009. The ESIA includes Environmental Management Plans (EMPs) for Category A and B road sections in accordance with the requirements specified in the EARF. These EMPs provide the basis for contractors to prepare site-specific EMPs prior to commencing works.

The ESIA consultants also prepared a draft Resettlement Report. However, they were not able to finalize it as a RAP by March 2009 because some required data were missing for a few of the road sections and because of the need for redesign of road segments at Temirlanovka and Birlik settlements in response to public consultations. As a result, the waiver memo was revised to indicate that an RPF rather than a RAP would be completed and disclosed prior to Board presentation, with specific RAPs to be completed and disclosed prior to the commencement of works on each road section. Except for the timing, the requirements under OP 4.01 and OP 4.12 had been met prior to presentation of the Project to the Board of Executive Directors.

The Bank's Project team has maintained close supervision of the Project with regular site visits, and the PMC provides monthly progress reports including information on safeguards compliance as well as specific resettlement reports. Following the PMC's January 2010 resettlement report indicating that some land had been acquired and compensation paid by the Committee for Roads prior to the completion and full disclosure of the required RAPs, the social development specialist from the Bank's Project team visited the sites and met with affected persons in mid February 2010. This "due diligence review" confirmed the situation reported by the PMC, and concluded that the compensation and other assistance provided by the Committee for Roads to affected persons was in compliance with the provisions of the RPF and consistent with OP 4.12. Affected persons interviewed indicated to Bank staff that they were satisfied with the compensation and assistance received. The review noted the need to establish and make the grievance redress mechanism fully operational, and this has since been done.

The Project has facilitated ongoing dialogue among the MoTC, the Committee for Roads, the PMC and civil society organizations (CSO) through a Coalition of NGOs. In South Kazakhstan oblast, a Steering Committee comprising the Coalition of NGOs, local representatives of the Committee for Roads and the PMC (established through a signed Agreement effective March 26, 2010) provides a formal mechanism for the CSO to participate in monitoring project implementation, particularly aspects related to resettlement and progress of construction. In addition, a number of emails and letters have been exchanged between the Committee for Roads and representatives of the Coalition of NGOs to discuss issues raised by the local population, particularly changes to the road design along Birlik settlement. This has resulted in the Committee for Roads being more responsive to concerns raised by the public.

Management's Response

The Requesters' claims, accompanied by Management's detailed responses, are provided in Annex 1. The main concerns raised by the Requesters are:

- A. That the proposed improvements to the existing bypass to Turkestan city at Birlik settlement have potential adverse effects on residents and their properties;
- B. Whether promises made by local officials to provide a dedicated school-bus service for Birlik settlement to take children to and from school will be fulfilled;
- C. The adverse impacts of transit traffic on the Mausoleum and other physical and cultural properties located in the heart of Turkestan city; and
- D. Whether and when a new bypass road outside the city of Turkestan will be constructed, as promised by the Committee for Roads and local government officials.

In Management's view the Bank has followed the guidelines, policies and procedures applicable to the matters raised in the Request.

Regarding A: Management welcomes the proactive involvement of the Borrower in taking actions to revise the road design along Birlik settlement to the satisfaction of local residents. The Bank's Project team was proactively engaged in helping to find acceptable solutions, including several field visits and presence at consultation meetings with local residents. The design revisions include: (i) shifting the alignment of the new road away from residences—while residences at Birlik settlement were originally built within 5 meters of the existing road, in accordance with good engineering practices, the revised design shifts the road alignment away from the residences to provide the maximum possible distance between the houses and the new 4-lane road, with a minimum distance of 17 meters; (ii) construction of a pedestrian underpass close to the local school to enable safe crossing of children (in addition to a second at-grade pedestrian crossing with a traffic signal 800 meters away and another underpass for livestock); (iii) reconstruction of the existing 2-lane bypass road in this segment to become a local access road, including construction of bus stops with shelters, and installation of street lights; and (iv) construction of a 3-meter high wall between the new 4-lane road and the 2-lane access road as a barrier to traffic noise and vehicle emissions. During the consultation meetings in February 2010, local residents and the Coalition of NGOs indicated to Bank staff that they were satisfied with the revised road design and mitigation measures. The revised designs were reviewed by the Bank's Project team and have been incorporated in the Bidding Documents for construction, which is planned to start around September 2010. The site-specific EMPs to be prepared by contractors prior to commencing works will include additional measures to protect road users and residents during the construction period.

Regarding B: Management is satisfied that the mitigation measures outlined in (A) above fully address issues of pedestrian safety, and therefore provision of a bus service is not an essential mitigation measure but an additional benefit. However, as confirmed in writing by the MoTC, the local administration has offered to provide additional bus services specifically for school children during the school year. In addition, the development of a strategy for the provision of road services (including bus services) is part of the Project.

Regarding C: The Khoja Ahmed Yasawi Mausoleum, located at the center of Turkestan city, is considered a holy site that attracts pilgrims and tourists to the city, and is a UNESCO World Heritage site. Management emphasizes that the Project will finance improvements to the existing bypass on the outskirts of the city of Turkestan, which is over 2.6 km away from the Mausoleum at its nearest point. Due to the very poor condition of this road, however, much of the through traffic currently avoids it and passes through the center of the city. The MoTC agreed to finance the widening of the bypass road in consultation with the local administration, which is also responsible for the Mausoleum, with the expectation that this will divert most of the through traffic away from the center of the city, thereby reducing direct impacts of traffic while also improving access to the Mausoleum. At the consultation meeting observed by Bank staff in January 2009, the majority of local residents supported the proposed improvements to the existing bypass road.

Regarding D: Management is aware of conceptual plans by the local government administration to construct either a northern or a southern bypass road further away from Turkestan in the future. The feasibility study for the entire Corridor evaluated this option and found that these were not economically viable, based on current traffic volumes. Further analysis by Bank staff based on 2010 traffic data confirmed that this remains true. The estimated costs for construction of the northern or southern bypass would be considerably more than the cost of improving the existing road to 4 lanes. Both the northern and southern bypass options would traverse greenfield land that is cultivated in many locations and both routes are also known to have large numbers of graves and other physical cultural properties; further, the northern bypass could require demolition of 50 residences. Minutes of the January 2009 consultation meeting in Turkestan at which Bank staff was present show that when local government officials were asked about plans for the southern bypass road they replied that based on the recommendation of the feasibility report this bypass has been put off in favor of widening and rehabilitating the existing bypass. Management's view is that the decision to construct a new bypass road should be based on economic, environmental and social impacts. Although the Bank cannot guarantee financing for investments that may be requested in future by the Government, Management would consider requests for support to Kazakhstan in future.

Conclusion: Management appreciates that the Requesters and Government share a common vision to improve the WE-WC Corridor, and recognizes that the Committee for Roads, on behalf of the Borrower, has actively engaged with the Requesters and with the local communities particularly in Birlik settlement to respond to concerns raised. As a result, the designs for individual road segments have in several cases been amended to addresses issues raised by local residents throughout the Project area. This includes revised road designs following several rounds of consultations with residents of Birlik settlement and Turkestan city more broadly. In addition, Management wishes to highlight the responsiveness of the Bank's Project team both in meeting with the affected persons and in supporting the Borrower to resolve issues raised by the Requesters and other citizens. Management believes that the substance of the complaints embodied in the Request have been resolved to the satisfaction of the majority of the local population around Turkestan city, including residents of Birlik settlement. The Bank's Project team, working closely with others in ECA regional management and with the Bank's Operations Policy and Country Services Quality Assurance and Compliance Unit (OPCQC), will continue close supervision of the Project as well as regular engagement with CSO and local populations.

I. INTRODUCTION

1. On April 29, 2010, the Inspection Panel registered a Request for Inspection, IPN Request RQ10/04 (hereafter referred to as “the Request”), concerning the Republic of Kazakhstan South-West Roads: Western Europe-Western China International Transit Corridor (CAREC-1b&6b) (hereafter, the Project) financed by the International Bank for Reconstruction and Development (IBRD or the Bank).

2. The Project is an integral part of the Government’s Road Sector Development Program, covering improvements to the 2,840 km road corridor linking Western Europe to Western China through Kazakhstan and Russia. The total cost of the Western Europe to Western China (WE-WC) Corridor development program is estimated at US\$7.5 billion – of which 63 percent is financed by International Financial Institutions (IFIs) and the balance by the Government of Kazakhstan. In addition to the Bank, the Program is co-financed by the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), Japan International Cooperation Agency (JICA) and the Islamic Development Bank (IsDB).

3. The Bank’s support for the Project is an IBRD Loan of US\$2.125 billion to the Republic of Kazakhstan, as the Borrower, and the Committee of Roads within the Ministry of Transport and Communications (MoTC) as the Project implementing entity. The Project covers: (i) the upgrading and reconstruction of 1,062 km of road sections within South Kazakhstan and Kyzylorda oblasts along the WE-WC Corridor; (ii) strengthening the capacity of MoTC and the Committee of Roads; and (iii) improving road safety and road services. The Loan was approved by the Bank’s Board of Directors on April 30, 2009. The Loan Agreement was signed on June 13, 2009 and ratified by the Parliament on June 25, 2009. The Loan was declared effective on December 9, 2009 and is scheduled to close on June 30, 2014.

4. ***Structure of the Text.*** The document contains the following sections: Section II presents the Request. Section III provides background information on the Country Context and on the Project. Section IV discusses special issues relating to Project preparation and supervision. Section V provides the Management’s Response. Annex 1 presents the Requesters’ claims, together with Management’s detailed responses, in table format. In addition, the document contains the following Annexes:

Annex 2 – Maps of WE-WC Transit Corridor and the Project area.

Annex 3 – Schedule of public consultations held in Turkestan and Birlik settlement.

