



World Bank Support to Transport in Central Asia, South Asia and South Caucasus

11th CAREC Transport Sector
Coordinating Committee

Manila, May 2012

Outline

- **Vision, Objectives & Goals for the sector**
- **Analysis of Client Spectrum**
- **Transport challenges in CAREC Countries**
- **World Bank support Instruments**
- **World Bank Transport Portfolios**
- **Synergies with CAREC Transport Program**
- **Conclusions & Recommendations**



Vision, Objectives, and Goals

Vision:

To support our client countries in the provision of clean, affordable and safe transport infrastructure and services necessary to achieve sustainable economic growth and poverty reduction

Goals and Objectives:

To work with our clients by tailoring Bank products to their specific needs in the transport sector, in the form of a balanced menu of Bank financing and knowledge services

Measurable Indicators:

- Maintain a quality core lending program that is predominantly investment/policy/results driven to meet the demands of our clients
- Increase the share of knowledge products (AAA and FBS) in the total volume of our Unit's business



Diverse Set of Clients with Varied Demand

Predominantly Investment/Financing Driven Demand



- Relatively large investment lending opportunities
- Investment lending can be leveraged to influence policy/institutions
- Room for collaboration with other IFIs

Predominantly Knowledge Driven Demand



- High demand for sophisticated real-time knowledge, and ability/willingness to pay for services
- Knowledge can still be bundled with financing through DPLs or P4R

Mixed Demand



- Important but limited investment lending opportunities
- High demand for knowledge, but limited ability/willingness to pay for knowledge



Transport challenges in CAREC Countries

- **Very high transport costs**

- Constitutes 8-15 percent of final cost of goods (two to three times that of industrialized countries)
- Some elements are immutable: long distances, landlocked countries, etc.
- But other elements can be addressed: empty backhauls, regulatory constraints, unofficial payments
- Real costs often hidden by Government subsidies (import of equipment, urban transport)



Transport challenges in CAREC Countries

- **Low performance of transport corridors**

- Infrastructure bottlenecks & poor condition
- Availability, reliability and security is not predictable in land transport modes (roads/rail/ports)
- Significant behind-the-border and at-the-border impediments outside of the control of the transport sector (e.g. customs, phyto-sanitary control, etc.)

- **Fragmented transport systems**

- “Artificial barriers” appeared when new borders emerged after the break-up of the Soviet Union
- Lack of coordination between operators, investments in infrastructure, and regulations



Transport challenges in CAREC Countries

• Aging Infrastructure; maintenance deficit

- More than half of the infrastructure is over 30 years old
- Poorly maintained - decreasing asset value, low effective capacity
- Priority given to capital investment
- Share of road expenditures per GDP low compared to middle income countries
- Cost recovery mechanisms not fully developed (e.g. road user-pay principle)

• Rapid increase of vehicle ownership

- Increasing cost of congestion and poor traffic management in urban areas
- Underdeveloped urban public transport systems and urban freight logistics centers
- Alarming rate of road traffic injuries and deaths (per million vehicles)



World Bank Support Instruments

Lending instruments plus Analytical & Advisory Services:

- *Investment Loans/Credits:*
 - Finance goods, works, and services to support economic and social development through identified activities (about 75% to 80% of WB lending)
- *Development Policy Loans/Credits:*
 - Quick-disbursing assistance to support the sector or economy as a whole

World Bank lending normally includes reforms to build capacity & improve efficiency

- *Advisory Services:*
 - *Economic & Sector Work (ESW):* Detailed studies of specific sector issues funded through World Bank budget
 - *Fee-For Service:* Technical Assistance provided by Bank staff paid for by the Client



