

# Transport Sector Progress Report (September 2008–May 2009)

Senior Officials' Meeting on Central Asia Regional Economic Cooperation 28 – 29 May 2009 Ulaanbaatar, Mongolia

# I. Overview of the Progress

# A. Strategy and Development Plans

# Regional

- The Implementation Action Plan for the CAREC Transport and Trade Facilitation Strategy (the Action Plan) was endorsed by the 7<sup>th</sup> Ministerial Conference held in Baku, Azerbaijan in November 2008. The Action Plan includes 127 investment and technical assistance (TA) projects with a total amount of about \$21 billion to improve transport corridors and expedite movement of people and goods across the CAREC region during the next 10 years (a map showing the six CAREC corridors is in Attachment 1).
- A CAREC Three-Year Rolling Plan (2010–2012), which will help monitor the implementation of the Action Plan, is under preparation. The Plan will be submitted for endorsement by the 8<sup>th</sup> Meeting of the Transport Sector Coordinating Committee (TSCC) scheduled for 24–25 June 2009 in Ulaanbaatar, Mongolia.

#### **National**

- Kyrgyz Republic. The Government updated the Road Sector Development Strategy in 2008. As part of the country's Road Development Program (2009–2011) and the National Development Strategy for 2009–2011, the Strategy gives priority to reconstruction of CAREC corridors. In addition, the Government approved the law on toll roads on 5 November 2008, which is under consideration by Parliament. With Asian Development Bank (ADB) assistance, the Government prepared a draft law on public-private partnership (PPP) and is developing a transport sector master plan.
- Mongolia. The Government has formulated a Transit Mongolia Program, which aims to develop major regional transport corridors with e-customs and single electronic window. The priorities for 2009 are to (i) construct the western transport corridor (CAREC Corridor 4a refers to corridors thereafter) and the missing link of the central north-south road corridor (Corridor 4b), (ii) implement the Customs Modernization Project and pilot-test the joint border control with the PRC, (iii) prepare the regional logistics development project focusing on Corridor 4b, and (iv) conduct performance measurement and monitoring on Corridor 4b.
- People's Republic of China (PRC). The Government approved the revised Medium- and Long-term Railway Network Plan on 31 October 2008 to stimulate economic growth in response to the global financial crisis. The revised Plan includes a financing plan of about RMB5 trillion (about \$730 billion equivalent) to expand the country's railway network to 120,000 kilometers (km) by 2020. It includes improving the railway lines in Xinjiang and Inner Mongolia autonomous regions, which forms part of the CAREC transport corridors.
- Uzbekistan. The President approved the investment program for 2009–2014 on 12 March 2009.

## B. Institutional Development

The National Joint Transport and Trade Facilitation Committees or similar organizations were established in Afghanistan, the PRC, Kazakhstan, the Kyrgyz Republic, Mongolia, and Uzbekistan for supporting transport and trade facilitation and managing implementation of the CAREC Transport and Trade Facilitation Strategy. The establishment of the Joint

- National Transport and Trade Facilitation Committees in other CAREC countries are under preparation.
- The TSCC secretariat has coordinated closely with other CAREC committees, especially the Customs Cooperation Committee (CCC) secretariat to assist in implementing the Action Plan. The TSCC and CCC secretariats jointly prepared the Three-Year Rolling Plan (2010–2012), and monitoring the implementation progress of the Action Plan.

# C. Physical Investments

1. Major physical investments approved or planned by the CAREC governments and external aid agencies are highlighted below (a list of investment projects with external assistance in the CAREC transport sector for 2008–2010 is in Attachment 2).

## **Afghanistan**

- ADB approved the tranche 1 grant (\$60 million) of the Multitranche Financing Facility (MFF) for the Road Network Development Program in November 2008 to finance reconstruction of the Andkhoy-Qaisar road (Corridors 3b, 6ab) and north—south roads. ADB plans to approve the tranche 2 grant in 2009 to rehabilitate the Kabul—Jalalabad road (Corridors 5, 6c), Faizabad—Eshkashim road, and Jabal Saraj—Sourbi road.
- ADB is preparing a project to construct about 80 km of railway line from Hairatan at the border with Uzbekistan to Mazare-e-Sharif (Corridor 3b, 6ab) to be financed by a grant for approval in 2009.
- The World Bank approved an \$18 million grant in December 2008 to improve traffic flows in Kabul (Corridors 5, 6c) by improving priority urban roads, intersections, and drain systems.

