

Transport Sector Progress Report

Seventh Ministerial Conference on Central Asia Regional Economic Cooperation 19–21 November2008 Baku, Azerbaijan

I. PROGRESS OF COOPERATION SINCE THE SENIOR OFFICIALS' MEETING IN APRIL 2008

A. Implementation of the CAREC Transport and Trade Facilitation Strategy

1. The Implementation Action Plan for the CAREC Transport and Trade Facilitation Strategy (the Action Plan) has been prepared in consultation with stakeholders in all eight CAREC countries, including the governments, the private sector, civil society, and development partners. A preliminary draft of the Action Plan was presented at the Senior Officials' Meeting (SOM) held in Baku on 24–25 April 2008. The draft was further discussed at the joint meeting of the Transport Sector Coordinating Committee (TSCC) and Customs Cooperation Committee (CCC) (the Joint TSCC–CCC Meeting) in Baku on 11–12 June 2008. The final draft Action Plan was endorsed by the SOM on 25-26 September 2008 for consideration by the 7th Ministerial Conference, after appropriate adjustments.

B. Investments

- 2. The following investment projects have either been approved or committed.
 - Afghanistan. The construction of the Bala Murghab-Lehman section (143 km) of the Ring Road is being supported by an Asian Development Bank (ADB) grant of US\$176 million. ADB is preparing a multitranche financing facility for the Road Network Development Program for approval in 2008. The Afghanistan Ministry of Public Works is finalizing the award of contracts for the construction of the Andkhoy-Aquina road (37 km) and the Doshi-Pul-e-Khumri road (50 km), financed by a loan from the Islamic Development Bank (IsDB) and scheduled for implementation during 2008–2010. The World Bank will approve a US\$18 million grant to improve priority roads, intersections, and side drains systems critical for smooth flow of traffic in Kabul in 2008. It is also processing additional financing for the ongoing Emergency Customs Reform and Trade Facilitation Project.
 - Azerbaijan. ADB approved the tranche II of the Road Network Development Program in the amount of US\$55.4 million to rehabilitate the Ganja bypass of the east-west highway. It will prepare the tranche III of the same program for approval in 2009 to finance the upgrading of the Ganja-Qazakh section of the east-west highway. The European Bank for Reconstruction and Development (EBRD) expects to disburse the US\$100 million loan for financing the 60 km section of the Baku–Samur Road Project during 2008–2009. IsDB plans to finance part of the Bahramtata-Biliswar highway in 2008. Under the funding of IsDB and the Saudi Fund, the contractor for the Yevlakh-Ganja Road Project has been selected and the implementation will take place during 2008–2009. IsDB also considers financing the construction of the Ujar-Zardab-Aghdjabedi highway with a tentative amount of US\$35 million. In March 2008, the World Bank approved a US\$450 million loan to rehabilitate the east-west railway line, procure new locomotives, modernize the Azerbaijan Railways, and finance project support and capacity building. It approved a US\$300 million loan as additional financing in April 2008 to upgrade the remaining sections of the M3 highway between Alat and Masalli and rehabilitate the R6 Baku bypass as well as some secondary and local roads.
 - **Kazakhstan.** The Government gives high priority to the improvement of the Western Europe–Western China Transport Corridor by 2012 with assistance of ADB, EBRD, IsDB,

Japan International Cooperation Agency (JICA),¹ and the World Bank. ADB is preparing a multitranche financing facility in the amount of US\$700 million to finance 480 km section in Zhambyl Oblast, with the first tranche loan to be approved in 2008. ADB, IsDB, and JICA are expected to finance the 480 km section, amounting to US\$1.5 billion. EBRD plans to approve a US\$181 million loan to improve the 102 km section between Aktobe and the Russian Federation border in 2008, and to help the Government prepare the Almaty–Khorgos section under a public-private partnership. The World Bank will approve a US\$898 million loan to improve 564 km Aktobe–Kyzyl Orda section in 2008.

