

TRANSPORT POLICY OF AZERBAIJAN – PROSPECTS FOR INFRASTRUCTURE DEVELOPMENT AND INVESTMENT PROJECTS

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Dear participants of the meeting!
Ladies and gentlemen!

Let me first, greet all the participants of the workshop of CAREC National Transport and Trade Facilitation Committee on Regional Improvement of Border Services and thank the organizers for generous reception, warm welcome and for excellent arrangements made to ensure successful work of the meeting.

By developing the transport sector and trade cooperation in the region we primarily facilitate friendly relations and create conditions for enhancement of trade and economic cooperation. Implementation of the large-scale projects such as TRACECA, CAREC create necessary base for effective use of economic potential of countries in the region. At this point development of our countries depends very much on harmonic functioning of the transport sector.

Azerbaijan has a transport sector of high national and regional strategic importance, relatively rich in assets and potential. Moreover, Azerbaijan occupies a key international position and is a critical link to important international Transport Corridors, such as TRACECA Corridor linking Europe with the Caucasus and Central Asian markets; also the North-South Transport Corridor linking the Baltic Sea and the Northeast Europe to the Persian Gulf and Southeast Asian markets.

To develop this potential and to profit from other socio-economic advantages, which Azerbaijan can exploit, the Government has recognised the importance of aligning its transport sector with modern administrative and technical practices. Country's geopolitical situation, democratic institutions existing there, stable public and political stability and transition to market economy create great opportunities to cooperate with countries of the region.

The country's economy has the fast growing tendency in recent years. At the background of economic development of the country, the international trade volume also increased, what consequently contributed to the improvement of all fields of economy, as well as created favourable conditions for investing in the development and modernization of transport sector.

As the result of involvement of Government recourses and loans from World Bank, European Bank for Reconstruction and Development, Islamic Development Bank, Asian Development Bank and other international financial institutions transport infrastructure, as well as the infrastructure of international transport corridors is developed and modernized, transport fleet is renewed.

As a participant of Baku-Tbilisi-Jeyhan and Baku-Tbilisi-Erzurum oil and gas pipeline projects, Azerbaijan is under the process of realizing Baku-Tbilisi-Kars new

railway link project. In recent years, thanks to the joint efforts of the three countries involved, certain steps towards implementing the project have been taken. Azerbaijan, for its part, has attracted financial resources to the project. Today, the construction of the Baku-Tbilisi-Kars railway is successfully under way. Most importantly, this project will significantly enhance Azerbaijan's transport capacities, further strengthen our role as a regional transportation hub, and link Europe with Asia by means of a reliable and high quality railway.

The project aims the construction of 101 kilometres railway connection linking Trans European and Trans-Asian railway networks and the rehabilitation of 160 kilometres existing railway infrastructure in Georgia.

Along with aforementioned, reconstruction of 503 kilometres long Baku-Georgian border railway route as the part of Baku-Tbilisi-Kars in the territory of Azerbaijan, construction of New International Sea Trade Port Complex in a settlement of Baku, as well as the construction of a tunnel in Bosphorus will contribute to boosting the competitiveness of TRACECA corridor, increasing the speed of trains, shortening the delivery time of passengers and goods, assuring profitable and safe use of railways, and create appropriate conditions for delivery of goods from China and Far East and inversely, passing through Central Asia and Caucasus.

Given to the importance of the Baku-Tbilisi-Kars new railway line project connecting the Trans-European railways with the Trans-Asian ones, the UNECE Inland Transport Committee has assessed this project as the first priority one. The project has awarded TU-R-4 for a part crossing the territory of the Republic of Turkey and GE-R-2 for a part crossing the territory of Georgia.

Infrastructure development along the international transport corridors passing through the territory of the country, enhancement of relations with the countries of the region and the improvement of transport safety are of core importance.

In order to modernize the transport system and increase transit potential of the country a number of projects are implemented.