#### Azerbaijan

- ADB is preparing the tranche 3 loan under the MFF for the Road Network Development Program to finance the upgrading of the Ganja—Qazakh section of the east-west highway and a proposed MFF for the Railway Sector Development Program (Corridor 2).
- The two loans World Bank approved in 2008—Rail Trade and Transport Facilitation (east-west railway line) and additional financing for the Second Highway—are under implementation. They will finance the rehabilitation of 116 km of M6 road between Hajigabul and Bahramtapa and 200 km of regional roads. The World Bank is preparing a multisector capacity building project that will initially focus on strengthening project implementation capacity in transport and water sectors.
- The Government has requested the World Bank to help finance the upgrading of 120 km of M4 road between Baku and Shamakhi (Corridor 2).

## Kazakhstan

The Western Europe–Western China International Transport Corridor Project (Corridor 1b) is under implementation with support of ADB, European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IsDB), Japan International Cooperation Agency (JICA), and World Bank. The total length of the Project corridor is 2,715 km, of which 2,237 km will be constructed or reconstructed. The total investment is estimated at \$6.7 billion—ADB (\$700 million), EBRD (\$181 million), IsDB (\$414 million), JICA (\$150 million).

- million), World Bank (\$2,125 million), private sector (\$2,221 million), and the Government (\$909 million).
- ADB, with IsDB and JICA, is helping improve 480 km road sections in the Zhambyl Oblast. ADB approved a \$700 million MFF in November 2008 and the tranche 1 loan of \$340 million in December 2008. ADB is preparing the tranche 2 loan of \$210 million for approval in 2009. IsDB approved a \$186 million loan in February 2009 to rehabilitate the 58 km section.
- EBRD approved a \$181 million loan in November 2008 to improve the 102 km section between Aktobe and the Russian Federation border.
- The World Bank approved a loan of about \$2 billion in April 2009 to upgrade the 1,062 km section between Shymkent and Aktobe/Kyzylorda oblast border.

#### **Kyrgyz Republic**

- ADB is helping improve the Bishkek-Torugart road (Corridor 1c) with a \$20 million grant approved in November 2008. Additional grant financing of \$50 million is planned for approval in 2009.
- The Government is discussing with the Export-Import Bank of China a \$200 million loan to rehabilitate remaining sections of the Bishkek-Torugart road.
- A cofinanciers' meeting attended by members of Coordination Group<sup>1</sup> was held in October 2008 in Bishkek to consider financing the Dolon Pass–Atbashi section of the Bishkek–Torugart road. The feasibility study was submitted and a joint appraisal mission was proposed for June–July 2009. The Government has also requested the Coordination Group to finance some priority projects such as reconstruction of the Issykul airport.
- IsDB is cofinancing with ADB the reconstruction of the Osh–Sary Tash–Irkeshtam road (Corridors 2, 3b, 5). IsDB is also assisting in reconstruction of the Taraz–Talas–Suusamyr road, with phase 1 to be completed by mid-2009.
- JICA approved a grant of ¥635 million (\$6.3 million equivalent) in 2009 to finance reconstruction of three bridges in Ala-Archa, Alamedin, and Keng-Balung in Chui Oblast (Corridor 1c).
- The World Bank, with EBRD and the European Union, is preparing \$75 million for approval in 2009 to improve the Osh–Isfana road, of which EBRD will cofinance up to \$35 million.

## Mongolia

- ADB is preparing a \$24 million grant for the regional logistics development project for approval in 2009. Under the ADB-assisted ongoing Western Regional Road Corridor Development Project (Corridor 4a), the project administration office was established and the consultants for phase 1 (to construct about 430 km road from the PRC border to Hovd) is being selected. ADB is also helping prepare Phase II of the Project.
- EBRD and the International Finance Corporation are preparing an \$11.5 million loan each for approval in 2009 to Eznis Airways LLC (a domestic passenger and freight aviation

Comprising IsDB, Kuwait Fund for Arab Economic Development, Abdu Dhabi Fund for Development, OPEC Fund for International Development, and Saudi Fund for Development.

- services company). The project will enable the only western-standard airline in Mongolia to strengthen its fleet size, introduce modern business and air safety standards, and increase competition.
- JICA is helping construct a new airport in Ulaanbaatar by providing a \$288 million concessional loan. The design consultants are being selected and civil works contracts will be awarded in 2009.
- The Government has included the construction of a new runway at the Olgiy airport (CAREC Airport) in its 2009 budget.

