
OPERATION EVALUATION SUMMARY

Almaty Transport Integrated Approach

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EBRD EVALUATION DEPARTMENT



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Executive summary

In June 2009, the Bank approved a US\$10 million loan with Almaty's tram and trolleybus company, Almaty KGP Electrotrans (AET) to provide financing for the modernisation of new electrical substations and improve the reliability and efficiency of the company's services. A few months later, the Bank planned another bus sector reform project with AET, as part of a larger proposal for an integrated approach to public transport development in Almaty which would provide enhanced transition impact to complement a series of investments in the sector. Four priority investments were initially identified as forming part of the integrated approach, (i) the Almaty bus sector reform project, (ii) the Almaty trolleybus project, (iii) the Almaty e-ticketing system expansion and (iv) the Almaty LRT PPP. The e-ticketing project was dropped, the LRT PPP is going on though slower than the Bank envisaged and a second phase of the bus sector reform project was carried out.

This evaluation covers the financing to Almaty Electrotrans, the trolleybus project and the two phase bus sector reform project, which represent combined total EBRD financing of just over €107 million. All four projects have been fully disbursed and repaid.

The financing to Almaty Electrotrans was not part of the integrated approach and had the operational objective of allowing AET to upgrade its electric substations and improve the provision of urban transport in Almaty. The integrated approach was later developed to increase the capacity and standards of urban transport and increase viable travel choices for users. The Bank expected this integrated approach to achieve transition impact through:

- i) the development of a framework to support markets and increase economic efficiency
- ii) the promotion of private ownership; and,
- iii) demonstration effect of new products and processes.

In addition, there was a substantial amount of technical cooperation resources associated with the four projects considered under this evaluation.

The evaluation addresses the following evaluation questions:

- How did the individual investments and technical cooperation initiatives perform?
- Has the integrated approach of combining investments, technical cooperation and policy dialogue produced greater results than would otherwise have been the case?
- Has private sector participation in the Almaty urban transport sector increased or not and for what reasons?

Findings and recommendations

1/ Most of the expected transition impact was derived from a single source: technical cooperation to be provided largely by consultants.

The Bank expected the integrated approach to be “a purposeful and coordinated sequence of investment projects, technical cooperation and policy dialogue that aim to deliver measurable sector reforms and contribute to addressing important transition challenges”. Accordingly, in addition to the investments in the four projects in the Almaty urban transport sector, the Bank also provided a substantial technical cooperation package of at least 17 distinct elements for around €3 million in connection to the four projects.

This evaluation found that within the four projects, there was significant over reliance on technical cooperation for achievement of transition impact. Five out of the six identified outcomes can be traced back to technical cooperation initiatives. Though a number of technical cooperation components proceeded as planned, many did not materialise or performed below expectations.

This resulted in many transition outcomes and impacts of the four projects not being achieved and led to a rating of *partly unsuccessful* for achievement of outcomes and impacts.

Recommendation: Where projects are presented as part of an integrated approach, expected transition impact from each operational component should be specifically identified (including from investments, technical cooperation, policy dialogue and client commitment). The purpose is to provide clarity and better risk assessment, management, monitoring and reporting, particularly in cases where most expected transition impact is derived from a single source (such as technical cooperation provided largely by consultants).

2/ A systematic approach to policy dialogue is recommended

The Bank initially intended to employ a three pronged method to bring about transition in the urban transport sector in Almaty which included (i) a number of investments, (ii) extensive technical cooperation and (iii) policy dialogue activities. At approval, the expected investments and technical cooperation were fairly well specified, however, policy dialogue was mainly mentioned in vague terms and often conflated with technical cooperation, for example: “The Bank's policy dialogue within the integrated approach and technical cooperation activities will focus on the institutional development of the sector in Almaty”.

Whilst EvD found abundant evidence related to the results of the investments and technical cooperation

initiatives it was not able to quantify the amount of EBRD policy dialogue over urban transport in Almaty.

Recommendation: Given the centrality of policy dialogue to an integrated approach, a structured and systematic approach to policy dialogue should be provided at approval, with clear identification of problems to be addressed, actions to be taken, and objectives to be reached.

3/ The projects demonstrated alignment with the EBRD's strategies and successfully identified and implemented gender opportunities, setting an example for future integrated approaches

The projects were strategically relevant with project planning documents making explicit reference to the Bank's country and sector strategies at the time. In line with the EBRD's sector strategy the four projects contributed to commercialisation and environmental improvement. In terms of the Bank's country strategy agenda, the Bank had hitherto minimal activity in the MEI sector in Kazakhstan, therefore the four projects demonstrated an over achievement.