Transport Portfolio in Central Asia

KAZAKHSTAN

- **South-West Roads Project** and **East-West Roads Project** (US\$3.2 billion) – *Rehabilitation/upgrade of 1,367 km of the Western Europe-Western China International Transit Corridor (CAREC 1b & 6b) and improve road sector management*
- **Institutional Support: Technical Audit, Monitoring and Evaluation** (grants) – *Introduction of technical audit for road works and monitoring and evaluation in the Committee for Roads*
- **Rail Trade Logistics Study and Dialogue** (grant) – *Assessment of bottlenecks impacting freight transit traffic on selected rail corridors in Kazakhstan*



Transport Portfolio in Central Asia

KYRGYZ REPUBLIC

- **National Road Rehabilitation Project (NRRP)** (US\$ 50 million credit/grant) – *Rehabilitate 50 km of the Osh-Batken-Isfana Road and improve road safety planning and road asset management. Repair and rehabilitate road infrastructure in and around Osh and Jalal-Abad cities thereby creating temporary jobs*
- **Institutional Support to the MoTC: Quality management in the roads sector** (IDF grant) – Introduction of quality management systems to improve road management and planning



Transport Portfolio in Central Asia

TURKMENISTAN

- **Proposed Turkmenbashi Port Improvement Project** (US\$62 million) – *Increase capacity of the rail ferry terminal to handle non-oil products, and improve environmental and safety practices at the Port of Turkmenbashi*
- **Institutional Support to the State Service for River and Maritime Transportation: Introduction of PSP in the Ports Sector** (grant) – *To enable private sector participation in the Port of Turkmenbashi*
- **Transport and Logistics Study** (grant) – *Trade and transport facilitation assessment*



Transport Portfolio in Central Asia

UZBEKISTAN

- **Transport Sector Policy Note:** *Identification of policy improvements and investment options that the Government of Uzbekistan could choose to implement in the medium to long-term with the goal to gradually move towards sustainable transport*
- **Rail Trade Logistics Study and Dialogue** (grant) (on-going)
 - *Assessment of bottlenecks impacting freight transit traffic on selected rail corridors in Uzbekistan and case study on trade supply chain performance in the automotive industry (import/export)*



Transport Portfolio in Pakistan and Afghanistan

PAKISTAN

- Second Trade and Transport Facilitation Project (USD 26 million)

AFGHANISTAN

- Second Customs Reform and Trade Facilitation Project (USD 52 million)
- Diagnostic Trade Integration Study (DTIS)



Transport Portfolio in South Caucasus

AZERBAIJAN

- Highway improvement projects (US\$965 million) focusing on upgrading Alat-Masalli (M3); Baku-Shamakhi-Muganli (M 4); Ganja – Gazakh roads
- Improvement of about 240 km of mainline track along the East-West Main Rail Line (US\$450 million)

GEORGIA

- Upgrade of sections of the East-West Highway (E60) about US\$350 million
- Improvements to Secondary and Local roads (US\$120 million)

ARMENIA

- Lifeline Roads(US\$85 million)



Synergies with CAREC Transport Program

Establish Competitive Transport Corridors

- Investments in CAREC road corridors (Kazakhstan and Kyrgyz Republic) and corridor gateways (Turkmenistan)
- Analysis of the performance of transport corridors (Regional)
- On-going dialogue on Rail Trade Logistics Studies (Kazakhstan and Uzbekistan)
- TA on road services (Kazakhstan)

Facilitate Movements of People and Goods across Borders

- Kazakhstan Customs Reform Project
- Turkmenistan Transport and Logistics Study
- TA on road safety, road asset management (Kazakhstan and Kyrgyz Republic)



Conclusions & Recommendations

- Ensure sustainable level of funding for maintenance:
 - Funding of road maintenance is generally inadequate in the region
- Increase cost recovery in the road transport sector:
 - The levels of diesel fuel duty and registration fees do not cover the social costs of use, including the damage caused to roads (particularly by heavy commercial vehicles)
- Increase private finance, where realistic, in the development of transport infrastructure:
 - With limited budgetary resources and competing transport infrastructure needs, governments need to make realistic demands for the private sector to finance, build and operate roads
 - Carefully quantify and manage contingent liabilities from these Public-Private Partnerships