## People's Republic of China (PRC)

- ADB is preparing a \$100 million loan for the Xinjiang urban transport and environmental improvement project for approval in 2009.
- The World Bank-assisted Third Xinjiang Highway Project (\$150 million loan), covering the Kuitun—Sailimu highway, will be completed in 2009.
- The Government will invest RMB120 billion (about \$18 billion) during 2009–2013 to improve road infrastructure in Xinjiang and linking Asia to Europe, including the roads at borders in Ala Shankou (Corridors 1a, b), Takeshiken (Corridor 4a), and Torugart (Corridor 1c).
- The airports in Urumqi, Kashi, and Hami in Xinjiang are under construction or expansion with funding from the Government. The Government plans to improve Yining, Turpan, Kuqa, Shihezi, and Bole airports during 2009–2010.

## **Tajikistan**

- ADB is preparing a supplementary grant of \$20 million for approval in 2009 to finance incremental activities under the Dushanbe-Kyrgyz Border Road Rehabilitation Project (Corridors 3, 5) and a grant for CAREC Corridor 3 (Dushanbe-Uzbek border road) project.
- The Coordination Group held a meeting in Dushanbe in October 2008 to consider financing the Kulyab–Khalaikum road. A joint appraisal mission is planned for April–May 2009. IsDB plans to undertake another appraisal in the second half of 2009 for phase III of the Shagon-Zhigar road project, subject to the successful completion of phase II of the project.

#### Uzbekistan

- ADB is helping reconstruct 131 km of national roads under the ongoing CAREC Regional Road Project (Corridor 2a). Seven of nine contracts for goods were awarded. The detailed designs were completed and bidding of civil works is underway.
- The Government developed a concept of railway modernization for 2009–2013 and a national highway development plan for 2010–2014, with some sections along CAREC corridors.
- The United Arab Emirates provided a grant to help finance the construction of a new passenger terminal at the Bukhara Airport.

# D. Nonphysical Investments

2. Major nonphysical investments undertaken or planned by the CAREC governments and external aid agencies are highlighted below (a list of TA projects with external assistance in the CAREC transport sector for 2008–2010 is in Attachment 3).

#### Regional

- ADB is assisting in developing a cross-border transport agreement among the Kyrgyz Republic, PRC, and Tajikistan. The agreement has been drafted and the first negotiation meeting will be held in Dushanbe on 19–20 May 2009.
- ADB has engaged consultants to evaluate the impact of CAREC transport investments. The Western Europe-Western China International Transport Corridor Project in Kazakhstan (Corridor 1b) and the Bishkek-Torugart Road Rehabilitation Project in the Kyrgyz Republic (Corridor 1c) have been selected for impact evaluation.
- The World Bank and USAID are financing transport corridor performance measurements in Central Asia from a \$450,000 grant.
- A meeting on CAREC corridor performance measurement and monitoring was held in Guangzhou, PRC on 23–24 February 2009 and eight forward associations will be engaged to collect data for corridor performance measurement and monitoring activities starting in March 2009.
- The eight CAREC countries have prepared the country transport sector progress reports. The TSCC and CCC secretariats are consolidating the country reports for submission to the 8<sup>th</sup> Meeting of TSCC Meeting scheduled for 24–25 June 2009 in Ulaanbaatar, Mongolia.
- The CAREC countries, with ADB assistance, are reviewing needs for training in the transport and trade facilitation. The findings will be included in the CAREC Institute's training program.

#### **National**

- Afghanistan. ADB approved a technical assistance (TA) grant (\$1.2 million) for the railway development study on 27 March 2009. The TA will include feasibility and detailed design of a new railway line between Hairatan at the border to Uzbekistan and Mazare-e-Sharif. The selection of consultants is underway.
- Kazakhstan. The Government completed feasibility studies on electrification of the Almaty– Aktogay (Corridor 3), Dostyk–Aktogay (Corridor 1a), and Aktogay–Mointy (Corridor 1a) railway lines in December 2008.
- Kyrgyz Republic. EBRD provided a grant of €1.395 million (\$1.836 million equivalent) to finance environmental and social analysis and construction supervision for the Osh–Isfana road rehabilitation.
- Mongolia. ADB plans to provide a TA grant (\$500,000) in 2009 to develop road database using GIS.