Annex 4 – Memorandum of Understanding between the Coalition of NGOs, the Committee for Roads and the PMC.

Annex 5 – Map showing revisions to the road design along Birlik settlement.

Annex 6 – Photographs of the existing situation along Birlik settlement (May 2010).

Annex 7 – Letter from local administration (Akim) of Turkestan confirming the provision school bus services for Birlik settlement.

Annex 8 – Conceptual design of future improvements around the city of Turkestan.

Annex 9 – Screening level estimates for the northern and southern bypasses of Turkestan.

Annex 10– Detailed engineering drawings prepared for construction of the road segment along Birlik settlement.

II. THE REQUEST

5. According to the Inspection Panel, the initial Request was submitted on February 5, 2010 by two residents of Birlik settlement in Karashik rural District, city of Turkestan, South Kazakhstan oblast, Republic of Kazakhstan, and was joined by separate submissions from over 45 households in the same settlement. On February 28, 2010, the Panel received correspondence from some of the signatories of the initial Request “taking back” the initial request.

6. On March 10, April 8 and April 24, 2010, additional Requests were submitted by individuals residing in the city of Turkestan, separately joining the initial Request. They referred to the same issues raised by the initial Request for Inspection, as well as some interconnected issues related to the city of Turkestan. They also asked the Panel to keep their identities and contact information confidential.

7. The Request, which focuses on the segment of the Project passing through the city of Turkestan, including the Birlik settlement, contains claims that, according to the Inspection Panel, may constitute, *inter alia*, non-compliance by the Bank with various provisions of the following Operational Policies and Procedures:

- OP/BP 4.01 Environmental Assessment
- OP/BP 4.11 Physical Cultural Resources
- OP/BP 4.12 Involuntary Resettlement
- OP/BP 13.05 Project Supervision
- World Bank Policy on Disclosure of Information dated June 2002.

III. COUNTRY CONTEXT AND PROJECT BACKGROUND

A. Country Context

8. **Kazakhstan enjoyed strong economic performance from 2000 to 2007, with average real GDP growth of 10 percent.** The Government maintained a healthy fiscal surplus during that period, accumulating over US\$27 billion (about 21 percent of GDP) by end-2008 in the National Fund of the Republic of Kazakhstan (NFRK).¹ However, the economy is highly resource-dependent, with oil and gas accounting for almost 70 percent of exports – about 37 percent of GDP in 2008. Consequently, the Government has made diversification of the economy a development priority, with a focus on strengthening manufacturing, agriculture, and the knowledge economy sectors. To support the rapid economic growth, trade had expanded rapidly from 2004 to 2008 with external trade orientation gradually shifting towards China and other markets outside the Former Soviet Union, although Russia remained the largest single trading partner. The rapid growth up to 2008 facilitated a sharp increase in income per capita, which reached US\$6,740 in 2009 (GNI per capita by Atlas methodology).

¹ NFRK is a sovereign stabilization and savings oil fund established in August 2000. The National Bank of Kazakhstan serves as NFRK trustee.

9. **Despite the strong overall economic trends in Kazakhstan, a spiral of growth in commercial lending and foreign borrowing from 2005 until mid-2007 set the stage for difficulties in the financial and construction sectors after August 2007.** Problems in the global financial markets significantly reduced access of the local banks to cheap external financing. The National Bank of Kazakhstan spent about US\$6 billion or 25 percent of its foreign reserves (not including the NFRK) to support the local currency – Kazakhstan Tenge (KZT) – in mid-2007 and the sovereign rating was subsequently downgraded in October 2007. The banking sector had built up a substantial foreign debt burden of US\$46 billion – a significant proportion of this was invested in the real estate and construction sectors. In effect, the economic crisis in Kazakhstan began with the sharp decline of real estate prices from late 2007. Over 40 percent of bank loans were collateralized by real estate, with a large share of lending in 2005-2007 made to construction and real estate, which was in a depressed state.

10. **The deepening of the world economic crisis since September 2008 had further negative repercussions in Kazakhstan.** Pressures for devaluation led to a 20 percent devaluation of the KZT in February 2009. The devaluation contributed further to asset deterioration, as more than 40 percent of all loans in Kazakhstan were denominated in foreign currency, and domestic debtors with incomes in KZT had trouble servicing these loans. The Government and the National Bank received a major boost from a strengthening of oil and other commodity export prices in the second half of 2009, and succeeded in stabilizing expectations about the exchange rate. The overall financial position of the Kazakhstan Government began to stabilize by end 2009 with international monetary and National Fund reserves of the country exceeding US\$47 billion and explicit sovereign external indebtedness of only US\$2.2 billion.

11. **As a result of the external shocks that hit Kazakhstan in 2007 and 2008, most regions and sectors of the economy fell into recession by early 2009.** Economic growth slumped from near double digits to only 3.3 percent and 1.2 percent in 2008 and 2009, respectively, and unemployment rose. The current account recorded a deficit of approximately 3 percent of GDP in the first half of 2009. The fiscal surplus turned into a deficit in 2009 for the first time since 2001, as commodity prices and revenues fell. The banking sector faced liquidity shortages and debt-servicing problems.

12. **In response, the Government mounted an anti-crisis stimulus of US\$10 billion, using its fiscal savings to support the financial sector and the real economy, thereby cushioning the impact of the crisis.** The National Bank stepped up its liquidity support for the banking sector. The Government recapitalized the four largest banks to maintain financial stability and stabilize credit to the private sector. The Government protected social expenditures from budgetary sequestration, insured all pension payments indexed to inflation, extended unemployment benefits, and promoted the signing of memoranda between regional authorities and larger enterprises on preserving jobs. An additional public works program called the “Road Map” was set up in the spring of 2009 for the creation of jobs, training, and the provision of temporary wage subsidies to vulnerable groups.

13. **The Government also counted on substantial capital inflows associated with the construction of infrastructure to stimulate investment activity during the time of budgetary difficulties, as well as to support balance of payments and employment at a time of rising layoffs.** In 2009 Kazakhstan needed strong capital inflows to compensate for substantial

outflows associated with foreign debt payment obligations totaling to US\$14 billion, in order to relieve balance of payments pressures. While part of this was largely offset by increased oil and gas exports in the second half of 2009, foreign direct investments and lending to the entities of Samruk-Kazyna, a holding of the largest state owned enterprises in the country, also significantly helped to ease the pressure. The Government also planned to expand borrowing from IFIs on a large scale for the first time. Besides the Loan for the Project, the Government had a loan of US\$0.5 billion from the ADB for budget support in 2009 and the current financing plan for 2010 envisages issuance of Eurobonds or Islamic bonds and budget support from the World Bank (US\$0.7 billion and US\$1.0 billion respectively).

14. **The economic and financial crisis therefore gave additional importance to the Project and to public investments in infrastructure in general.** Public infrastructure spending generally has higher multiplier effects than public consumption spending. By channeling public resources into areas that alleviate constraints on long-term growth, the Government planned to stimulate domestic demand and create jobs without causing economic distortions. The Project was therefore intended to improve critical infrastructure at a time of reduced financing from commercial sources, while at the same time providing a strong stimulus to the construction sector that had been at the forefront of the economic crisis. It is for these reasons that the Government gave high priority to this Project as part of its stimulus package.

B. The Government's Strategy for the Transport Sector

15. **The strategic vision of the Government of Kazakhstan for economic development is based on diversification and integration of the economy into the global market.** This requires both investment in the economic sectors as well as improvements in the investment climate. The geography, population, economy and trade flows of Central Asia have an important bearing on transportation challenges in Kazakhstan. Within the region, distances are substantial (around 3,000 km across Kazakhstan) and access to major markets involves very long travel distances. There are significant physical and non-physical barriers to trade within the region, which have been the subject of discussion at the Central Asia Regional Economic Cooperation (CAREC).² Trade with Russia continues to be important for the region mainly for historical reasons, with much of this trade transiting through Kazakhstan. China is growing in importance as a trading partner for Central Asia, with Kazakhstan taking the largest share. The CAREC countries have designated six major international transport corridors that link Central Asia with China, Russia, South Caucasus, South Asia, Turkey and Western Europe. The Project is financing improvements to parts of the CAREC corridors that pass through Kazakhstan.

16. **The overall objectives for the transport sector in Kazakhstan are identified in the Government's Transport Sector Development Strategy 2006-2015 and the Road Sector Development Program 2006-2012.** These Government documents define investment programs that include rehabilitation of the Republican (National) road network and the provision of selected additional infrastructure, particularly along the CAREC corridors. The transport strategy also aims to harmonize current legislation with international norms and standards and the promotion of innovative technologies. The strategy also includes as an objective the provision of

² CAREC comprises: Afghanistan, Azerbaijan, People's Republic of China (focusing on Xinjiang Uygur Autonomous Region), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan.

services to users along the corridors including improvements in road safety. Roads are a key element of the Kazakhstan transport system, playing an important role in the provision of basic access to rural areas, in addition to providing essential transit corridors for trade. Much of the road network was constructed during the Soviet era and has significantly deteriorated due to lack of adequate maintenance. While financing for the road sector has significantly increased over the past decade, the main reasons for poor performance of the roads are the lack of proper planning, insufficient institutional capacity and a rapid growth in motorization brought about by the transition to a free-market economy after the collapse of the Soviet Union.

17. **The Project was conceived as part of the Government’s strategy to stimulate economic growth and reduce poverty in the poorest parts of the country, by improving access to the two regions, as well as providing employment in the construction sector and related services.** Not only will the Project provide efficient transport links for the poorest regions of Kazakhstan, it will also provide an efficient transit corridor for other countries in the region, particularly Tajikistan and the Kyrgyz Republic. The improvement of the corridor will facilitate more efficient movements of goods and people and will improve road safety. It will also facilitate industrial, agricultural, and commercial activities, with improved trade and services along the road and in adjacent towns and cities.