Since 2003 Baku-Iranian Border, Baku-Georgian border, Baku-Russian Federation border highways are constructed and reconstructed with application of modern technologies.

The overall length of motorways of the country is 18 946 kilometres. 1 915 kilometres has international, 2716 kilometres has republic significance. The 14 315 kilometres of the rest is of local importance.

In the last 6 years, 4.5 thousand kilometres of highways was constructed and renewed. The construction and reconstruction works are implemented from both budget resources and loans of international financial institutions. Overall estimation of loan agreements is USD 2.8 billion. USD 1.93 billion of this amount is provided by international financial institutions, the rest, USD 878.5 by Azerbaijan Government.

In 2008 financial resources in the amount of 2 billion USD was invested in the transport sector, which composes the 19% of investment in all other fields of economy. The figure was 2.2 billion USD in 2009 and figured up to 23,8% of all investment volume.

In 2010 22.1 percent or 1.7 billion manats or 2.2 billion USD of the total investment in amount of 7.7 billion manats used in the all spheres of economy were directed to the transport sector.

You can find a diagram describing the financial resources provided by international financial institutions separately.

806.1 kilometres long highway construction and reconstruction is done. 460.5 kilometres of these highways is constructed by the loans of international financial institutions, 345.6 kilometres by own resources of the country.

Currently work is done on 870 kilometres long highway. 746 kilometres of this is implemented by the loans of international banks.

Baku-Russian Federation border highway is constructed with concrete encasement and the 134 kilometres part of this highway is ready for use.

It is anticipated to finish the construction works along TRACECA and North-South corridors in 2011.

With the purpose of improvement of urban transport system, reconstruction of existing motorways in Baku, 3 ring roads, number of bridges and passages, pedestrian crosswalks is continued. Since 2007, 11 large transport hubs, road installations and 21 over ground and underground pedestrian crosswalks were built.

“Intellectual Management system of Transport Operations” project is implemented in order to crate optimal management of transport systems, ensure the safety, reduce traffic jams and increase the traffic capacity of urban roads. The system will cover not only Baku, but also whole Absheron peninsula.

To ensure the better quality of transport services, lately, 4 modern international airports were given for operation and international bus terminal was built to provide the passengers with necessary services.

Number of projects is implemented for assuring future development and sustainability of country's transport system, increasing competitiveness of international transport corridors, ensuring safety in transport, improving transport services and overcoming physical obstacles.

Construction of New Baku International Sea Trade Port Complex:

Master Plan and Working Project was completed for the construction of the New Baku International Sea Trade Port Complex. Implementation of the project is started from January, 2011. There are convenient road links in the northern, southern and western directions from this part of Baku. An important role in choosing this place has also been played by the presence of the railway. The project will be implemented in 3 stages and complies the creation of intellectual management system of carriage, load and unload and cargo handling processes. It is anticipated that new port will have 20 mln. throughput in 2015.

The main objective in establishing a seaport here is to address the issues of transport safety in Azerbaijan, turn Baku into a modern and large transport and logistical centre in the Caspian basin, expand cooperation among littoral countries and eventually create conditions for the functioning of the North-South and East-West transport corridors.

Construction of a Logistics Centre in the New Port area:

The location of the port on the cross point of main transit cargo transportations creates available condition for a logistics centre in this area.

The Logistics Centre is proposed to be constructed by financial assistance of European Union in the territory of New Baku Sea Trade Port Complex that is currently under construction. The proposed Logistics Centre will be situated in a strategic area, on the cross point of highway and railway routes along East-West and North-South transport corridors. The financing of the project was subject to negotiations at first TRACECA Investment Forum held in Brussels 10th of October 2010 and a number of investors have made suggestions for financing the project. Currently the negotiations are continuing.

Major investment will be made in the railway transport in Azerbaijan, a special State Program has been adopted. "State Programme on the Development of Railway Transport System in the Republic of Azerbaijan in 2010-2014" affirmed by the decree of the President of the Republic of Azerbaijan was adopted on 6 July 2010. The Programme has the aim to contribute to the development of railway transport system, fulfil the demands of people and economy in rail transport, safety of transportation, modernization of railway infrastructure, increase of competence of transport corridors passing through the territory of Azerbaijan, increase of transit transportation volume, and preparation of railway personnel.