- Kyrgyz Republic. ADB is preparing loans/grants for approval during 2008–2010 to help rehabilitate the Bishkek–Torugart road. The Export-Import Bank of China is considering the possibility of participation in financial support for the project. The Government has invited the Arab Coordination Group (ACG), of which IsDB is a member, to cofinance the project. ACG will participate in the cofinanciers' meeting to be held in October 2008 and will look into the possibility of financing the reconstruction of the remaining part of the Osh–Sary Tash–Irkeshtam road. IsDB approved a concessional loan of US\$11.2 million in 2008 to reconstruct the Taraz–Talas–Suusamyr road and plans to cofinance the Osh–Sary Tash–Irkeshtam road project with ADB. The World Bank is preparing for approval in 2009 a US\$20 million grant to improve the Osh–Isfana road in collaboration with EBRD, IsDB, and the European Union.
- Mongolia. In February 2008 ADB approved a US\$37.6 million grant for the first phase of the Western Regional Road Corridor Development Project, which will develop about 430 km road from the PRC border to the Hovd province in the Western Region. The second phase, which involves construction of 317 km road from Hovd to the Russian Federation border, is scheduled for approval in 2010. To complement this project, ADB also approved a US\$2 million grant for the Community-Based Local Road Upgrading and Maintenance Project in the Western Region in July 2008. Japan and Mongolia signed the exchange of notes in March 2008 for a concessional loan (US\$280 million equivalent) for the construction of a new international airport in Ulaanbaatar.
- People's Republic of China. In 2008, ADB approved a US\$105 million loan for the Xinjiang Municipal Infrastructure and Environmental Improvement Project, which will construct road infrastructure and utility services to strengthen PRC's cross-border trade with Central Asia. ADB is also exploring a US\$100 million investment in the Xinjiang Urban Transport and Environmental Improvement Project for approval in 2009. The World Bank's ongoing Third Xinjiang Highway Project (US\$150 million loan), which covers the Kuytun–SailimuHu Highway, will be completed in 2009.
- Tajikistan. ADB is preparing a grant for the CAREC Transport Corridor III project, which will improve the road between Dushanbe and the Uzbekistan border. EBRD expects to disburse in 2008 the loan that cofinances with the Government of Netherlands the road maintenance development project. At the invitation of the Government, ACG plans to participate in the cofinanciers' meeting scheduled for October 2008 to discuss the Kulyab–Khalaikum road project. IsDB will provide a US\$20 million concessional loan to finance the third phase of the Shagon–Zhigar road project, and loan appraisal was scheduled for August 2008.

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Concessional loan operations of the Japan Bank for International Cooperation (JBIC) were integrated into the operations of the Japan International Cooperation Agency (JICA) on 1 October 2008.

• **Uzbekistan.** ADB approved a US\$75.3 million loan for the CAREC Regional Road Project in 2007. The project involves reconstruction of the 131 km section along CAREC Corridor 2a, and procurement of road construction machinery and equipment. The loan agreement became effective on 2 May 2008.

C. Nonlending Activities

- 3. External aid agencies have approved or committed to support the following major nonlending activities during 2008:
 - ADB approved five technical assistance (TA) projects with a total amount of about US\$1.8 million, namely: (i) CAREC Transport Corridor 1 (Zhambyl Oblast section) in Kazakhstan, (ii) Regional Logistic Development Project in Mongolia, (iii) CAREC Transport Corridor III (Dushanbe-Uzbekistan border road), and (iv) Railway Development Program in Azerbaijan, and (v) CAREC Transport Sector Strategy Study (Supplementary).
 - EBRD approved a US\$800,000 TA project to develop a road maintenance development plan for Tajikistan in 2008.
 - IsDB plans to finance a US\$400,000 TA project for the feasibility study on the Kandahar-Spin Boldak railway in Afghanistan and a US\$250,000 TA project for the feasibility study of Kafarnigan—Yavan railway in Tajikistan.
 - USAID provided a US\$350,000 grant, managed by the World Bank, for studies on monitoring the performance of trade corridors linking Central Asia with South Asia through Afghanistan and Pakistan.
 - The World Bank plans a regional TA project of US\$300,000 to strengthen trade links between Central Asia and Afghanistan.
 - The World Bank will release the results of the second round of the study of performance measurement of selected major transport corridors in Central Asia in 2008.
- 4. A list of investment and TA projects in the CAREC transport sector for 2007–2010 together with a map on the six CAREC corridors is attached.