18. **The construction and transport sectors accounted for about 17 percent of GDP in 2008 and employed about 0.6 million people either directly or indirectly.** There is significant variation in the employment rate and incomes of local populations in the 12 oblasts (regions) and the two republican cities of Kazakhstan (Astana and Almaty). Kyzylorda oblast with 24.3 percent of its population under the poverty line is among the poorest, while South Kazakhstan oblast has the highest rural population density outside the large cities. Among the priority development needs of the two oblasts is the improvement of transport infrastructure, particularly roads. This is critical for improving access to markets for local products and for attracting investments to two regions of the country that have high potential for tourism, agriculture, textile, chemical and mining industries. While there is an existing rail line and a republican road that links the two regions to the rest of the country, the railway is primarily used for transportation of bulk cargo and therefore is inaccessible to the local population. The existing main road is in very poor condition – it takes freight trucks over 48 hours to travel between Shymkent and the border with Russia, a total distance of 1,700 km – a journey that would otherwise take less than 20 hours if the road was in good condition. It is for this reason that the improvement of the WE-WC Corridor is among a top investment priority for the Government.

C. The South-West Roads Project

19. **The Government’s Road Sector Development Program includes financing for improvements to the 2,840 km road corridor linking Western Europe to Western China through Kazakhstan and Russia.** The overall objective of the Program is *to improve transport efficiency and safety, and promote development along one of Kazakhstan’s main strategic road transport corridors.* Transport and trade efficiency are expected to be improved through provision of better infrastructure and services along the entire corridor, leading to reduced transport costs, and gradual reforms of the entities responsible for all categories of roads in Kazakhstan.

20. **The Government requested the IFIs to finance about 63 percent of the total investment costs required to develop the WE-WC Corridor**, estimated at US\$7.5 billion for the 2,840 km corridor (see Annex 2). The IFIs and the Government are financing separate projects as follows:

- The ADB jointly with JICA is financing road sections between Taraz and Korday within Zhambyl oblast (about 321 km) at an estimated total cost of US\$939 million. The first phase loan for this was approved in November 2008, the second phase was approved in October 2009, and a third phase is scheduled for approval in June/July 2010.
- The IsDB is financing 172 km of road sections between the border of South Kazakhstan oblast and Taraz in Zhambyl oblast at an estimated total cost of US\$487 million. The first phase loan was approved in February 2009 and the second phase is scheduled for approval in June/July 2010.
- The IBRD Project is financing sections of the WE-WC Corridor in the South-West regions of Kazakhstan between Shymkent and Aktobe oblast border (approx 1,062 km) at an estimated total cost of US\$2.5 billion, including Government financing.
- EBRD is financing road sections from the Russian Federation border to Martuk in Aktobe oblast (102 km) at an estimated total cost of US\$212.5 million equivalent. This loan was approved in November 2008. In addition, EBRD technical cooperation funds are planned to be used to finance: (i) preparation of a road concession project model; and (ii) the tendering procedure for a road concession pilot project.
- The Government is financing the remaining sections of the WE-WC Corridor. This includes construction of 273 km of roads in Aktobe oblast (Aktobe-Karabutak) completed in 2006, plus 205 km of the Almaty-Bishkek road completed in 2005 with ADB and EBRD loans. In addition, the Government is financing ongoing construction of 215 km of roads in Aktobe oblast (Karabutak to the Kyzylorda oblast border) at an estimated total cost of US\$177 million equivalent, and the road section from Shymkent to the border with Uzbekistan. The total cost of these projects was estimated in 2008 to be KZT 230 billion (approximately US\$1.9 billion equivalent).

21. **The Bank played a convening role in coordinating the participation of the IFIs in undertaking to co-finance the large investment required to develop the WE-WC transit corridor.** This was done to ensure that: (i) parallel financing for the corridor will be synchronized; (ii) uniform technical standards will be applied; (iii) there is a common framework for environmental and social safeguards; and (iv) appropriate technical assistance will complement the investments and institutional strengthening. The very large program of investments for the corridor (comprising approximately US\$7.5 billion) will take several years to implement. In order to formalize this collaboration, a Memorandum of Understanding (MoU) was signed by the Ministry of Transport and Communications (MoTC) and the IFIs (see Project Appraisal Document, Annex 6, page 63). The MoU specifies the mechanisms for collaboration, an outline of the financing, joint Project implementation arrangements, use of a common safeguards framework, and the commitment to uniform design standards.

22. **The Bank financed Project is a major part of the overall Government led effort to develop the Western Europe to Western China Transit Corridor.** The specific Project

Development Objective (PDO) is *to increase transport efficiency along the road sections between the Aktobe/Kyzylorda oblast border and Shymkent and to improve road management and traffic safety in Kazakhstan*. This will be achieved through:

- Upgrading and reconstruction of 1,062 km of road sections within South Kazakhstan and Kyzylorda oblasts along the WE-WC Corridor from the Aktobe/Kyzylorda oblast border to Shymkent (including the northern bypass to Shymkent city);
- Strengthening the capacity of the Committee for Roads and implementing a road management system for planning and budgeting of road maintenance, rehabilitation and construction on the Republican road network;
- Increasing the capacity of the MoTC and the Committee for Roads to monitor and supervise Project implementation with particular emphasis on procurement, financial management and safeguards; and
- Improving road safety and facilitating the provision of services along the WE-WC Corridor.

23. **The Project will lead to more efficient and safer transport, lower road costs of transport and improved road safety and road services along the WE-WC Corridor.** For the Project objectives to be fully achieved it was recognized that there is a need to strengthen the planning and management capacity of the Committee for Roads in order to improve the efficiency of project implementation and the utilization of resources allocated to the sector, and hence lower the economic costs of transport nationally and particularly along sections of the WE-WC Corridor. The Project will also assist in developing plans for improving road safety and road services. This will lead to lower social costs stemming from reduced road traffic injuries and improved movement of goods and passengers.

24. **It was recognized during Project preparation that the lack of services for the different types of road users (e.g., local population, national and international transporters) needs to be addressed.** Most of the investment in this regard is expected to come from the private sector. The Transport Sector Development Strategy highlights the role of the Government as a catalyst for investments that the private sector can make to provide various types of road services. The Project will finance an assessment of the types of services that should be provided along the corridor, and will prepare an action plan for the development of the services through private sector investments. The Project will help define incentives that could be provided by the Government to attract private sector investments. Physical works to improve road safety and road services along the Project road sections (such as bus stops, improved connections to local/service roads, speed reduction measures, pedestrian and animal crossing points, etc.) will be included in the construction contracts financed under the Project. The main beneficiaries of this are intended to be road users in general as well as local communities along the road.

25. **The Project comprises five components:**

- **Component 1:** Upgrade and reconstruction of road sections within Kyzylorda oblast (excluding the bypass to Kyzylorda), estimated at a total cost of US\$1,334.5 million equivalent, excluding physical and price contingencies, and the costs of consulting services for supervision of the construction. About 788.5 km of road sections (most of

which will be 2-lane) in Kyzylorda oblast will be rehabilitated or upgraded with modern structural design to lower the life-cycle cost of the road asset, including road safety features and road services. Land acquisition and road design costs are financed by the Borrower.

- **Component 2:** Upgrade and reconstruction of road sections within South Kazakhstan oblast from the Kyzylorda oblast border to Shymkent, including the bypasses to Kyzylorda and Shymkent, at an estimated cost of US\$879.1 million equivalent, excluding physical and price contingencies, and the costs of consulting services for construction supervision. About 273.4 km of road sections, all of which will be dual carriageways with 4 lanes, will be reconstructed or upgraded to include road safety features and road services. Land acquisition and road design costs are also financed by the Borrower.
- **Component 3:** Project Management Consultants (PMC) estimated at US\$6.5 million equivalent. The consultant services are designed to assist the Committee for Roads with the management of all activities associated with the IFI projects, including the supervision of all safeguards and fiduciary aspects, as part of a joint effort by all IFIs and the Government to ensure efficient and transparent implementation of the WE-WC Corridor program. Additional financing towards the full PMC costs will be made by the other participating IFIs, estimated at another US\$6 million. The main beneficiaries will be the Committee for Roads and the MoTC from improved efficiency in Project implementation and management of the road network.
- **Component 4:** Institutional development and preparation of action plans to improve road safety and road services estimated at US\$3.5 million equivalent. The component comprises consulting services for: (i) a study to review options for strengthening the Committee for Roads and improving the overall condition of the road network; (ii) a training program to enhance capacity of Committee staff in project management, with particular emphasis on fiduciary and safeguards aspects; (iii) development and implementation of a road management system comprising a computerized database system for planning and scheduling road interventions; (iv) preparation of plans for improving road services along the Project road; (v) improvement in the oversight of environmental protection; and (vi) improvement in road safety through preparation of a road safety design manual, road safety audit, identification of accident black spots, strengthening of road accident research and estimation of the social cost of road accidents. Related civil works along the Corridor, such as improvements of links to local roads, construction of bus terminals, road/rail terminals, etc., will be financed through Components 1 and 2.
- **Component 5:** This will finance consulting services for supervision of civil works under Components 1 and 2, estimated at US\$55.0 million. This also includes review of detailed engineering designs and supervision of the implementation of Environmental Management Plans (EMPs) prepared for each road section.

