

## Ex-ante Evaluation

### **1. Name of the Project**

Country: The Islamic Republic of Pakistan

Project: Rural Roads Construction Project (II) (Sindh)

(Loan Agreement: May 3, 2008; Loan Amount: 9,126 million yen; Borrower: The President of the Islamic Republic of Pakistan)

### **2. Necessity and Relevance of JBIC's Assistance**

Based on the Poverty Reduction Strategy Paper (December 2003), the government of Pakistan is tackling “acceleration of economic growth” and “poverty reduction,” realizing the importance of improving the infrastructure of rural areas, where about 70% of the population reside, for both economic growth and poverty reduction. Additionally, in its Medium Term Development Framework 2005-2010 (May 2005), the government states that it is important to strengthen the existing road networks mainly on the rehabilitation and widening of roads, and to conduct selective investment in the construction of roads including rural roads.

In Pakistan, the road sector accounts for 91% of passenger transport and 96% of freight transport. Rural roads, which link rural communities with main roads (national and provincial roads), neighboring cities and markets, show a far lower rate of pavement than national and provincial roads, and bad road surfaces cause loss of time in travel and transport. Such loss of time is the most serious problem associated with rural roads transportation. The loss of time has adverse effects on job creation in rural areas in that it hampers efficient transportation of agricultural products, agricultural product processing, and so on. The government’s strategy for dealing with this problem is to promote rural road development with each provincial government serving as the organization responsible for the execution of its respective projects. The Sindh Vision 2015, Sindh Province’s own development policy, stresses the need to reduce the time it takes to transport agricultural products to market and, thereby, help to raise farmers’ income levels. Also it sets the goal as the enhancement of mutual access between principal cities such as Karachi, the biggest city in Pakistan, and rural areas. To this end, rural roads improvement works are to be planned. Under the Rural Roads Construction Project carried out in the four provinces of Pakistan as Japanese ODA loan projects, a total of 936 km of rural roads had been constructed, resulting in time saving, improved agricultural products, increased employment opportunities and income, and improved access to educational and healthcare facilities.

In its Medium-Term Strategy for Overseas Economic Cooperation Operations (April 2005), JBIC sets forth “foundation for sustained growth” as one of its priority areas. Since mitigating the growing income gap between urban and rural areas and the regional disparities in the standard of living and the like contributes to sustainable growth, JBIC’s support of the project is consistent with the medium-term strategy. Moreover, in its support for poverty reduction, in order to improve the quality of life of the poor, the medium-term strategy attaches importance to providing infrastructure support, such as improving quality of life by facilitating access to public services, while taking infrastructure networks into consideration. Thus, this project is consistent with the medium-term strategy. Consequently, it is highly necessary and relevant that JBIC should support the project.

### **3. Project Objectives**

This project aims to improve the transportation conditions in Sindh Province by constructing paved roads in the rural areas of the province; thereby contributing to poverty reduction and mitigation of regional disparities through improvement of access to the neighboring cities and quality of life in the rural areas.

#### **4. Project Description**

(1) Target Area

Sindh Province

(2) Project Outline

- (a) Civil works: Improving the existing roads (paving and widening)
- (b) Consulting services: Detailed design, bidding assistance, construction monitoring and supervision, etc.

(3) Total Project Cost / Loan Amount

9,869 million yen (Japanese ODA Loan Amount: 9,126 million yen)

(4) Schedule

March 2008–December 2013 (70 months). Project completion is defined as when the roads in the target area are placed in service.

(5) Implementation Structure

- (a) Borrower: The President of the Islamic Republic of Pakistan
- (b) Executing Agency: Works and Services Department, the Government of Sindh
- (c) Operation and Maintenance : Same as (b)

(6) Environmental and Social Consideration

(a) Environmental Effects / Land Acquisition and Resident Relocation

(i) Category: B

(ii) Reason for Categorization

This project is not likely to have significant adverse impact on the environment due to the fact that, compared with other projects in the road sector, the project is not particularly large, the project characteristics are not likely to exert impact, and the project is not located in a sensitive area under the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” (April 2002). Thus, this project is classified as Category B.

(iii) Environmental Permit

Environmental experts will be hired as part of the project’s consulting services after the loan agreement is signed. The Environmental Impact Assessment (EIA) report concerning this project, which is required by the domestic laws of Pakistan, is expected to be completed by the experts before the construction starts.

(iv) Anti-Pollution Measures

No significant adverse impacts on the environment, such as air pollution and noise, are

expected during construction work.

(v) Natural Environment

The area targeted by this project is not located in or around sensitive areas such as national parks, and so adverse impact on the natural environment is assumed to be minimal.

(vi) Social Environment

Since this project involves improving existing roads, including increasing their width, land acquisition will be required, but resident relocation is not expected to be necessary.

(vii) Other/Monitoring

In this project, the executing agency will monitor noise and other types of pollution.

(b) Promotion of Poverty Reduction

In addition to increasing the mutual accessibility between rural and urban areas, paving the road is expected to result in time saving and improved average speed; thereby, promoting poverty reduction through efficient transportation of agricultural products and increased employment opportunities. At 29.9%, the poverty rate in the rural areas of Sindh Province is higher than the national average of 29.7%. Thus, the project falls under the category of anti-poverty project as defined by JBIC.

(c) Promotion of Social Development (e.g. Gender Perspective, Measure for Infectious Diseases Including AIDS, Participatory Development, Consideration for the Handicapped, etc.)

Since this project is expected to help the poor in rural areas access educational and healthcare facilities more easily, promotion of social development can be expected.

(7) Other Important Issues

None

## 5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

Indicator	Baseline (2003)	Target (2015, 2 years after completion)
Annual average daily traffic (vehicle/day)	516 – 3,498	927 – 6,282
Travel time (minutes)	—	—

Note: Annual average daily traffic includes traffic of bicycles, horse-drawn carriages and vehicles drawn by other livestock. As for travel time, target sections, baseline and target values will be ultimately determined based on a socio-economic survey conducted as part of the project's consulting services.

(2) Number of beneficiaries

Approximately 13.4 million (estimated population of 8 target districts as of 2005)

(3) Internal Rate of Return (Economic Internal Rate of Return)

Based on the conditions indicated below, the economic internal rate of return (EIRR) is 13.9%

(a) Cost: Project cost (excluding tax), operation and maintenance expenses

(b) Benefit: Vehicle operation cost reduction

(c) Project Life: 20 years

<b>6. External Risk Factors</b>
Deterioration in the security situation
<b>7. Lessons Learned from Findings of Similar Projects Undertaken in the Past</b>
<p>Similar projects undertaken in the past bring into focus (1) the inadequate system of coordination and communication caused by existence of layers on an operation and maintenance structure in federal and provincial governments and the resultant delays in office procedures and payment; and (2) the inadequate staff capacity at provincial and district governments, which call for the establishment of a sustainable maintenance and management system and capacity building of government staff.</p> <p>Since Works and Services Department, the Government of Sindh, is the executing agency of this project, it is believed that coordination of administration with the provincial government's departments and agencies will not present any problem. Additionally, the resolution of the problem of inadequate capacity can be expected by adopting a capacity development component targeting either the government staff concerned or the project implementation unit (PIU) in the project.</p>
<b>8. Plans for Future Evaluation</b>
<p>(1) Indicators for Future Evaluation</p> <ul style="list-style-type: none"> <li>(a) Annual average daily traffic (vehicle/day)</li> <li>(b) Travel time (minutes)</li> <li>(c) Internal rate of return: EIRR (%)</li> </ul> <p>(2) Timing of Next Evaluation Two years after project completion</p>