D. Other Regional Cooperation Initiatives

- 5. With support from ADB and UNESCAP, the Shanghai Cooperation Organization (SCO) member states concluded negotiations over the draft Framework Agreement on Facilitation of International Road Transport at the 8th Negotiating Meeting held in the Kyrgyz Republic on 24–27 June 2008. They plan to start preparing and negotiating draft annexes to the Agreement. The TSCC secretariat has maintained close coordination with the SCO secretariat.
- 6. The New Eurasian Land Transport Initiative (NELTI), with support from the International Road Transport Union (IRU), was launched on 16 September 2008 in Tashkent, Uzbekistan. NELTI will demonstrate that road transport haulage along the Silk Road, from Central Asia and the Asia-Pacific region to Europe, is operational. Seven pioneering road transport companies from Iran, Kyrgyz Republic, Russian Federation, Turkey, and Uzbekistan will carry freight deliveries of industrial and consumer goods along the northern, central, and southern routes of the ancient Silk Road during September–December 2008. NELTI will also have a detailed

monitoring of transport conditions along the routes, such as waiting times at border-crossing points, administrative barriers, quality of infrastructure, etc. Monitoring results will be analyzed by the NEA Transportation Research Institute of the Netherlands, and presented during the Fifth IRU Euro-Asia Road Transport Conference to be held in Almaty, Kazakhstan, in June 2009. ADB participated in the NELTI conference on 16 September 2008. The TSCC secretariat will maintain close coordination with IRU as there is strong complementarity between the NELTI and the Action Plan.

II. Next Steps

- 7. TSCC will continue undertaking the tasks in the 2008 Work Program. The TSCC Work Program for 2009, which received broad support during the Joint TSCC–CCC Meeting and the Senior Officials' Meeting (SOM) held in Baku this year, includes the following tasks:
 - Manage the implementation of transport-related activities in the Action Plan;
 - Hold the Eighth TSCC Meeting to review, among others, the progress of implementation of transport–related activities included in the Action Plan and report it to SOM and Ministerial Conference;
 - Prepare the CAREC Transport Sector Progress Report, and other reports as necessary; and
 - Arrange for training for government officials related to the transport sector in the CAREC countries.

Attachment

External Assistance for Transport Sector in CAREC Countries Table 1: Planned Investments, 3rd Quarter 2007–2010

