



# **Implementation of the Transport and Trade Facilitation Strategy**

## **Transport Sector Progress Report (January 2008–October 2009)**

**8<sup>th</sup> Ministerial Conference on  
Central Asia Regional Economic Cooperation  
14–16 October 2009  
Ulaanbaatar, Mongolia**



## **I. BACKGROUND**

The 6<sup>th</sup> Ministerial Conference on Central Asia Regional Economic Cooperation (CAREC) endorsed the Transport and Trade Facilitation Strategy. The Strategy aims to develop six transport corridors across the CAREC region, and simplify and harmonize regulations on cross-border trade. The 7<sup>th</sup> Ministerial Conference on CAREC endorsed the Implementation Action Plan for the Strategy.

The Action Plan covers 24,000 km of roads, 20,000 km of railways, 29 border-crossing points, 42 airports, and 2 ports. It identifies priority investment and technical assistance (TA) projects for 2008–2017. The Action Plan envisages establishing national joint transport and trade facilitation committees and a regional joint transport and trade facilitation committee to manage implementation of the Strategy. A CAREC corridor map is in the Appendix.

## **II. ACHIEVEMENTS: JANUARY 2008–OCTOBER 2009**

### **A. Overview**

Implementation of the Transport and Trade Facilitation Strategy and Action Plan is on track. A preliminary assessment shows about 1,100 km of roads and 1,800 km of railways improved in an almost 2-year period. This represents increases of 5% for roads and of 9% for railways. As of October 2009, about 16,400 km of roads (69% of total corridors) are in good condition, compared with 15,300 km (64%) in January 2008. Railway lines in good condition increased from 14,800 km (74% of total corridors) in January 2008 to 16,600 km (83%) in October 2009.

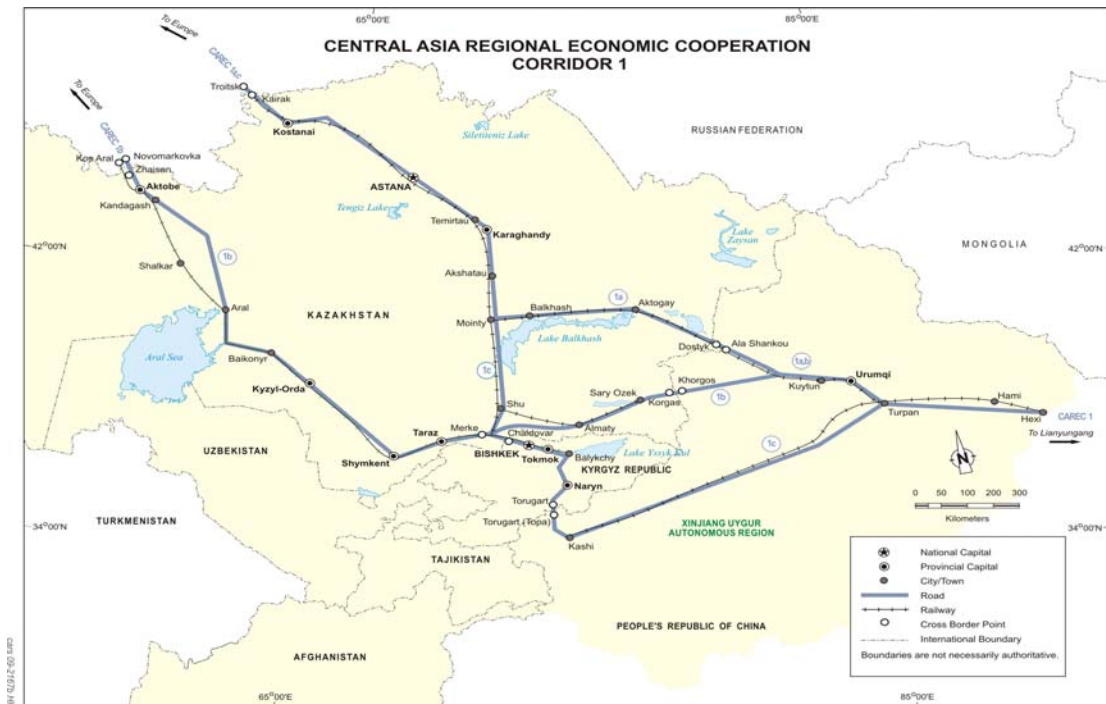
National joint transport and trade facilitation committees are active in each CAREC country. Establishment of the Regional Joint Transport and Trade Facilitation Committee is under way.<sup>1</sup>

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<sup>1</sup> Workshop on Regional Transport and Trade Facilitation Committee is planned for 15 October 2009.