26. **During Project preparation, the Bank discussed and agreed with the Government and with the other IFIs on the use of Project Management Consultants to assist the Committee for Roads with the management and implementation of the WE-WC Corridor development program.** The PMC is funded by the participating IFIs through the corresponding project loans. The specific role of the PMC is to undertake quality control in the management of

all contracts, monitor safeguards implementation and oversee the work of supervising engineers employed under separate consulting services contracts. The PMC is responsible for preparing bidding documents, bid evaluation reports, quality control reports, and other progress reports for the entire WE-WC Corridor. In addition to the transfer of skills through training and day-to-day operations, the PMC interaction with the Committee of Roads is expected to lead to better control of the implementation schedule and will provide quality assurance for the executed works. This is designed to ensure strict adherence to all contract specifications, including full compliance with environmental and social safeguards requirements.

27. Supervision of the construction road works is undertaken by separate international consultants financed under Component 5 of the Project. Fourteen civil works contracts (covering Component 1 of the project) have been procured and contracts worth US\$1.2 billion were approved on December 3, 2009. Supervision consultants for the fourteen civil works contracts are deployed and are operational, as well as the contractors who have started earthworks and preparatory works. The civil works in Kyzylorda oblast, which started in February 2010 on some road sections, are planned to span three years. A second set of seven civil work contracts, covering all road works in South Kazakhstan oblast (estimated at US\$890 million) is being procured – currently in the prequalification stage. The civil works contracts, together with the supervision contracts, will be awarded subject to the following conditions: (i) an agreement with the Bank on a framework of actions to strengthen the Committee for Roads, based on the recommendations from the technical assistance study (financed under Component 4 of the Project); and (ii) the completion of Resettlement Action Plans (RAPs) for all road sections in South Kazakhstan oblast. The Committee for Roads is processing these activities in parallel and expects to be able to start the civil works under Component 2 over the summer of 2010, subject to the preparation by the contractors of site-specific EMPs satisfactory to the Bank.

28. The environmental conditions for the Project road sections are characterized by arid or semi-arid climate, sparse vegetation, few year-round surface water courses and large areas with naturally hyper-saline soils. The Project area north of Kyzylorda is arid and barren with very limited vegetation that is prone to wind erosion, dust and moving sand dunes. From southeast of Kyzylorda city to Turkestan, the climate gradually becomes less arid with steppe vegetation, dominated by grassland with small patches of forest near rivers and in valleys. Further southeast, the area between Turkestan and Shymkent is used extensively for agriculture and horticulture. The Project area includes both the densely populated areas in South Kazakhstan oblast and the Kyzylorda oblast, where the population density is less than 2.7 people per sq.km, with few villages and settlements. The Project road is the only major artery through the area and is therefore the main economic lifeline. Improvements to the Project road can be expected to accelerate economic activities in the major population centers and stimulate commerce at intersections and along bypasses, but are unlikely to stimulate the establishment of new settlements in uninhabited areas.

29. Increased international traffic will open access to new markets and to trade beyond the two oblasts. Locally, more transit will mean greater opportunities for local residents to buy and sell goods and to provide accommodation and other road services. Transit through congested areas will be limited by the construction of new bypasses or improvements to existing bypasses, thereby greatly reducing potential resettlement and housing displacement and increasing traffic safety in settled areas. The road design ensures that the bypasses do not leave

settlements disconnected from the road network. The social impacts from the Project are therefore expected largely to be positive. The most significant general social risk is related to traffic safety, both on the open highway and in settled areas. The risks of injuries and fatalities will be mitigated by addressing physical deficiencies at potential traffic accident black spots and through public awareness campaigns. While sites of cultural significance were identified at Turkestan and at Sauran, they will not be affected by the planned road improvement. The contracts for construction include EMPs that specify procedures and actions to be taken in the event of archaeological “chance finds” during construction.

IV. KEY ISSUES DURING PROJECT PREPARATION AND SUPERVISION

30. **The feasibility study³ for the WE-WC Corridor carried out in 2007 showed that several bypasses planned for future development were not economically viable at the time and would involve significant land acquisition.** Among these were the potential northern or southern bypasses around Turkestan, and a 196 km proposed bypass of several settlements from north of Kyzylorda city to north of Zhosaly. Such bypasses would have involved construction in greenfield areas at much higher cost, requiring substantially more land acquisition and a consequent loss of access by settlements along the existing road alignment. The feasibility study assessed the economic viability of the Corridor, the preliminary road designs from which estimates were made of the construction costs and compensation for resettlement. The Bank reviewed the economic analysis that was carried out using traditional cost-benefit analysis methods to assess the viability of the proposed Project. The analysis used the Highway Development and Management (HDM-4) model, which simulates life-cycle conditions and costs and provides economic decision criteria for road investments. The investments proposed in the feasibility study report were approved by the Ministry of Economy and Budget Planning and the Ministry of Trade and Industry in July 2008. The Government at this point approached several IFIs to explore the potential for co-financing the approved investments.

31. **The feasibility study included a preliminary environmental assessment (EA) report prepared to the national standards of Kazakhstan for the viable road sections. The Bank identified gaps in the preliminary EA report and agreed with other IFIs that a common safeguards framework would be developed instead.** The Bank supervised preparation of a Resettlement Policy Framework (RPF), and the ADB supervised preparation of an Environmental Assessment Review Framework (EARF) for the Corridor. The EARF and RPF provided an overview of the environmental and social measures necessary to mitigate potential and actual adverse environmental and social impacts along the entire WE-WC Corridor. The EARF and RPF were reviewed and found to be consistent with World Bank policies and were disclosed prior to appraisal at the Bank’s InfoShop on June 17, 2008 and June 23, 2008 respectively, and on June 30, 2008 by the MoTC in Kazakhstan.

32. **Road designs were subsequently prepared in accordance with the feasibility study report findings following its approval by the State Expertise and other Government organizations in accordance with Kazakh regulations.** The Committee hired a number of

³ The feasibility study was carried out by a local firm, KazDorProekt, with the assistance of Saty-Invest Ltd (Kazakhstan), Asia Megatransit (Kazakhstan), TASC (Israel) and BCEOM (France).

local consultants to prepare detailed designs for the approved road sections, incorporating the results of public consultations. Road designs must be approved by the State Expertise, which requires that the detailed road designs be consulted upon and approved by respective local governments, project affected persons (PAPs), traffic police, and environmental and sanitary-epidemiological authorities. Although the detailed designs were completed in February 2009 for most of the Project road, three road sections, including at Temirlanovka and Birlik settlement, were subject to re-design following the public consultations. Section V of this Management Response further discusses the consultation and redesign process for Birlik settlement undertaken by the Committee for Roads.

33. **During the initial stages of preparation, the Project was designed to be financed as separate phases of an Adaptable Programmatic Loan (APL), but this was later changed to Specific Investment Loan (SIL), with implications for safeguards procedures.** Phase 1 of the APL would have comprised road sections placed in environmental screening Category B, for which the EARF and RPF had been prepared and disclosed. It was anticipated that a subsequent Phase 2 would be a Category A operation involving involuntary resettlement. However, during the appraisal mission, the Government requested that the entire Loan be committed upfront, as was done for the road sections financed by other IFIs. Consequently, the proposed financing instrument was changed from an APL to a SIL as this was the only Bank instrument that would fulfill the request by the Government. With the change of the lending instrument from an APL to a SIL at appraisal, the entire Project was reclassified as environmental Category A, involving involuntary resettlement. The implication of this re-classification was that the EARF was no longer sufficient for the requirements under OP 4.01, which specify that a detailed EA report covering all road sections under the Project, incorporating site specific EMPs, should be completed, disclosed and consulted upon, prior to appraisal. With regard to OP 4.12, compliance requires completion and disclosure of a RAP prior to appraisal if all affected persons and the land to be acquired can be identified at that time – otherwise an RPF can be an appropriate form of resettlement instrument.

34. **As a consequence of the change of lending instrument from an APL to a SIL at appraisal, a request was made to senior Bank management for a waiver to be sought from the Board of Executive Directors to exempt the Project from the requirement for the EA report and the RAPs to be completed and disclosed prior to appraisal.** The request to senior Bank management dated October 6, 2008,⁴ was made on the understanding that the EA report and the RAPs would be completed to the satisfaction of the Bank prior to presentation of the Project to the Board of Executive Directors. The EARF and RPF were subsequently withdrawn from the InfoShop because their disclosure had been superseded by the waiver request. In effect, the waiver meant that preparation of the site-specific EMPs and RAPs would be carried out during the Project implementation phase, thereby placing additional responsibilities on the Bank's Project team to monitor this during supervision.

35. **In order to prepare the EA report, the Committee for Roads hired independent Consultants under terms of reference acceptable to the Bank, to carry out detailed Environmental and Social Impact Assessments (ESIA).** The Consultants prepared the ESIA

⁴ The initial request for a waiver was approved by senior Bank management on October 6, 2008. This was subsequently amended on March 30, 2009.

report incorporating EMPs for Category A and B road sections, in accordance with the requirements specified in the earlier EARF. These EMPs provide the basis for contractors to prepare site-specific EMPs prior to commencing works as required under the Loan Agreement, Schedule 2, Section I.A.3. The ESIA report was extensively reviewed and found satisfactory to the Bank, and was disclosed in the Bank's InfoShop and in Kazakhstan by the MoTC in February 2009.⁵ An executive summary of the ESIA highlighting all pertinent safeguards issues for the Project was distributed to the Board of Executive Directors in March 2009. The Bank's Project team has received the site-specific EMPs for 6 lots where civil works have started south of Kyzylorda city, and the EMPs for the remaining 8 lots are due by May 31, 2010. With regard to the requirements under OP 4.12 (Involuntary Resettlement), the ESIA consultants prepared a draft Resettlement Report, which indicated that the Project will require removal of 152 structures in South Kazakhstan oblast and 20 in Kyzylorda oblast and an estimated 855 households will lose part or all of their land plots (most losses constituting a small portion of the plot). However, the Consultants were not able to finalize this as a RAP because resettlement data was incomplete for three out of twelve Project road sections, and a new design was required for the road section at Temirlanovka and Birlik settlement where public consultations led to significant revisions to the proposed designs.⁶ Consequently, the waiver request to senior Bank management was amended on March 30, 2009 to replace the requirement for a RAP with an RPF. Except for the timing, the requirements under OP 4.01 and OP 4.12 had been met prior to presentation of the Project to the Board of Executive Directors.