No.	Project Title	CAREC Corridor	Other Intervention	Country Involved	Funding Agency	Total for all Interventions (US\$ million)	Total for CAREC Interventions (US\$ million)
2007	APPROVED						
1	Road Network Development Project 1 (Bala Murghab to Leman)	3b, 6	-	AFG	ADB	176.0	176.0
2	MFF: Road Network Development Program, Project 1 (Masalli–Astara)	1	Feeder for 2	AZE	ADB	200.0	1
3	Xinjiang Regional Road Improvement (Korla–Kuqa)	1c, 2, 5	-	PRC	ADB	150.0	150.0
4	Railway Safety Enhancement	-	Other	PRC	ADB	100.0	-
5	CAREC Regional Road Corridor Improvement (Sary Tash-Karamik))	3b,5	-	KGZ	ADB	25.6	25.6
6	Osh–Sary Tash–Irkeshtam Road Reconstruction	2a,3b	-	KGZ	IsDB	17.5	17.5
7	Taraz–Talas–Suusamyr Road (Supplementary)	3b	-	KGZ	IsDB	3.6	3.6
8	CAREC Regional Road Corridor Improvement (Dushanbe-Kyrgyz Border)	3b,5	-	TAJ	ADB	53.4	53.4
9	Road Maintenance Development	-	Other	TAJ	EBRD	4.0	-
10	CAREC Regional Road (Guzar–Bukhara– Nukus–Dautata)	2a,6a	-	UZB	ADB	75.3	75.3
	Subtotal Approved for 2007					805.4	501.4
2008	APPROVED						
1	MFF: Road Network Development Program, Project 2 (Ganja Bypass)	2		AZE	ADB	55.4	55.4
2	Rail Trade and Transport Facilitation (East-West main line)	2	-	AZE	WB	450.0	450.0
3	Second Highway - Additional Financing (East-West and North-South Corridors: Alat- Masali and Tagiyev–Sahil) ^a	2	Feeder for 2	AZE	WB	300.0	150.0
4	Xinjiang Municipal Infrastructure and Environmental Improvement	1a,1b	-	PRC	ADB	105.0	105.0
5	Reconstruction of Taraz–Talas–Suusamyr Road II	3b	-	KGZ	IsDB	11.2	11.2
6	Western Regional Road Corridor Development Project, Phase I	4a	-	MON	ADB	37.6	37.6
7	Community-Based Local Road Upgrading and Maintenance in the Western Region	4a	-	MON	ADB	2.0	2.0
8	New Ulaanbaatar International Airport Construction	4b	-	MON	JICA⁵	280.0	280.0
	Subtotal Approved for 2008					1,241.2	1,091.2
2008 I	PLANNED						
1	MFF: Road Network Development Program, Project 1 (Andkhoy-Qaisar and North-South roads) ^a	3b, 6ab	Feeder for 3b, 5, and 6ab	AFG	ADB	60.0	30.0
2	Kabul Urban Roads Improvement	-	Urban	AFG	WB	18.0	-
3	Baku-Samur Road	-	Feeder for 2	AZE	EBRD	70.0	-
4	Ujar–Zardab–Aghdjabedi Highway Construction	-	Other	AZE	IsDB	35.0	-
5	MFF: CAREC Corridor I (Zhambyl Oblast Section), Project 1	1b, 6bc	-	KAZ	ADB	340.0	340.0
6	Western Europe-Western China Corridor (Aktobe-Russian border)	1b, 6bc	-	KAZ	EBRD	180.0	180.0
7	Western Europe-Western China Corridor (Korday-Taraz-Zhambyl Oblast) Section1,Tranche 1	1b	-	KAZ	IsDB	186.0	186.0
8	South-West Corridor (Aktobe-Kyzyl-Orda Oblast), Phase 1	1b, 6b, 6c	-	KAZ	WB	848.0	848.0