## B. Major Achievements by Corridor

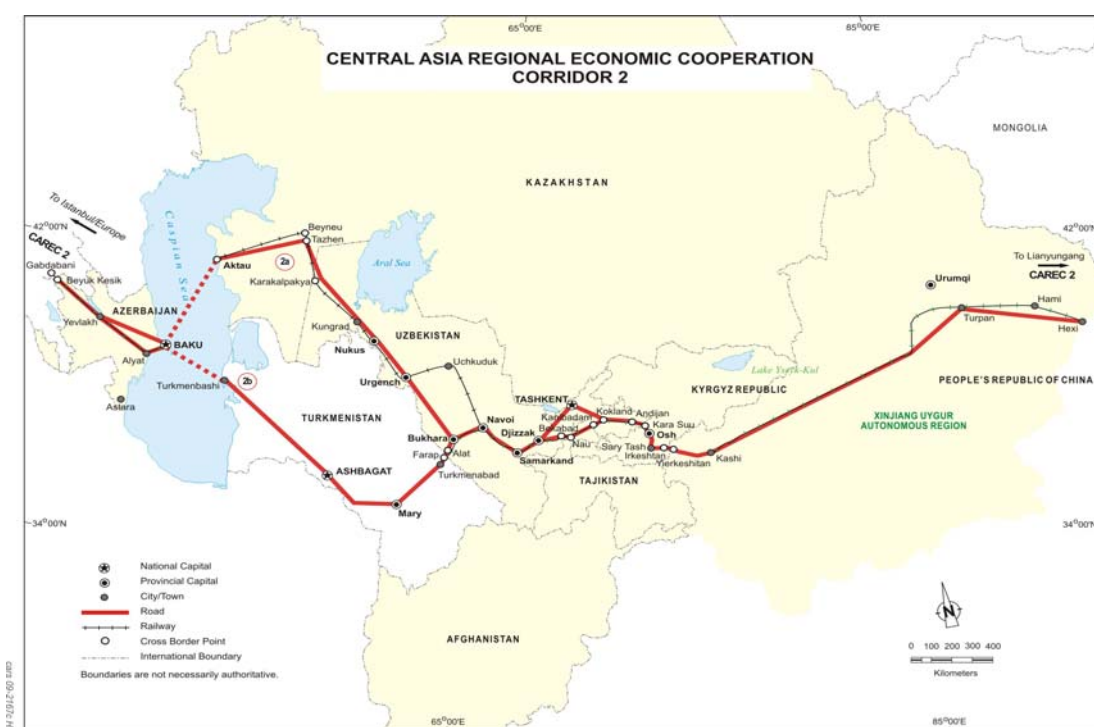
### 1. Corridor 1 (Europe—East Asia)



- Kazakhstan's Western Europe—Western People's Republic of China (PRC) Corridor Development Program is under implementation. It covers 2,715 km of road on Corridor 1b from Khorgos through Almaty and Shymkent to the border with the Russian Federation. The Government approved the feasibility study in February 2008.
- CAREC's multilateral partners are providing loans to Kazakhstan to help finance the program:
  - \$340 million from the Asian Development Bank (ADB, first tranche of a \$700 million multitranchise financing facility approved in November 2008),
  - \$180 million from the European Bank for Reconstruction and Development (EBRD, approved in November 2008),
  - \$170 million from the Islamic Development Bank (IsDB, approved in February 2009),
  - \$2.1 billion from the World Bank (approved in April 2009).
  - Bidding for civil works contracts is underway. Contracts financed by ADB and EBRD are to be awarded in 2009.
- The Kyrgyz Republic is improving the 488 km road section between Bishkek and Torugart on Corridor 1c. ADB approved a \$20 million grant in October 2008 and a \$50 million loan/grant in August 2009 to finance rehabilitation of a 114 km section. The civil works contract for the first 35 km section is to be awarded in 2009.