- People's Republic of China (PRC). The Ministry of Railways is expected to approve feasibility studies and preliminary designs for the Xi'an-Lanzhou passengers dedicated line (Corridors 1, 2, 5) and Lanzhou-Urumqi second double tracking line (Corridors 1a, b) in 2009. In addition, ADB-financed consultants will be fielded in mid-May 2009 to assess transport and trade facilitation in the Inner Mongolia Autonomous Region.
- Tajikistan. IsDB plans to finance a feasibility study on the Kafarnigan-Yavan railway.

## E. Collaboration with Other Regional Cooperation Initiatives

- ADB, UNESCAP, and the Shanghai Cooperation Organization (SCO) secretariat are exploring the possibility of further cooperation to help prepare draft annexes to the intergovernmental agreement of the SCO member states on facilitation of international road transport. ADB held preliminary discussion with the SCO secretariat in December 2008.
- The International Road Transport Union is supporting the New Eurasian Land Transport Initiative (NELTI) to bridge Asia and Europe. It will consolidate monitoring results and prepare a road map in collaboration with the NEA Transport Institute of the Netherlands in May 2009. The results will be presented at the 5th International Road Transport Union Euro-Asian Road Transport Conference in Almaty, Kazakhstan in June 2009.

## II. Next Steps

- The TSCC will continue implementing its 2009 Work Program, which comprises (i) review of the implementation of the Action Plan, (ii) preparation of the Transport Sector Progress Report, (iii) hold the 8<sup>th</sup> TSCC Meeting, and (iv) training for CAREC countries.
- The 8<sup>th</sup> TSCC meeting is scheduled for 24–25 June 2009 in Ulaanbaatar, Mongolia. The meeting will (i) review the progress of implementing the Action Plan for the CAREC Transport and Trade Facilitation Strategy, (ii) review and endorse the Three-Year Rolling Plan (2010–2012), and (iii) review the TSCC Work Plan for 2009 and endorse its Work Plan for 2010.

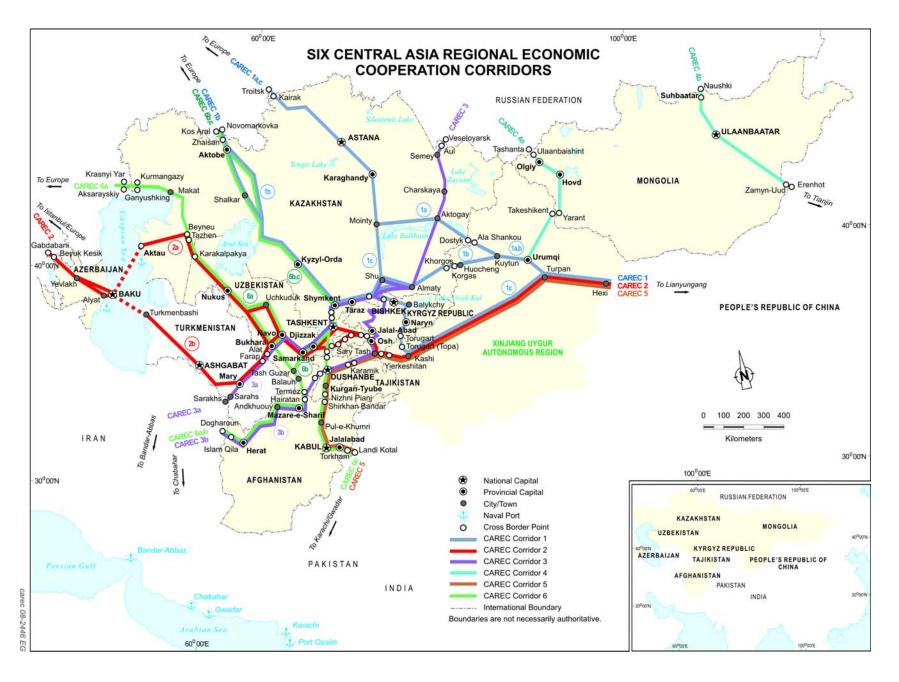


Table 1: Investments with External Assistance in the Transport Sector of CAREC Countries 2008–2010