36. Since the approval by the Board and effectiveness of the Project, the Bank's Project team has maintained close supervision of the Project with regular field visits to Kazakhstan and the Project site. Bank supervision is deliberately intensive in order to ensure that implementation is in full compliance with all relevant Bank safeguards and fiduciary policies as well as the corresponding regulations of Kazakhstan. In this respect, the Loan Agreement for the Project requires that the Committee for Roads and other relevant Government bodies, supported by the environmental and social safeguards specialists of the PMC, should monitor on a quarterly basis, compliance with the safeguards measures as prescribed in the site-specific EMPs and the RAPs. The Committee for Roads is required to submit Quarterly Progress Reports to the Bank, summarizing the monthly progress reports prepared by the PMC that must include results of safeguards compliance monitoring. The PMC monthly progress report for March 2010 was reviewed by Bank staff and was found to include summaries of resettlement activities monitored by the PMC safeguards staff. Bank staff also reviewed the detailed resettlement implementation report for Kyzylorda oblast prepared by the PMC resettlement specialist.

37. The resettlement implementation report included details of land acquired by the Committee for Roads as well as the compensation paid to affected persons in Kyzylorda and South Kazakhstan oblasts. However, this had been done prior to full disclosure of and consultation on the RAPs. The social development specialist from the Bank's Project team visited Kyzylorda oblast in mid February 2010 to carry out a due diligence assessment of the resettlement activities described in the resettlement implementation report, and to verify whether or not the compensation paid and assistance provided to the PAPs was done in accordance with

⁵ Relevant documents were disclosed prior to all consultation meetings for the Project in both Russian and Kazakh.

⁶ Further consultations in Temirlanovka were conducted in April 2009 to select an alternative alignment. An eastern bypass was subsequently selected and the detailed designs for this are being financed through the Project.

the provisions of the RPF. The main conclusion of the due diligence report was that the compensation and assistance provided by the Committee for Roads to PAPs in Kyzylorda and South Kazakhstan oblasts complies with the provisions of the RPF and the World Bank policy on Involuntary Resettlement. The review identified a total of 45 affected persons (11 owners of commercial structures, 31 agricultural land users, and 3 owners of residential structures) for the 116 hectares of land that had been acquired in Kyzylorda oblast, and 18 property owners with 57 hectares of land acquired in South Kazakhstan oblast.

38. **The due diligence report prepared by Bank staff noted that efforts had been made to restore income streams and provide for replacement value of assets, and informal land users had been compensated.** Bank staff met with many of the PAPs along the road alignment in Kyzylorda oblast and had extensive discussions with representatives of the local department of the Committee for Roads, the local PMC resettlement specialist and representatives of the Coalition of NGOs.⁷ Bank staff reviewed the list of affected persons and found this to be complete. PAPs interviewed by Bank staff stated that they were satisfied with the compensation and assistance received. The local department of the Committee for Roads had worked closely with affected persons advising on their rights and entitlements under the RPF and assisting them in the choice of valuation techniques and the costs of property registration. With regard to South Kazakhstan oblast, during the February 2010 mission Bank staff met with most of the land owners from whom land had been purchased. Land owners indicated to Bank staff that they were satisfied with the levels of compensation provided. Going forward, a process has been agreed with the Committee for Roads on how to proceed in South Kazakhstan oblast with the finalization of the lists of PAPs, the preparation of a resettlement implementation report for land already acquired from 18 property owners and land users, and the preparation and disclosure of RAPs.

39. **The key remedial action recommended following the review by Bank staff was the need to ensure that the grievance redress mechanism is fully established in accordance with the RPF and is operational.** This has now been established with the supervision consultants (the formal Engineer for each road construction contract) designating one field supervisor as the “grievance redress coordinator” covering the length of each road section. Leaflets in Kazakh and Russian were widely distributed along the Project road summarizing the grievance redress mechanism and listing the contact telephone numbers for the respective grievance redress coordinators. The coordinators are required to submit monthly supervision progress reports summarizing any complaints received and indicating what actions were taken. The supervision consultants are also required to ensure that Contractors prepare and abide by all requirements in the site-specific EMPs and in the RPF/RAPs. The PMC resettlement specialist is responsible for monitoring the activities of all designated grievance redress coordinators and is obliged to investigate details of any complaints received and record how this was resolved. The PMC

⁷ To the best of Management’s understanding, the Coalition of NGOs was formed as an informal group comprising seven of the NGOs who are active in the southern oblasts of Kazakhstan. The Coalition of NGOs was first created around February-March 2009, initially to monitor various sections of the WE-WC Corridor Program. Although there was no formal agreement between the NGOs, they share information about projects financed under the WE-WC Corridor Program. One NGO, the National Analytical Information Resource (NAIR), has been most active in monitoring the IBRD financed part of the WE-WC Corridor in South Kazakhstan oblast, and is the only NGO that has regularly participated in consultation meetings, and in communications with the Committee of Roads on behalf of local residents.

should also monitor the implementation of the EMPs and RAPs paying particular attention to any reported non-compliance.

40. **The March 2010 monthly progress report prepared by the PMC resettlement specialist recorded complaints by some residents of Birlik settlement in South Kazakhstan oblast.** The report includes a schedule of the public consultations held by the Committee for Roads in Turkestan and Birlik settlement (see Annex 3), and the subsequent consultation on the redesign of the road segment along Birlik settlement. The resettlement implementation report prepared by the PMC, the due diligence report prepared by Bank staff and the grievance redress mechanism established as a remedial measure, were all independently reviewed by the ECA Region Social Safeguards Coordinator and were found to be satisfactory.

41. **In addition to the formal supervision of Project implementation by Bank staff, the Laws of Kazakhstan require close monitoring of the environmental and social impacts of the Project by agencies of the Ministry of Environmental Protection (MEP) and the Ministry of Culture, respectively.** In accordance with the Law of the Republic of Kazakhstan “On protection and use of historical and cultural heritage” of 1992 (amended in 2004), prior to development of any areas, research on the identification of sites of historical and cultural heritage must be carried out by authorized archaeological expert bodies as determined by the Ministry of Culture. No works which can threaten the existence of objects of historical and cultural heritage are permitted to proceed. For the road section at Turkestan, the Ministry of Culture issued the Archaeological clearance for the Project road (# 0132440 of October 24 2008) and continually monitors progress during construction.

42. **To ensure that all projects are being implemented avoiding harm to people and the environment, the MEP is required to undertake regular, comprehensive, random ecological inspections in accordance with provisions of the Ecological Code of the Republic of Kazakhstan.** In the event that any non-compliance with the environmental legislation is registered, the Environmental Inspector issues a report with binding recommendations of actions required to remedy any negative impacts on the environment. If such recommendations are not implemented within the set deadline, a Protocol on administrative violation is produced and submitted to the Court. Further, a resolution on imposition of administrative penalties is issued to be paid by the party at fault (e.g., the Contractor). The Bank’s Project team has reviewed similar reports issued to private sector entities on other non-Bank financed projects in Kyzylorda oblast. During the first five month period of Project implementation in Kyzylorda oblast, no violations have been registered and no reports have been produced by the environmental authorities.

43. **The Project has facilitated continued dialogue between the MoTC, the Committee for Roads, the PMC, and civil society organizations (CSO) through the Coalition of NGOs.** A Steering Committee comprising the Coalition of NGOs, the local representatives of the Committee for Roads in South Kazakhstan oblast, and the PMC was established through a signed Agreement that came into effect on March 26, 2010 (see Annex 4.) This provides a formal mechanism for CSO to participate in monitoring Project implementation, particularly aspects related to resettlement and progress during construction. Several meetings and exchanges of emails and letters between the Committee for Roads and representatives of the Coalition of NGOs have taken place to discuss issues raised by PAPs, particularly changes to the road design along Birlik settlement. Bank staff have observed that the formal participation of the Coalition of

NGOs acting on behalf of PAPs has been useful as an intermediary for coordinating concerns raised by PAPs and local populations at large. This process has resulted in the Committee for Roads being more responsive to concerns raised by the public – as shown by the number of consultations in Turkestan and Birlik – and the subsequent revisions to detailed designs for the road segment along Birlik settlement (see Section V of this Management Response.) However, the effective participation of the NGOs in the Steering Committee may require financial support to facilitate the continuation of this collaboration.

V. MANAGEMENT RESPONSE

44. **The Requesters' claims, accompanied by Management's detailed responses, are provided in Annex 1. In Management's view, the Bank has made every effort to apply its policies and procedures and to pursue in a comprehensive manner its mission statement in the context of the Project.** In Management's view, the Bank has followed the guidelines, policies and procedures applicable to the matters raised in the Request. As a result, Management concludes that the Requesters' rights or interests have not been, nor will they be, directly and adversely affected by a failure of the Bank to implement its policies and procedures.

45. **Management appreciates that the Requesters share a common vision with the Government to improve the WE-WC Corridor that provides the main link for local communities to the rest of Kazakhstan and to other countries.** The Project road is both a source of income for local communities who provide the bulk of services to road users, and also the only access to markets for local products.