- The PRC is upgrading the 297 km road section between Korla and Kuqa on Corridor 1c with ADB assistance. PRC is also improving the 530 km road section between Turpan and Xingxingxia on Corridor 1 and a 68 km access road to Ala Shankou at the border with Kazakhstan.
- PRC is constructing a new 286-km railway line from Jinghe through Yining to Khorgas in Xinjiang. The project is for completion in 2009.
- PRC is building a large-scale logistics center in Khorgos, Xinjiang.

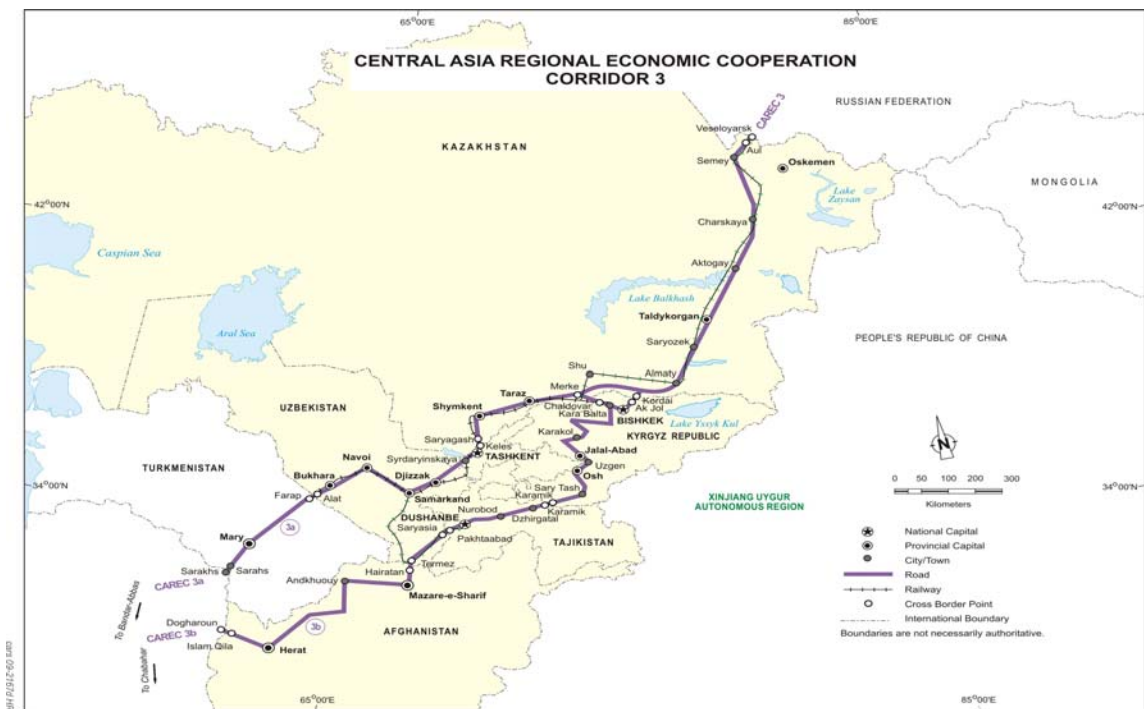
## 2. Corridor 2 (Mediterranean—East Asia)



- Azerbaijan is improving its segment (both roads and railways) with external assistance.
  - Rehabilitation of the 85 km road section between Hajigabul and Kyurdamir was completed in 2008 with EBRD assistance.
  - Improvement of the 38 km road section between Qazakh and the Georgian border will be completed in 2009 with ADB assistance.
  - Reconstruction of the 89 km road section between Yevlakh and Ganja, via the Ganja bypass, is underway with assistance from ADB, IsDB, and the Saudi Fund for Development.
  - Upgrading of the east–west railway line is underway with assistance from the World Bank (\$450 million loan approved in 2008).
- Azerbaijan started constructing the Baku International Sea Trade Port Complex, using public–private partnership arrangements in 2009.

- Kazakhstan is preparing an investment project to improve the 540 km road section between Aktau and Karakalpakya with ADB assistance.
- Uzbekistan is reconstructing the 131 km section between Guzar and Dautata, at the border with Kazakhstan, with ADB assistance. Civil works on the first 40 km section started in October 2009. Bidding for other sections is underway.