The EBRD proactively took advantage of an opportunity to contribute to the Bank's inclusion agenda, in particular on gender equality. During final due diligence the Bank identified measures to promote equal opportunities in the sector and reduce gender gaps. Though less than originally planned, one concrete output of this work is the recruitment of the first female bus driver by AET in 2015 setting an example for further recruitments.

4/ The Bank's recently approved gender strategy identified faster progress where public service provision is involved.

This progress could be leveraged if all future integrated approaches included an analysis of potential opportunities to integrate gender components. This finding did not result in a recommendation as Management confirmed this is already now standard practice.

Overall ratings

EVD's overall rating is *acceptable*. This rating reflects the respective ratings for each of the sub criteria (specifically, *fully satisfactory* relevance but *partly unsatisfactory* results and efficiency).



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Management Comments

Management appreciates the Operation Evaluation of the Almaty Urban Transport Integrated Approach as an ex-post assessment of the Bank's engagement in the Almaty Urban Transport sector and as an integrated approach to the sector development aiming to provide valuable insights for the future activities of the bank in this sector.

We note that the Operation Evaluation, in addition to the four completed projects, also contains a detailed analysis of the Almaty e-ticketing system expansion and Almaty LRT PPP which form a part of Integrated Approach.

Management would like to thank the evaluation team for the final version of operation evaluation report which reflects core Management's comments provided at the stage of a draft version discussion. The below section contains Management's comments to the findings and recommendations presented in the final draft.

Recommendation 1

Where projects are presented under an integrated approach, the transition impact contribution expected from different operational components (investments, TC, policy dialogue), as well as client commitment, should be specifically identified. The purpose is to provide clarity, as well as better risk assessment, management, monitoring and reporting, when most of the expected transition impact is derived from a single source, such as TC to be provided largely by consultants.

Management agrees to this recommendation, but would like to stress that integrated approach projects are rather complex set of reforms that the Bank promotes. At the outset, some expected contribution may be outlined, but flexibility should be allowed to the Banking to adjust its actions in the course of implementing the integrated approach.

Policy dialogue may be delivered through different activities – as defined in the “Enhanced and Structured Approach to Policy Reform Dialogue at the EBRD” paper prepared by Management, policy reform advice can be delivered through both the Bank's direct advocacy and advisory activities and technical assistance to implement policy reforms. Indeed, in case of the Almaty UT integrated approach, technical cooperation was established as the main contributor to achieving the approach's defined policy dialogue objectives, hence a focus of the integrated approach's description on technical cooperation initiatives (along with investments). Policy dialogue was not contemplated directly by the EBRD to contribute substantively in achieving policy objectives and hence not discussed in depth.

Therefore, Management believes that the study should reflect that the fact that there was not much evidence of policy dialogue on behalf of the EBRD by itself (i.e. not supported by technical cooperation) does not imply that the policy dialogue was not defined ex-ante (in terms of

diagnostics, actions and objectives) or policy dialogue objectives not delivered. This is an important consideration that may affect the study conclusion and this recommendation.

Management would like to highlight again that in the MEI (and infrastructure generally) projects the Bank extensively uses the technical cooperation in promoting reforms and transition agenda of the Bank.

Management believes that the study can also reflect the limitations (tied funding) in relation to the selection of technical cooperation consultants, which existed at the time of the integrated approach and projects under integrated approach approval. In the situation, where most of the policy dialogue depends upon the results of technical cooperation, such limitations could seriously influence effectiveness of the Bank's reform agenda, as was noticed in the current case.

Recommendation 2

Given that policy dialogue is central to the concept of an integrated approach, a structured and systematic approach to policy dialogue should be provided at approval, with a clear identification of problems to be addressed, actions to be taken, and objectives to be reached.

Management agrees with this recommendation and would like to emphasise that the document for the first project under the integrated approach describes challenges, actions, objectives and monitoring indicators of the integrated approach, including those related to the policy reform components, in a comprehensive manner and to the extent possible at ex-ante stage (not all policy dialogue actions may be fully anticipated at the approval stage – some may be reactive in nature and carried out during implementation of the integrated approach, as needed). The anticipated results related to policy changes (in particular, signing and implementation of PSCs and strengthening of regulatory function) were clearly set out in the main part and the integrated approach benchmarks table.

The team is also keenly following the adoption of an enhanced approach to policy dialogue in 2015, further refinements are being made to improve the policy dialogue component of an integrated approach, as has been evident in the recent integrated approach documents. Management believes that changes which have been made following introduction of an enhanced approach to policy dialogue are sufficient both for the presentation to the Board and consequent monitoring of policy dialogue actions.

MEI has been an innovator and early adopter in the development of integrated approaches and will continue to be as we continue to take a robust approach to preparing the sector diagnostic, setting the objectives and the action plan prior to approving an integrated approach.