46. **Management recognizes that the Committee for Roads, acting on behalf of the Borrower, has actively engaged with the Requesters and with the local communities particularly in Birlik settlement to respond to concerns raised by PAPs.** The Committee for Roads has on several occasions amended the designs for individual road segments in order to address proactively issues raised by local residents throughout the Project road length. In the specific case of the road segment along Birlik settlement, which constitutes one of the main elements of this Request, Management has confirmed that revised road designs have been prepared by the Committee for Roads following several rounds of consultations with residents of Birlik settlement and Turkestan city more broadly. The revised designs have been incorporated in Bidding Documents prepared for the construction contract that will include the road segment along Birlik settlement. The Bank's Project team has reviewed the revised designs and has issued the no objection to the Bidding Documents.

47. **In addition, Management would like to highlight the responsiveness of the Bank's Project team in supporting the Borrower to resolve all issues raised by the Requesters and by other PAPs.** The Bank's Project team first received written complaints by email from representatives of a local NGO in June 2009 with subsequent emails in August and September 2009. The Committee for Roads arranged further public consultations in June 2009 in Shymkent, observed by Bank staff, to discuss revisions to road designs within South Kazakhstan oblast, based on the outcomes from earlier public consultations. Revisions to the designs for the road segment along Birlik settlement were subsequently completed in December 2009 and consulted upon in February 2010 in Turkestan and in Birlik settlement.

48. **Management concludes that the substance of the complaints embodied in the Request have been resolved to the satisfaction of the majority of the local population around Turkestan city, including residents of Birlik settlement.** The Bank's Project team, working closely with ECA regional management and with the Bank's Operations Policy and Country Services Quality Assurance and Compliance (OPCQC) unit, will continue close supervision of the Project as well as regular engagement with CSO and local populations in the influence zone of the Project.

49. **Management's response to the concerns raised by the Requesters is focused on the following issues:**

- A. Concern that the proposed improvements to the existing bypass to Turkestan city at Birlik settlement have **potential adverse effects on residents and their properties;**
- B. Request for a **dedicated school-bus service for Birlik settlement to take children to and from the local school;**
- C. The adverse **impact of transit traffic on the mausoleum and other physical and cultural properties that are located at the heart of Turkestan city;** and
- D. Request for a **new bypass road outside the city of Turkestan** when justified by traffic.

A. Potential adverse effects of the road segment along Birlik settlement

50. The Requesters allege that the road design at its narrowest section runs past 30 houses in the settlement of Birlik and that this does not conform to the environmental standards of the World Bank that provide for the buffer zone from the harmful toxic and noise effects of vehicles to be 50 meters wide. The Requesters acknowledge that a revised road design was presented in August-September 2009, shifting the roadbed along Birlik settlement toward the railroad bed and installing a noise-protection screen and a tree-belt area. The Requesters state that even this new road design does not meet the Bank's standards with regard to the environmental safety of the persons whose interests are affected by the Project.

51. **The Committee for Roads has incorporated revisions to the road designs, which include the following actions taken to address the concerns raised by residents of Birlik settlement (see Map in Annex 5):**

- Shifting the alignment of the new road away from the existing residences at Birlik settlement towards the rail line through construction of a new 4-lane road. The residences at Birlik settlement were built within 5 meters of the existing road. In accordance with good engineering practice, the revised design shifts the road alignment away from the residences to provide the maximum possible distance between the houses and the new 4-lane road. At the minimum point, this is a distance of 17 meters.
- Construction of a pedestrian underpass to provide direct access for crossing the new 4-lane bypass road close to the local school (School No. 20 in Annex 5). A second at-grade pedestrian crossing will be provided at the traffic signal about 800 meters further along the road. Another underpass will be constructed for livestock to cross under the new 4-lane road at about 600 meters north of the traffic signals.

- The existing 2-lane bypass road will be reconstructed to become a local access road to be used by residents of Birlik settlement. The intersection between the local access road and the new 4-lane road will be at-grade with traffic signals to control traffic flow and provide safe crossing for pedestrians. The revised designs include construction of bus stops with shelters along the local access road. This represents a significant improvement over the present situation where local communities have direct access to the main road from their residences, resulting in poor road safety conditions (see photographs in Annex 6).
- Construction of a 3-meter high wall between the new 4-lane road and the reconstructed 2-lane local access road. The wall will act as a barrier to reduce traffic noise and vehicle emissions. This is also designed to provide a safe environment for local residents by separating pedestrians from traffic.
- In response to a request by residents, trees will be planted along the new 4-lane bypass road to provide aesthetic coverage. Once the trees reach maturity, it is expected that they will also serve to supplement the 3-meter wall as an additional barrier to reduce noise and vehicle emissions. The design also incorporates the installation of street lights along the existing 2-lane bypass road, and at the underpasses to improve personal safety and security.

52. **Further consultation meetings were held in February 2010 in Turkestan and Birlik settlement during which the revised road designs and the proposed mitigation measures described above were presented to the residents of Birlik settlement.** The Coalition of NGOs subsequently confirmed to Bank staff in February 2010 that the residents of Birlik settlement were satisfied with the revised road designs and the package of mitigation measures incorporated in the revised designs. Management understands that this was the reason for withdrawal of the first Request.

53. **The Bank's Project team has reviewed the revised road designs and confirmed that these, together with the above mitigation measures, have been incorporated in the detailed designs and Bidding Documents for construction of the road segment along Birlik settlement.** Annex 10 presents the detailed engineering drawings prepared for construction of this road segment. In addition, site-specific EMPs will be prepared prior to the start of civil works and will include implementation of additional measures to protect road users and residents during physical construction. The Loan Agreement (Schedule 2, Section I.A.3) obliges the Borrower to carry out the Project in accordance with the requirements of all such site-specific EMPs.

54. With regard to the assertion by the Requesters that the revised road designs do not conform to the environmental standards of the Bank, **Management would like to emphasize that there are no Bank guidelines or standards that require the provision of a 50 meter buffer zone from the edge of a road to residences.**

55. **Management understands that the Birlik settlement was largely built up after the existing 2-lane bypass road had been completed.** This demonstrates the value that residents attach to the existing road as this provides both access to their properties and is a source of income from the services that residents provide to road users. Management appreciates that the

residents of Birlik settlement are not opposed to the planned improvements along the existing 2-lane bypass road, and that the Requesters want to minimize any negative environmental impacts of the proposed improvements on the city of Turkestan. Management further notes that Bank staff observed the consultation meeting held in Turkestan in January 2009. While there were questions about plans for construction of either a southern or a northern bypass, the majority of local residents at the meeting supported the proposed improvement to the existing 2-lane bypass road located on the outskirts of Turkestan city.

B. Promise of dedicated school-bus services for the children of Birlik settlement

56. The Requesters have stated that promises were made by the local government administration (Akim) that children would have a bus taking them from the settlement to school. The Requesters would like to have these promises properly recorded and a sign off from the officials who are responsible for them.

57. **Management confirms that it is satisfied that the mitigation measures outlined in paragraph 51 above fully address issues of pedestrian safety.** While the provision of a bus service is not a required mitigation measure, Management notes that in addition to the above improvements to the road designs at Birlik settlement, the local administration (Akim) has offered to provide additional bus services specifically to transport children from Birlik settlement to the local school during the school year. Management received written assurances on March 17, 2010 from the MoTC forwarding the letter from the Akim confirming that additional bus services will be provided by the local administration, commencing in September 2010 (see Annex 7 for a copy of the letter). Management wishes to emphasize that the development of a strategy for the provision of road services (such as bus services, rest stops, fuel stations, etc.) is included under Component 4 of the Project. The strategy will be developed through technical assistance financed under the Project to ensure that such services will be provided in a sustainable manner taking into account the needs of local communities.

C. Impact of transit traffic on the Mausoleum located at the heart of Turkestan city

58. The Requesters assert that Turkestan is viewed as the second Mecca for Muslims around the world. The city's potential for Muslim pilgrims and tourism could be damaged by the adverse environmental and economic impact of increasing traffic.

59. **Management recognizes the cultural importance of Turkestan. The Project will finance improvements to the existing bypass road on the outskirts of the city of Turkestan that will divert traffic away from the center of Turkestan city** where the Khoja Ahmed Yasawi Mausoleum and other physical cultural properties are located. Management recognizes that the Mausoleum at the center of Turkestan is considered a holy site that attracts pilgrims and tourists to the city, and is designated as a UNESCO World Heritage Site. The existing 2-lane bypass road was first constructed in 1959 as a gravel road and subsequently upgraded to Category II standard in 2001. The existing 2-lane bypass road is now in very poor condition and, as a result, much of the through traffic currently passes through the center of Turkestan. In consultation with the local administration (who is also responsible for the Mausoleum), the Committee for Roads agreed to finance improvements to the existing 2-lane bypass road by widening this to a 4-lane road. The improvements will largely follow the alignment of the

existing bypass road which, at its nearest point, is over 2.6 km from the Khoja Ahmed Yasawi Mausoleum. It is expected that the planned improvements will divert most of the through traffic away from the center of Turkestan, thereby reducing the amount and negative impacts of traffic transiting through the city center, and allowing better access to the Mausoleum.

60. **Improvements to the Project road are expected to lead to further development of Turkestan and other areas in the southern and western regions of Kazakhstan.** It is generally accepted that as cities grow, authorities should plan to provide infrastructure to divert traffic away from city centers and from other areas of local importance. This is often achieved through the construction of several concentric “layers” of ring roads that divert traffic around a city. The planned improvement to the existing 2-lane bypass road is therefore seen by the local authorities in Turkestan as one part of a future middle ring road on the outskirts of Turkestan city. The Bank’s Project team has reviewed the conceptual design comprising future improvements around the city. This indeed shows the existing 2-lane bypass road improved to 4-lanes as the northern half of a middle ring road around the city of Turkestan (see conceptual plan of Turkestan in Annex 8). Management concludes that the local authorities’ long-term plan to develop such transport infrastructure for the area around Turkestan is well founded.