No.	Project Title	CAREC Corridor	Other Intervention	Country Involved	Funding Agency	Total for all Interventions (US\$ million)	Total for CAREC Interventions (US\$ million)
9	CAREC Corridor I (Bishkek-Torugart Road), Phase 1	1c	-	KGZ	ADB	20.0	20.0
10	Osh–Isfana Road Rehabilitation	-	Other	KGZ	EBRD	35.0	-
11	Bishkek-Naryn-Torugart Road Rehabilitation	1c	-	KGZ	EBRD	20.0	20.0
12	Shagon–Zigar Road Reconstruction, Phase III	-	Feeder for 5	TAJ	IsDB	20.0	-
	Subtotal Planned for 2008					1,832.0	1,624.0
2009 I	NDICATIVE °						
1	MFF: Road Network Development Program, Project 2 (Kabul-Jalalabad [50 km], Faizabad-Eshkashim [50 km], and Jabal Saraj-Sourbi [50 km])	5,6c	-	AFG	ADB	150.0	150.0
2	MFF: Road Network Development Program, Project 3 (Ganja-Qazakh)	2	-	AZE	ADB	200.0	200.0
3	Baku to Samur Road	-	Feeder for 2	AZE	EBRD	30.0	1
4	Highway 3 (Yevlach-Samakhy and Ganja-Gazakh)	2	-	AZE	WB	500.0	500.0
5	Xinjiang Urban Transport and Environmental Improvement (formerly Xinjiang Urban Transport Infrastructure Development)	-	Urban	PRC	ADB	100.0	•
6	MFF: CAREC Corridor I (Zhambyl Oblast Section), Project 2	1b, 6bc	-	KAZ	ADB	210.0	210.0
7	Western Europe-Western China (Korday- Taraz-Zhambyl Oblast) Section2, Tranche 2	1b	-	KAZ	IsDB	228.0	228.0
8	CAREC Corridor I (Bishkek–Torugart Road), Phase 2	1c	-	KGZ	ADB	20.0	20.0
9	Bishkek–Torugart Road Construction	1c	-	KGZ	IsDB	12.0	12.0
10	Taraz-Talas-Suusamyr Road	3b	-	KGZ	IsDB	10.0	10.0
11	National Road Rehabilitation (Osh-Isfana)		Other	KGZ	WB	20.0	-
12	Regional Logistics Development	4b	-	MON	ADB	30.0	30.0
13	CAREC Corridor III (Dushanbe- Tursunzade-Uzbek Border Road)	3b, 6c	-	TAJ	ADB	35.0	35.0
	Subtotal Planned for 2009					1,545.0	1,395.0
2010 I	NDICATIVE ^c						
1	MFF: Road Network Development Program, Project 3 (Kabul–Jalalabad [106 km], Jabal Saraj–Sourbi [50 km], and Dar-i-suf– Yakawlang [80 km])	5,6c	-	AFG	ADB	190.0	190.0
2	MFF: Road Network Development Program, Project 4	2	-	AZE	ADB	45.0	45.0
3	MFF: CAREC Transport Corridor I (Zhambyl Oblast Section), Project 3	1b, 6ab	-	KAZ	ADB	100.0	100.0
4	Almaty-Issyk-Kul Road Construction	-	other	KAZ/KGZ	EBRD	283.0	-
5	CAREC Corridor I (Bishkek-Torugart Road), Phase 3	1c	-	KGZ	ADB	40.0	40.0
6	Bishkek-Naryn Torugart Road	1c	-	KGZ	IsDB	15.0	15.0
7	Reconstruction of the Osh-Sary Tash- Irkeshtam Road (Phase II) d	2,3b,5		KGZ	IsDB	15.0	15.0
8	Western Regional Road Corridor Development, Phase II	4a	-	MON	ADB	40.0	40.0
	Subtotal Planned for 2010					728.0	445.0
	TOTAL (2007–2010)					6,151.6	5,056056.6

ADB = Asian Development Bank; AFG = Islamic Republic of Afghanistan; AZE = Azerbaijan; EBRD = European Bank for Reconstruction and Development; IsDB = Islamic Development Bank; JICA = Japan International Cooperation Agency; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; MON = Mongolia; PRC = People's Republic of China; TAJ = Tajikistan; UZB = Uzbekistan; WB = World Bank.

^a The amount of CAREC intervention is estimated.

b Concessional loan operations of the Japan Bank for International Cooperation (JBIC) were integrated into the operations of the

Japan International Cooperation Agency (JICA) on 1 October 2008.