### 3. Corridor 3 (Russian Federation–Middle East and South Asia)



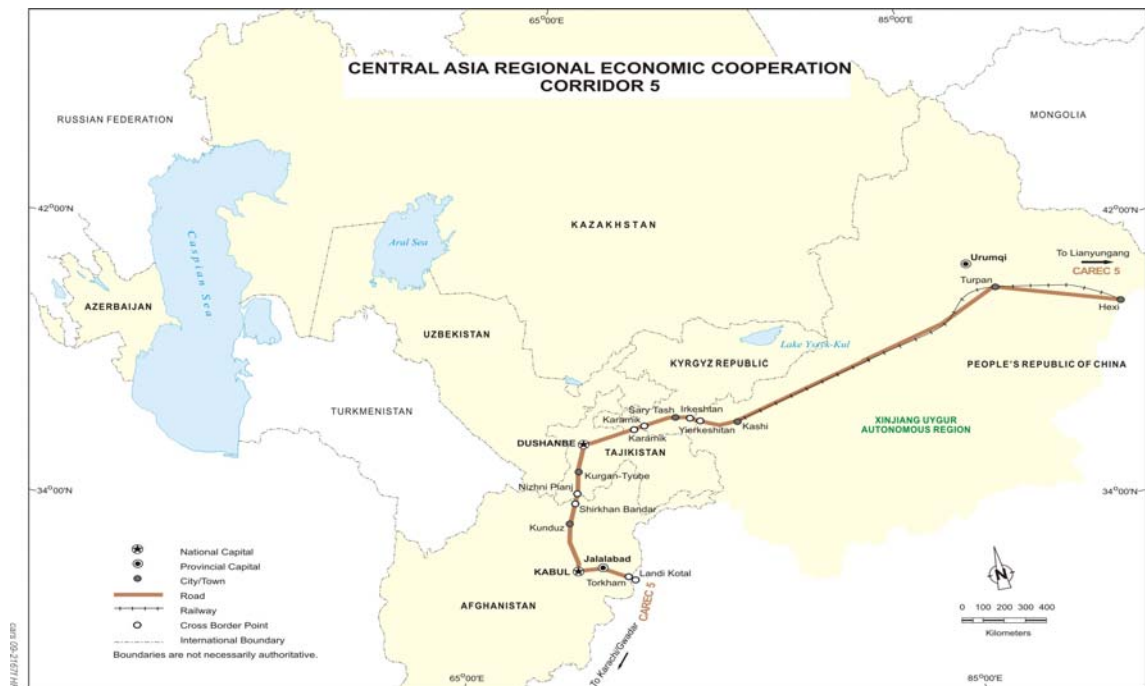
- Kazakhstan completed a feasibility study on the road section between Almaty and Kapchagay in 2008. A concessionaire will manage the section.
- Kazakhstan completed a feasibility study on the electrification of the 650 km railway line between Almaty and Aktogay in 2008. A concession is considered for this section.
- Tajikistan is preparing an investment project to improve the 66 km road section between Dushanbe and Bratstvo at the border with Uzbekistan, with ADB assistance. The preliminary design will be completed in 2009.
- Uzbekistan started building the railway lines between Yangier and Djizzak and between Yangier and Fakhad in 2009, with a total length of about 120 km.

#### 4. Corridor 4 (Russian Federation–East Asia)



- Mongolia is improving road Corridor 4a with ADB assistance. Rehabilitation of the 431 km section between Hovd and Yaran, at the border with PRC, is underway with grant funding from ADB. Supervision consultant has started services. Bidding for civil works is ongoing.
- Mongolia is improving road Corridor 4b with ADB assistance. Upgrading of the 428 km section between Choyr and Zamiyn-Uud, at the border with PRC, is ongoing. About 40% of civil works have been completed.
- Mongolia is building a new international airport in Ulaanbaatar with a \$288 million loan from the Japan International Cooperation Agency (JICA, approved in May 2008). Detailed design is ongoing. Mongolia is also constructing a new runway at Olgiy airport along Corridor 4a.
- PRC is upgrading the 179 km railway line between Jining and Erenhot in Inner Mongolia Autonomous Region. It is planned for completion in 2010.