D. Promise of a new bypass road outside the city of Turkestan

61. The Requesters demand that guarantees be given that, as the traffic going through the city of Turkestan intensifies in the future, the Government of Kazakhstan will design and construct a different [bypass] service road outside the city of Turkestan within 5 years.

62. **Management is aware of plans by the local Government to construct in the future either a northern or a southern bypass road further away from Turkestan. However, the construction of such bypasses would involve significant land acquisition.** The feasibility study carried out for the WE-WC Corridor examined the proposed northern and southern bypass roads, and found that these were not viable based on the results of the economic analyses. Further analysis by Bank staff using more recent traffic data for 2010 confirms the continued validity of the results of this economic analysis (the estimated Economic Rate of Return would be less than 1.0 percent for a 2-lane southern bypass of about 38 km long). As noted earlier, Bank staff was present at the consultation meeting held in Turkestan city in January 2009. Minutes of the meeting show that participants asked the local government officials about plans for the southern bypass road. The local government officials replied to the effect that based on the recommendations in the feasibility study report *“construction of the Turkistan city bypass has been delayed and put off The decision was taken to widen and to rehabilitate the existing bypass. This bypass road (to be constructed under the Project) will be handed over to the city after a new bypass is constructed.”*

63. **Management understands that officials from the Government have promised that either the northern or southern bypass will be considered when justified by traffic levels.** For the local authorities in Turkestan, the decision to construct either of these bypasses requires a balance between the need to provide easy access to the center of the city to facilitate the movement of pilgrims and visitors to the Mausoleum, while keeping transit or through traffic away from the center of the city. In Management’s view, this dual function of improving access to the city while keeping transit traffic away is best served at present by improving the existing

2-lane bypass road on the outskirts of the city. Both options for the northern and southern bypasses, which would be much further away from the city and much longer in length (representing an additional 8 km travel distance), would not serve the city of Turkestan. Management is of the view that the city will benefit more from having the existing 2-lane bypass road improved, with a northern or southern bypass road to be built in future when justified by traffic levels.

64. Preliminary analyses of the northern and southern bypass options carried out for the Committee for Roads as part of the feasibility study indicate that the average unit cost of construction for either option would be around US\$4.5 million per km – resulting in an estimate of US\$193.5 million for the northern bypass and US\$171 million for the southern bypass option – both excluding the costs of land acquisition and compensation for resettlement. This compares to the estimate of around US\$55.5 million for improving the existing 2-lane bypass road by widening this to 4 lanes. Annex 9 shows the screening level estimates for the northern and southern bypasses as well as the conceptual locations of the two bypass options. These high cost estimates are due to the significant number of large bridges and tunnels that would be required (11 bridges and 2 tunnels for the northern bypass; 9 bridges and 2 tunnels for the southern bypass), in addition to the potential demolition of 50 residences along the northern bypass route. Both bypass options would traverse greenfield land which is cultivated in many locations, and both routes are also known to have large numbers of graves and other physical cultural properties.

65. Current standards used by the MoTC⁸ call for the provision of a new 2-lane bypass road when projected traffic diversion to the new bypass road exceeds 6,000 light vehicles and 3,000 heavy vehicles per day. Further economic analysis by Bank staff using the HDM-4 model indicates that a 2-lane bypass road of this type would require traffic of around 10,000 vehicles per day to be justified, while a 4-lane bypass would require traffic of around 14,000 vehicles per day to be diverted to the new facility (compared to an average daily traffic level of about 3,500 in 2010). In addition, Management notes that the planned improvement along the existing road alignment minimizes the need to acquire additional land and private property for purposes of road construction. The design standard adopted to widen the existing road is appropriate for an urban environment.

66. In line with the guidance that the Bank gives to all client countries, Management is of the view that the decision to construct either the northern or southern bypass should be based on economic, environmental and social impacts. Although the Bank cannot guarantee financing for future investments that may be included in the Government's Road Sector Development Program, Management would consider requests for further support to Kazakhstan in future. Given the cultural and religious importance of the Khoja Ahmed Yasawi Mausoleum located at the center of Turkestan, Management would expect that construction of the planned southern (or northern) bypass would remain in the public investment program of Kazakhstan until such time as it is justified on economic grounds. Good practice requires that governments prioritize such investments on the basis of economic returns, taking into account social and environmental considerations.

⁸ SNIP norms and standards adapted for Kazakhstan (#3.03-09-2006).

Annex 1. Claims and Responses

No.	Claim	OP/BP	Response
	Initial Request (February 5, 2010)		
1.	<p>The project design for the segment of the projected road through the city of Turkestan calls for it to follow the existing bypass route. In its narrowest section this road runs past 30 houses in the settlement of Birlik and is squeezed on one side by the building line of the houses and on the other by the rail spur of the Yuzhpolimetall company. The distance from the building line of the houses to the edge of the roadway is 5 to 15 meters, which does not conform to the environmental standards of the World Bank that provide for the buffer zone from the harmful toxic and noise effects of vehicles to be 50 meters wide. On 22 June 2009 I sent a letter to the Bank. Credit must be given [...] the project director, reacted instantly, coming to Shymkent with his team and taking part in a conference presided over by the deputy akim of the oblast, B. N. Aliyev. As a result, a new project design appeared in August-September 2009, shifting the roadbed of the projected highway in the aforementioned area of Birlik settlement toward the railroad bed and installing a noise-protection screen and a tree-belt area. Even this new project design, however, does not meet the World Bank's standards with regard to the environmental safety of the persons whose interests are affected by the project.</p>	4.01	<p>Management wishes to clarify that the Bank's environmental policies do not specify a minimum distance between residences and public roads in urban areas. However, the ESIA report recommends monitoring lead levels within a 40 meter strip from the edge of the road.</p> <p>Management is committed to ensuring that the outcome of consultations with local communities is expeditiously incorporated in the Project. After receiving a complaint from the Requesters in June 2009 regarding the proposed road alignment at Birlik settlement, the Bank Project team met with representatives of a local NGO and with Government officials in July 2009 and subsequently in October and November 2009 to discuss options to address the concerns raised by residents of Birlik settlement. The Committee for Roads and the local Government agreed to explore viable options to redesign the road section at Birlik settlement and to incorporate mitigation measures acceptable to the residents. The Committee for Roads subsequently prepared revised road designs, and arranged further consultations in the Turkestan area in February 2010. As a result, the revised road designs incorporate the measures described earlier in this Management Response, including: shifting the new road alignment away from the residences at Birlik settlement towards the rail line through construction of a new 4-lane road; the construction of a 3-meter high wall that will serve as a noise barrier and an additional buffer from exposure to vehicle emissions; construction of a local access road for residents of Birlik settlement; construction of underpasses for pedestrians and livestock; and provision of a safe traffic controlled pedestrian crossing.</p> <p>Management is of the view that the revised design, incorporating the mitigation features described above, fully addresses concerns regarding environmental and traffic safety and meets the requirements of the relevant World Bank policies.</p>
2.	<p>In addition, precisely in this area more than 1,000 pupils from the Birlik settlement cross the road every day to attend classes in school and return home. The project design does not provide for construction of either above-ground or underground pedestrian crossings, even though the settlement residents themselves spoke about this at the public hearings in Turkestan on 13 January 2009. The designers cited the client, and the client, represented by Mr. Syzdykov, the akim of Turkestan, who moderated the hearings, simply ignored the residents' demand.</p>	4.01	<p>Management wishes to emphasize that the revised road design that was disclosed and consulted upon in February 2010 in Birlik settlement, includes satisfactory mitigation measures that meet the requirements of Bank safeguards policies. It is worth noting that these mitigation measures were also acceptable to most of the residents of Birlik settlement. The mitigation measures provide safe access for all pedestrians, including school children, to cross the new 4-lane road at: (i) the pedestrian underpass that provides direct access to the local school; (ii) the traffic signal controlled intersection between the new 4-lane road and the existing 2-lane road that will be reconstructed to become a local service road; and (ii) another underpass about 600 meters from the traffic</p>

			<p>signal designed for livestock.</p> <p>Management wishes to reiterate that the revised designs have been reviewed by the Bank team, and are included in the Bidding Documents for construction contracts.</p>
3.	<p>The existing bypass road in the city of Turkestan is a road that was built on the eve of the activities several years ago celebrating the 1,500th anniversary of Turkestan, although pursuant to the general plan for the city's development, according to informed residents, construction of the road was planned for much farther beyond the limits of the growing city: a 100-meter-wide strip was even allotted for this purpose in the northern part of the city's boundary, but it was forgotten.</p> <p>This is a clear violation of the World Bank's Operating Policies OP 4.01 "Environmental Assessment."</p>	4.01	<p>Management understands that the local government has long-term development plans for the Turkestan area that include construction of a southern bypass road further away from the city center.</p> <p>Economic analysis of both northern and southern bypass options carried out by the feasibility study consultants at the time of Project preparation indicated that such bypasses would not be viable for the observed levels of traffic. This assessment has subsequently been confirmed by a more recent economic analysis carried out by Bank staff. The economic analysis indicates that average daily traffic of around 10,000 vehicles transiting through Turkestan would be required to justify the construction of a 2-lane southern bypass (about 14,000 for a 4-lane bypass), compared to an average daily traffic level of about 3,500 in 2010.</p> <p>Screening level analyses indicate there would be significant costs due to the number of large bridges and tunnels that would be required (11 bridges and 2 tunnels for the northern bypass; 9 bridges and 2 tunnels for the southern bypass). In addition, there would be a potential demolition of 50 residences along the northern bypass route. Both bypass options would traverse through greenfield lands which are cultivated in many locations, and are also known to have a large numbers of graves and other physical cultural properties.</p> <p>Management recognizes that the Government has to prioritize proposed infrastructure investments on the basis of economic viability given the competing needs for such investments from different parts of the country. The Bank requires that all such investments have a minimum Economic Internal Rate of Return of 12 percent. Bank staff analysis shows that the northern and southern bypass options would not meet this requirement at present.</p> <p>In summary, the northern and southern bypass options are not viable at this time. The improvement of the existing 2-lane bypass road by widening it to 4 lanes is far more efficient in terms of economic, social, environmental and safety impacts.</p>
4.	<p>We appealed to officers of the World Bank on 22 July 2009 via an e-mail letter. The measures taken by the Bank to deal with this problem – holding a conference with the participation of the interested parties on 30 July 2009; a meeting on 5 October 2009 with the design team headed by Mr. Jacques Bure; a response from Mr. Jacques Bure dated 22 November 2009 – ran into inflexible thinking and callousness on the part of the Kazakhstan officials responsible for implementing the project. Therefore the officials' actions do not satisfy the residents of</p>	13.05	<p>As noted in Item No. 1 above, mitigation measures have been incorporated in the revised designs for the road section along Birlik settlement. Management's view is that the revised design, incorporating these mitigation features, fully address the Requesters' concerns regarding environmental safety and meets the requirements of Bank safeguards policies.</p> <p>The revised designs are incorporated in the Bidding Documents for construction of this road segment, and will be included in the site-specific EMP.</p>