Reconstruction of 506 kilometres Baku-Georgian border railway. The project implies:

- Reconstruction of surface structure of the road;
- Shift of electric supply system to varying power supply;
- Improvement of signalling, communication and auto blocking systems;
- Renewal of locomotive fleet;
- Establishment of centralized dispatching control system;
- Increase of existing train speed.

According to the Programme, the reconstruction works of Baku-Boyuk Kasik with length of 317 km have already started. After the reconstruction is finished, the speed of trains going from Baku to Georgian border will reach 120 km/h. It is also planned to buy 50 electric locomotives, 300 tank-cars for carriage oil and oil products, 25 passengers vans, 10 ADM type repair trains and modernize communication and signalling facilities of this railway route. The mentioned project demands 1.2 billion AZN and the main part of this amount will be covered by loans of World Bank and Czech Export Bank, the rest by resources of the Government of Azerbaijan and Azerbaijan Railways.

In near-term future, it is considered to implement large-scale projects based on Public-Private Partnership (PPT) and BOT principles. The following can be stated:

Construction of a new bridge with 26.6 kilometres length at Baku Bay (13,3 kilometres over the sea). As a part of ring road, this bridge will connect the twinning road of the capital and will help to ease the traffic in the central part of the Baku city. The bridge will also allow leisure facilities to be built on islands in the bay.

Construction of 105 kilometres new Guba-Shamakhi highway. After the construction of this road the access from the central regions of the country to Russian Federation will be shortened in 156 kilometres.

Construction of 405 kilometres Hajigabul-Georgian border high-speed highway.

Construction of new Baku-Sumgait light-gauge construction railway.

As we may know achieving practical trade or transport facilitation reform has become a key development priority in recent years. Together with traditional efforts to facilitate trade focusing on supporting transport infrastructure investments and modernizing customs using information technologies, at the same time the focus needs the coordination and simplification border crossing processes.

In order to facilitate border-crossing procedures and reduce the waiting time on border-crossing points, which contributes to the shortness of delivery time, “Single Window” principle is applied since the beginning of 2010 in Azerbaijan.

Dear colleagues!

The realization of East-West and North-South transportation projects that cross Azerbaijan requires further effective intergovernmental collaboration, infrastructure building, foreign direct investments, and the resolution of some obstacles.

On the background of the shown development in the transport sector in the Republic of Azerbaijan, there are some unresolved problems that result with incomplete transport routes and missing links. Thus, as the result of Armenian aggression against Azerbaijan, 20% percent of our territory is under occupation and more than 1 million people became refugees and IDPs in their own country. In the occupied territories transport infrastructure, tens of road and railway transport facilities, 178 km of railway lines, 540 km of highways were destroyed, many terror acts were committed which made the transport system of these territories unfit for use.

Moreover, 132 km of the Azerbaijani-Iranian border is also currently occupied and out of the control of the Azerbaijan government. This creates a security threat, since much of the occupied territory is a haven for the trafficking in illicit materials.

The occupation of the territories of Azerbaijan by Armenia is one of main obstacles for full integration to TRACECA and North-South transport corridors. As it is obvious, the cooperation between the Republic of Azerbaijan and Armenia will only be possible after the results of the occupation are eliminated and occupation troops are withdrawn from these territories.

Dear participants of the meeting!

Emphasizing importance of the issues included in the agenda I hope that constructive decisions and clear targets for near future made at the meeting will create conditions for steady development of transport system in the region and we do believe that the vast transport projects being implemented on Azerbaijan’s initiative today are not only for favour for Azerbaijan. They represent a great value also in terms of regional cooperation too.

Once more, I wish all the participants of the meeting successful and efficient work.

Thank you for attention.