No	Project Title	CAREC Corridor	Other Coverage	Country Involved	Funding Agency	Total Investment (\$ million)	Total Investment for CAREC (\$ million)
2008	APPROVED						
1	MFF - Road Network Development Program, Tranche 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	MFF - Road Network Development Program, Tranche 2 (Ganja bypass)	2		AZE	ADB	55.4	55.4
4	Rail Trade and Transport Facilitation (eastwest main line)	2	-	AZE	WB	450.0	450.0
5	Second Highway- Additional Financing (eastwest and north-south corridors: Alat–Masali and Tagiyev–Sahil) <sup>a</sup>	2	Feeder for 2	AZE	WB	300.0	150.0
6	Xinjiang Municipal Infrastructure and Environmental Improvement	1a,1b	-	PRC	ADB	105.0	105.0
7	MFF - CAREC Transport Corridor 1 (Zhambyl Oblast Section), Tranche 1	1b, 6bc	-	KAZ	ADB	340.0	340.0
8	South-West Corridor Road Project (Aktobe- Russian border)	1b, 6bc	-	KAZ	EBRD	181.0	181.0
9	CAREC Corridor 1 (Bishkek-Torugart Road) Project	1c	-	KGZ	ADB	20.0	20.0
10	Osh-Isfana Road	-	Other	KGZ	EC	8.1	-
11	Reconstruction of Taraz–Talas–Suusamyr Road II	-	Feeder	KGZ	IsDB	11.2	-
12	Western Regional Road Corridor Development, Phase I	4a	-	MON	ADB	37.6	37.6
13	Community-Based Local Road Upgrading and Maintenance in the Western Region	4a	-	MON	ADB	2.0	2.0
14	New Ulaanbaatar International Airport Construction	4b	-	MON	JICAb	280.0	280.0
	Subtotal Approved for 2008					1,868.3	1,651.0
2009	APPROVED	41.		1/ / 7	I-DD	10/ 0	10/ 0
1	Western Europe–Western China Corridor (Korday-Taraz-Zhambyl Oblast) Section1,Tranche 1	1b		KAZ	IsDB	186.0	186.0
2	Reconstruction of 3 Bridges (Ala-Archa, Alamedin, and Keng-Bulong) Bridge in Chui Oblast	1c		KGZ	JICA	6.3	6.3
3	South-West Corridor (Aktobe–Kyzyl–Orda Oblast)	1b, 6b, 6c	-	KAZ	WB	2,125.0	2,125.0
	Subtotal Approved for 2009					2,317.3	2,317.3
2222							
2009 I	PLANNED <sup>b</sup> MFF- Road Network Development Program,	5,6c	Other	AFG	ADB	100.0	33.0
	Tranche 2 (Kabul-Jalalabad, Faizabad- Eshkashim, and Jabal Saraj-Sourbi) a	0,00	Outd	AIG	טטה	100.0	33.0
2	MFF - Road Network Development Program, Tranche 3 (Ganja-Qazakh)	2	-	AZE	ADB JICA	200.0 100.0	200.0 100.0
3	Ujar–Zardab–Aghdjabedi Highway Construction	-	Other	AZE	IsDB	35.0	-
4	Second Additional Financing for Highway-2 a		Feeder for 2	AZE	WB	160.0	-
5	Xinjiang Urban Transport and Environmental Improvement (formerly Xinjiang Urban Transport Infrastructure Development)	-	Urban	PRC	ADB	100.0	-