## 5. Corridor 5 (East Asia–Middle East and South Asia)



- The Kyrgyz Republic is improving the road sections from Irkeshtam, at the border with the PRC, through Sary Tash to Karamyk, at the border with Tajikistan.
  - Civil works on the 136 km section between Sary Tash and Karamyk are ongoing with ADB assistance. About 20% of physical progress is complete.
  - The 74 km section between Irkeshtam and Sary Tash is being improving with loans from PRC.
- Tajikistan is improving the road sections between Dushanbe and Karamyk at the border with the Kyrgyz Republic, with assistance from ADB.
  - Rehabilitation of the 140 km section between Dushanbe and Nurobod was completed in 2008.
  - Physical progress on remaining sections is at 70% for the 77 km section between Nurobod and Nimich, 73% for the 25 km section between Nimich and Sayron, and 40% for the 95 km section between Sayron and Karamyk at the border with Kyrgyz Republic.
- Tajikistan is improving the road sections between Dushanbe and the border with Afghanistan, with assistance from JICA.
  - Civil works on the 12 km section between Dusti and Nizhni Pianj were completed in 2008.
  - Civil works on the remaining 15 km section between Dusti and Nizhni Pianj, and the 15 km section between Kurgan-Tube and Dusti, started in 2009.
- ADB is helping formulate a cross-border agreement among the Kyrgyz Republic, PRC, and Tajikistan. The agreement will cover the PRC–Kyrgyz Republic border at Irkeshtam, and the Kyrgyz Republic–Tajikistan border at Karamyk. Two negotiating



meetings between the Kyrgyz Republic and Tajikistan were conducted in 2009. A third negotiating meeting is scheduled for December 2009.

## 6. Corridor 6 (Europe–Middle East and South Asia)



- Afghanistan is improving the road sections of corridors 6a and 6b with assistance from ADB and IsDB.
  - Two sections totaling 259 km were rehabilitated in 2008 with ADB funding: (i) the 55 km section between Naibabad and Hairatan at the border with Uzbekistan, and (ii) the 204 km section between Naibabad and Andkhoy.
  - Civil works on the 210 km section between Andkhoy and Qaisar are targeted for completion in 2009.
  - Improvement of the 90 km section between Qaisar and Bala Murghab is ongoing, with physical progress at 20%.
  - Bidding for civil works contracts for constructing a new 143 km section between Bala Murghab and Leman is underway.
  - The 90 km section between Leman and Herat is being improved with IsDB funding.
- Afghanistan will start building a 75 km railway line from Hairatan, at the border with Uzbekistan, to Mazar-e-Sharif in November 2009, with grant support from ADB. The line is a de facto extension of the Uzbekistan network. Construction works are expected to be completed in October 2010.
- ADB is assisting Afghanistan with a study on development of a railway network across the north and other parts of the country, including links to Herat and Tajikistan. The study is scheduled for completion in April 2009.

### III. ISSUES

- **Cross-Border Delays.** Preliminary findings of the Corridors Performance Measurement and Monitoring program<sup>2</sup> indicate that cross-border delays are a major hindrance to international and regional trade on the six corridors. The main causes are inadequate border infrastructure and complicated cross-border procedures.
- **Financing Gap.** There remains a financing gap of \$3.3 billion for investments and of \$38.4 million for technical assistance included in the Action Plan.
- **Road Safety.** Road safety has become a concern as traffic accidents have increased. The major causes include poor road conditions, weak enforcement of safety regulations, inadequate driver education, and low public safety awareness.
- **Institutional Capacity.** Capacity in the CAREC countries for managing implementation of the Strategy and Action Plan remains inadequate. This is reflected by weak planning, coordination, monitoring, and reporting.

### IV. RECOMMENDATIONS

#### A. For CAREC countries:

- Improve border infrastructure,
- Simplify cross-border procedures,
- Provide timely funding for investment projects included in the Action Plan,
- Improve road safety,
- Strengthen institutions,
- Strengthen national joint transport and trade facilitation committees.

#### B. For development partners:

- Financial and advisory support;
- Cofinancing;
- Capacity building finance.

### V. 2010 WORK PROGRAM

Priority areas for 2010 include:

- Review progress on implementing the Strategy and Action Plan,
- Mobilize cofinancing,
- Improve border infrastructure and simplify cross-border procedures,
- Strengthen the Transport Sector Coordinating Committee,
- Provide training on road safety and transport project implementation.

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<sup>2</sup> CAREC Transport and Trade Facilitation: Corridors Performance Measurement and Monitoring. Quarterly Report: April–June 2009.

# SIX CENTRAL ASIA REGIONAL ECONOMIC COOPERATION CORRIDORS