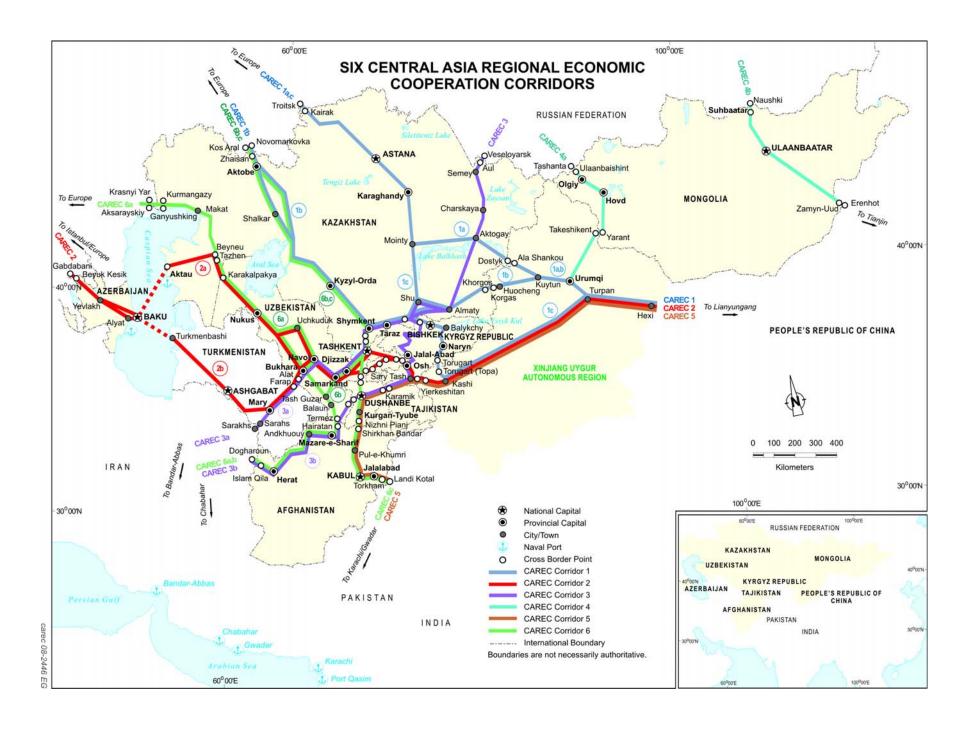
September 1 of the Sept ^d In case the Government fails to reach agreement with other financiers, IsDB might finance this project.

Table 2: Planned Technical Assistance, 3rd Quarter 2007–2010

No.	Project Title	Country Involved	Funding Agency	Total (US\$'000)
2007	APPROVED			
1	Preparation and Transaction Advisory Services for the Almaty-Horgos Road as a Public-Private Partnership ^a	KAZ	EBRD	2,361.0
2	Prefeasibility Study on the Almaty-Issyk-kul Road Project	KAZ	EBRD	150.0
3	Detailed Design of the Kurgan Tyube-Dusti Road Rehabilitation	TAJ	JICA	600.0
4	Cross-Border Agreement among the PRC, Kyrgyz Republic, and Tajikistan	REG	ADB	500.0
5	Monitoring of Trade Corridor Performance between Central Asia and South Asia	REG	WB	350.0
	Subtotal Approved for 2007			3,961.0
2008	 APPROVED			
1	CAREC Transport Corridor 1 (Zhambyl Oblast section)	KAZ	ADB	300.0
2	CAREC Transport Corridor I (Bishkek-Torugart Road)	KGZ	ADB	150.0
3	Regional Logistic Development	MON	ADB	400.0
4	Road Maintenance Development Plan	TAJ	EBRD	800.0
5	CAREC Transport Corridor III (Dushanbe-Uzbekistan Border Road)	TAJ	ADB	650.0
6	CAREC Transport Sector Strategy Study (Supplementary)	REG	ADB	325.0
	Subtotal Approved for 2008			2,625.0
2008	 PLANNED			
1	Preparation of Feasibility Study for Kandahar-Spin Boldak Railway	AFG	IsDB	400.0
2	Railway Development Program	AZE	ADB	1,000.0
3	Central Asia–Afghanistan Trade Links	REG	WB	300.0
	Subtotal Planned for 2008			1,700.0
2009	 PLANNED			
1	Bishkek and Osh Project I	KGZ	ADB	800.0
2	Western Regional Road Corridor Development Project, Phase II	MON	ADB	800.0
3	Feasibility Study for Kafarnigan–Yavan Railway	TAJ	IsDB	250.0
4	Caucasus Regional Transport	REG	ADB	2,000.0
5	Railway Sector Investment	UZB	ADB	500.0
	Subtotal Planned for 2009			4,350 .0
2010	 PLANNED			
1	Bishkek and Osh Project II	KGZ	ADB	800.0
2	Regional Transport Logistic Development II	REG	ADB	2,500.0
3	Caucasus Regional Transport II	REG	ADB	2,000.0
	Subtotal Planned for 2010			5,300.0
	TOTAL (2007–2010)			17,936.0
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ADB=Asian Development Bank; AFG=Islamic Republic of Afghanistan; AZE=Azerbaijan; EBRD=European Bank for Reconstruction and Development; IsDB=Islamic Development Bank; JICA = Japan International Cooperation Agency; KAZ=Kazakhstan; KGZ=Kyrgyz Republic; MON=Mongolia; PRC=People's Republic of China; REG=regional; TAJ=Tajikistan; UZB=Uzbekistan; WB=World Bank.