No	Project Title	CAREC Corridor	Other Coverage	Country Involved	Funding Agency	Total Investment (\$ million)	Total Investment for CAREC (\$ million)
6	MFF - CAREC Corridor 1 (Zhambyl Oblast Section), Tranche 2	1b, 6bc	-	KAZ	ADB JICA	210.0 100.0	210.0 100.0
7	CAREC Corridor 1 (Bishkek–Torugart Road), Project 2	1c	-	KGZ	ADB	50.0	50.0
8	Osh–Isfana Road Rehabilitation	-	Other	KGZ	EBRD	35.0	-
9	Bishkek-Naryn-Torugart Road Rehabilitation	1c	-	KGZ	EBRD	20.0	20.0
10	Bishkek–Torugart Road Construction	1c	-	KGZ	IsDB	12.0	12.0
11	Taraz-Talas-Suusamyr Road		Feeder	KGZ	IsDB	10.0	-
12	Dolon-Pass to Atbahsi of the Bishkek-Torugart Road Corridor	1c	-	KGZ	IsDB	15.0	15.0
13	National Road Rehabilitation (Osh–Isfana)		Other	KGZ	WB	20.0	-
14	Regional Logistics Development	4b	-	MON	ADB	30.0	30.0
15	Ezniz Airways Fleet modernization	-	Other	MON	EBRD IFC	23.0	-
16	CAREC Regional Road Corridor Improvement (Dushanbe-Kyrgyz Border) Supplementary	3b,5	-	TAJ	ADB	20.0	20.0
17	CAREC Corridor 3 (Dushanbe-Uzbek Border Road)	3b	-	TAJ	ADB	35.0	35.0
18	Kulyab–Khalaikum Road	-	Feeder for 5 and 6c	TAJ	IsDB	20.0	-
19	Shagon–Zigar Road Reconstruction, Phase III	-	Feeder for 5 and 6c	TAJ	IsDB	18.5	-
	Subtotal Planned for 2009					1,313.5	825.0
2010 I	PLANNED <sup>b</sup>						
1	MFF - Road Network Development Program, Tranche 3 (Kabul-Jalalabad, Jabal Saraj- Sourbi, and Dar-i-suf-Yakawlang)	5,6c	=	AFG	ADB	190.0	190.0
2	MFF- Road Network Development Program, Tranche 4	2	-	AZE	ADB	45.0	45.0
3	Highway-3	2		AZE	WB	150.0	150.0
4	MFF - CAREC Transport Corridor I (Zhambyl Oblast Section), Tranche 3	1b, 6ab	-	KAZ	ADB	150.0	150.0
5	Aktau-Beyneu Road reconstruction	2a		KAZ	EBRD	550.0	550.0
6	CAREC Corridor 1 (Bishkek-Torugart Road), Project 3	1c	-	KGZ	ADB	40.0	40.0
7	Bishkek-Naryn Torugart Road	1c	-	KGZ	IsDB	15.0	15.0
8	Reconstruction of the Osh-Sary Tash- Irkeshtam Road (Phase II) <sup>c</sup>	2,3b,5		KGZ	IsDB	15.0	15.0
9	Western Regional Road Corridor Development, Phase II	4a	-	MON	ADB	40.0	40.0
	Subtotal Planned for 2010					1,195.0	1,195.0
	TOTAL (2008–2010)					6,694.1	5,988.3

<sup>&</sup>lt;sup>a</sup> The amount of CAREC intervention is estimated.
<sup>b</sup> Processing of projects in 2009 and 2010 will depend on further discussions with concerned governments and fund availability.
<sup>c</sup> In case the Government fails to reach agreement with other financiers, IsDB might finance this project.

Table 2: Technical Assistance with External Financing in the Transport Sector of CAREC Countries 2008-2010

No.	Project Title	Country Involved	Funding Agency	<b>Total</b> (\$'000)
2008	APPROVED	•		
1	Railways Sector Development Program	AZE	ADB	1,000
2	CAREC Transport Corridor 1 (Zhambyl Oblast Section)	KAZ	ADB	300
3	Public Private Partnership Transaction Advisory	KAZ	EBRD	1,974
4	Routine Maintenance Contracting Advisory	KAZ	EBRD	658
5	CAREC Transport Corridor I (Bishkek-Torugart Road)	KGZ	ADB	150
6	Regional Logistics Development	MON	ADB	400
7	Road Maintenance Development Plan	TAJ	EBRD	800
8	CAREC Transport Corridor III (Dushanbe-Uzbekistan Border Road)	TAJ	ADB	650
9	CAREC Transport Sector Strategy Study (Supplementary)	REG	ADB	325
	Subtotal Approved for 2008			6,257
2000				
	PLANNED			
1	Railway Development Study	AFG	ADB	1,200
2	Assessment of the Transport and Trade Facilitation Sectors in IMAR, PRC	PRC	ADB	75
3	Osh-Isfana Road Rehabilitation	KGZ	EBRD	1,836
4	Western Regional Road Corridor Development Project, Phase II	MON	ADB	800
5	Road Database Development Using GIS	MON	ADB	500
6	Feasibility Study for Kafarnigan–Yavan Railway	TAJ	IsDB	250
7	CAREC: Working with the Private Sector <sup>a</sup>	REG	ADB	3,000
8	Transport Corridor Performance Measurements in Central Asia	REG	WB	450
	Subtotal Planned for 2009			8,111
2010	 PLANNED			
1	Regional Transport Logistic Development II	REG	ADB	2,500
2	Caucasus Regional Transport I	REG	ADB	2,000
	Subtotal Planned for 2010			4,500
	TOTAL (2008–2010)			18,868

ADB=Asian Development Bank; AFG=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 This Project will support the establishment of NJCs and RJC, and the corridor performance measurements and monitoring activities.