

U.S. Position on ADB's Second Road Network Development Project in Azerbaijan
October 4, 2012

The United States appreciates the Bank's clarifications on this project and notes very positive aspects of this project. For example, the surprisingly high cost per kilometer in this project is due to the need to import so much equipment and material and also to address a number of site-specific engineering challenges. The costs are comparable to other road projects in Azerbaijan, all of which tend to cost more per kilometer than the regional average. The United States is also convinced that this project is an appropriate use of the Multitranche Financing Facility (MFF) despite the fact that the road being built is only 63 kilometers long. In this case, splitting the project into two tranches makes sense in order to spread the high cost over time and allow for some capacity-building along the way.

However, the United States still has significant concerns with the project's very high implementation risk. The ADB's first MFF in this sector, approved back in 2007, suffered numerous delays and this proposed project is itself on ADB's docket only because the World Bank has had to "defer" on it as so many of its own road projects in Azerbaijan are delayed. It is also troubling to read that staff in the local Project Implementation Unit are still unable to handle project management, especially given the robust pipeline of MDB projects in this sector over the years. The United States wonders whether it would have been advisable to carry out some standalone capacity building technical assistance first, prior to embarking on a new project. Under these circumstances, the United States believes that this project demands an extraordinary level of monitoring and supervision to keep the project disbursing and on track.

Finally, this project has potentially significant environmental impacts, given the proximity to the wetlands, which merits close analysis and a robust response to minimize and avoid any negative impacts. The United States appreciates the additional diligence that the ADB staff invested on top of the World Bank's original environmental impact assessment (EIA). However the disclosure of the final EIA, which took a closer look at the biodiversity impact on the wetlands and recommended a stronger environmental monitoring plan, did not meet the expected minimal period for this operation to meet U.S. legislative requirements. Early and widespread disclosure is an important way to mitigate environmental issues arising from a project. In addition, the EIA's focus on cumulative impacts was also weak with respect to analysis on ambient air quality.

With these comments in mind, and in keeping with its legislative mandate, the United States wishes to abstain on this loan to Azerbaijan.