	Birlik settlement. We believe the Bank is entitled to demand that the Client carry out its policies.		
	First Communication (March 10, 2010)		
5.	<p>On February 5, 2010, we sent you a complaint. After that, followed in February, the visit of the representative of the Transportation Ministry Koterbekov-mirza, Governor of our city and other officials whose names we do not recall. We were told that with the new road built, many of the residents will be happy, therefore, we agree that the road should go along the railroad. Koterbekov-mirza promised that in 5 years the Government will build a new detour-road outside the city of Turkestan. He also promised that there will be trees and vegetation planted right in front of our houses and that our children will have a bus taking them from the settlement to school. Therefore, we would like that these promises be properly recorded and the officials who are responsible for these promises would sign off on them. We fear that in 5 years when the World Bank will leave the country the above-mentioned promises will not be executed and will be forgotten. Therefore, we are asking:</p> <ol style="list-style-type: none"> 1. To put together a document coming from the Ministry of Transportation asserting that the new detour-road will be built outside the city of Turkestan in 3 years [and not in 5 years], with signatories of Koterbekov-mirza and the seal of the Ministry of Transportation. 2. We would also like to include in this document the to-be-planted vegetation and the promised school bus for our children. <p>We believe that this document must be signed by the Governor [Akim] of the city of Turkestan along with Koterbekov-mirza and other officials responsible for the building of the China-Europe Highway.</p>	13.05	<p>As noted above, mitigation measures have been incorporated in the revised designs for the road section along Birlik settlement. In addition, in response to a request by residents, trees will be planted along the new 4-lane bypass road to provide aesthetic coverage, and once the trees reach maturity, it is expected that they will also serve to supplement the wall as a barrier to reduce noise and pollution.</p> <p>Although in Management's view the revised road design incorporates sufficient measures for pedestrian and child safety, the local administration confirmed in a letter dated March 17, 2010 that it will provide additional bus services during the start and end of the school day for residents of Birlik settlement, starting from September 2010. The revised designs for the road section at Birlik settlement incorporate the provision of bus stops and shelters to cater for the new bus services.</p> <p>Consequently, in Management's view, the planned improvement along the existing 2-lane bypass road to widen the road to 4 lanes is appropriate for the Project at this time. The improvement along the existing road alignment minimizes the need to acquire additional land and private property for purposes of road construction. The design standard adopted for the improved road is appropriate for an urban environment.</p> <p>Management understands that the MoTC and the local government have long-term development plans for the Turkestan area that include construction of a southern bypass road further away from the city center when this becomes economically justified.</p>
	Second Communication (April 8, 2010)		
6.	<p>In the previous letter dated March 10, 2010 we raised two demands that expressed our concerns regarding the implementation of the Project that would place the transit corridor from China to Europe right next to our settlement. In the present letter we demand certain guarantees that, as the transportation traffic going through the city of Turkestan intensifies in the future, the Government of Kazakhstan will offer to design and construct a different service road outside the city. There are two options for considering such service road:</p> <ol style="list-style-type: none"> 1. Northern route may be designed to pass between settlements of Birlik and Karashik <p>or</p> <ol style="list-style-type: none"> 2. Southern route may pass along the southern side of the city where the service road will cross the main 	4.01	<p>For reasons noted above, the Bank's economic analysis has concluded that construction of the northern or southern bypass alternatives is not viable at this time.</p> <p>In addition, as noted in Item Nos. 3 and 5 above, Management understands that the MoTC and the local government have long-term development plans for the Turkestan area that include construction of a southern bypass road further away from the city center when this becomes economically justified.</p> <p>Management is not aware of any plans by the Government to construct a northern bypass as an alternative.</p> <p>The Bank cannot guarantee financing for future investments that may be included in the Government's Road Sector Development Program, nor can Management compel the Government to commit to</p>

	railroad of Tashkent - Orenburg twice.		any long-term future investments outside the scope of the Loan Agreement and the Country Partnership Strategy presented to the Board. However, the Bank would consider requests for further support to Kazakhstan in future.
7.	We propose to make the construction of this service road in the future guaranteed by the issuance of an official document signed by the representatives of the World Bank and by those of Republic of Kazakhstan.		See Item Nos. 3, 5 and 6 above.
Third Communication (April 24, 2010)			
8.	In a letter dated April 8, 2010, we asked for the guarantees from the Government of the Republic of Kazakhstan for the guarantees for the construction of a new road bypassing the city of Turkestan in the future in a form of a release of an official document signed by the representatives of the World Bank and by the Government of the Republic of Kazakhstan.		See Item Nos. 3, 5 and 6 above.
9.	In this letter we would like to describe the consequences of harmful effects of the planned bypass road project South-West: the international transit corridor "Western Europe - Western China" (CAREC (Central Asia Regional Economic Cooperation) 1b and 6b). According to the feasibility study by Kazdorproekt (Kazakhstan Highway Project), by 2012 the number of cars entering the city of Turkestan will be 6,867 per day, whereas the traffic flow at the exit of Turkestan in the direction of the town of Kyzyl-Orda will amount to 2,971 cars per day. According to the Deputy Minister of the Ministry of Transport and Communication of the Republic of Kazakhstan Koterbekov, presently there are about 5,000 cars that enter the city of Turkestan coming from Shymkent and there are about 800 cars that exit it. Simple calculations show that the future traffic of the projected bypass road will increase in 3.5 times in two years, which eventually will end up in the center of our city. Consequently, the annual increase in the intensity of the transit traffic flow in 1.75 times in the heart of the city of Turkestan will become an environmental disaster for its residents.	4.01	<p>Management wishes to reiterate that the revised road designs incorporate mitigation measures to reduce exposure to vehicle emissions and traffic noise.</p> <p>As noted in Item No. 3, the average daily traffic transiting through Turkestan in May 2010 was observed to be about 3,500 vehicles. The feasibility study report for the Project concluded that the southern bypass would not be economically viable at these levels of traffic. Analysis by Bank staff confirms this recommendation noting that average daily traffic of around 10,000 vehicles transiting through Turkestan would be required to justify the construction of a 2-lane southern bypass (about 14,000 for a 4-lane bypass), compared to an average daily traffic level of about 3,500 observed in May 2010.</p> <p>Using a projected annual traffic growth rate of 6 percent indicates that a 2-lane southern bypass should be constructed by 2024, and a 4-lane bypass would be justified about 5 years later.</p>
10.	Turkestan is viewed as the second Mecca for Muslims around the world. The city's potential unsafe life and health conditions for Muslim pilgrims will result in the irreversible damage to the budget of the city, as well as to the income of urban residents benefiting from tourism. Thus, in order to minimize this potential adverse environmental and economic impact, a new bypass road should be built in 5 years outside the city of Turkestan.	4.01 4.11	<p>Management recognizes the cultural importance of Turkestan. The planned improvement of the existing 2-lane road to 4-lane standard on the outskirts of Turkestan will divert most of the through traffic that currently passes through the city center. Management notes that the improved 4-lane road will be more than 2.6 km away from the Mausoleum and other physical cultural resources located at the center of the city.</p> <p>The Project is therefore expected to have additional positive impacts by providing better access for tourists visiting Turkestan, while at the same time diverting through traffic away from the city center to the new 4-lane road to be constructed on the outskirts of Turkestan city.</p> <p>The Notice of Registration mentions a potential violation of OP 4.11. Management notes that OP 4.11</p>

			was not triggered at Project design. With respect to the Turkestan segment, it was concluded in the EA that while the Mausoleum is in the wider Project area, it will not be affected due to the large distance between the Mausoleum and the proposed road alignment. As stated above, the improved 4-lane road is expected to have positive impacts with respect to access to the Mausoleum and other physical cultural resources of Turkestan. Additionally, the road design will divert heavy vehicles away from the Mausoleum.
11.	For this purpose, the Government of Kazakhstan should guarantee to the residents of the city of Turkestan the construction of a new bypass road in at least 5 years.		See Item Nos. 3, 5 and 6 above. Although the Bank cannot guarantee financing for future investments that may be included in the Government's Road Sector Development Program, Management would consider requests for further support to Kazakhstan in future.
12.	Compliance with OP 4.12	4.12	The Notice of Registration mentions the potential violation of OP 4.12, but it is not clear to Management to which aspects this refers. Management would like to note that the RPF is in place and site-specific RAPs will be prepared to the satisfaction of the Bank prior to the start of construction on any road section.