^a The approved amount is €1,500,000, which was converted to US\$2,361,000 by using the exchange rate of US\$1.574: 1 € on 7 April 2008.



CAREC Transport Sector Progress Report

Updated Information on Kyrgyz Republic and Tajikistan (Para. 2, page 2)

Kyrgyz Republic

From: "The Government has invited the Arab Coordination Group (ACG), of which IsDB is a member, to cofinance the project. ACG will participate in the cofinanciers' meeting to be held in October 2008 and will look into the possibility of financing the reconstruction of the remaining part of the Osh-Sary Tash-Irkeshtam road. IsDB approved a concessional loan of US\$11.2 million in 2008 to reconstruct the Taraz-Talas-Suusamyr road and plans to cofinance the Osh-Sary Tash-Irkeshtam road project with ADB"

To: The Arab Coordination Group (ACG) that met in Kyrgyz Republic on 21–23 October 2008 has, in principle, agreed to consider financing the Bishkek–Torugart project. A memorandum of understanding (MOU) was signed between the members of ACG and the Government of Kyrgyz Republic. It is expected that financing would be provided for the project in 2009. IsDB approved in 2008 a second concessional loan amounting to US\$11.2 million to reconstruct the second phase of Taraz–Talas–Suusamyr road project. IsDB is currently cofinancing with ADB the Osh–Sary Tash–Irkeshtam road project. The IsDB contribution is US\$17 million.

Tajikistan

From: "At the invitation of the Government, ACG plans to participate in the cofinanciers' meeting scheduled for October 2008 to discuss the Kulyab–Khalaikum road project. IsDB will provide a US\$20 million concessional loan to finance the third phase of the Shagon–Zhigar road project, and loan appraisal was scheduled for August 2008"

To: In a meeting held in Tajikistan on 19-20 October 2008, the ACG has, in principle, agreed to consider financing the Kulyab–Khalaikum project. An MOU was signed between the members of ACG and the Government of Tajikistan. It is expected that financing would be provided for the project in 2009. IsDB will provide another concessional loan amounting to US\$20 million to finance the third phase of Shagon–Zigar road project. The appraisal mission visited Tajikistan in August 2008.

CAREC Transport Sector Progress Report

Updated Information on Azerbaijan (Para. 2, page 1, and Tables 1 and 2)

- **Paragraph 2. Azerbaijan.** Delete the third sentence, "The European Bank for Reconstruction and Development (EBRD) expects to disburse the \$100 million loan for financing the 60 km section of the Baku-Samur Road Project during 2008-2009."
- **Table 1: Planned Investments, 3rd Quarter 2007-2010. 2008 APPROVED.** Add a new project, "Construction of the Mughanli-Yevlakh and Yevlakh-Zagatala-Georgian Border Road" along CAREC corridor 2 with financing from BNP Paribas Bank (France) (\$320 million).
- Table 1: Planned Investments, 3rd Quarter 2007-2010, 2008 PLANNED. Delete Baku-Samur Road.
- **Table 2: Planned Technical Assistance, 3rd Quarter 2007-2010, 2007 APPROVED.** Add "Preparation of the Baku Urban Passenger Transport Improvement Project, World Bank, US\$1 million.