



Transport Sector Status Report

**Senior Officials' Meeting
on Central Asia Regional Economic Cooperation
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CENTRAL ASIA REGIONAL ECONOMIC COOPERATION

TRANSPORT SECTOR STATUS REPORT

I. Progress of Cooperation since the Fourth Ministerial Conference

A. Transport Sector Coordinating Meetings

1. The Transport Sector Coordinating Committee (TSCC) held two meetings in Urumqi, People's Republic of China (PRC) in 2006—the Fifth Meeting on 15 and 16 March and the Sixth Meeting on 24–25 August. The meetings were attended by delegations from eight CAREC countries and representatives of multilateral institutions (MIs) including the Asian Development Bank (ADB), United Nations Development Programme, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the World Bank. The meetings were chaired by the Ministry of Communications, PRC and co-chaired by ADB.

2. The meetings endorsed the following results and decided to submit them to the Senior Officials' Meeting for information:

- (i) Updated Multilateral Institutions (MIs)' Assistance Program for regional transport projects for 2006–2008; and
- (ii) TSCC Work Program for 2007.

3. The meetings endorsed the following results and decided to submit them to the Senior Officials' Meeting for approval, as appropriate:

- (i) Central Asia Regional Transport Sector Road Map Update (2005–2010);
- (ii) An Action Plan on Harmonization of Regional Transport Regulations and Cross-Border Agreements; and
- (iii) A proposal of ADB technical assistance for CAREC transport sector strategy study.

B. Infrastructure Investments

4. Progress was made in improving the regional transport network. Major investments with external assistance included:

- (i) **Afghanistan.** About 91% of the regional road transport corridors comprising the regional ring road and eight regional road transport corridors within the country, totaling about 3,178 kilometers (km) have been or are being improved by external assistance totaling more than \$1 billion. As for the regional ring road totaling about 2,140 km, about 93% have been or are being improved by external assistance, while the remaining road stretch totaling about 143 km located near Murghab along the north west section of the regional ring road transport corridor requires rehabilitation. The Kabul-Kandahar-Herat section (about 1,047 km) was rehabilitated by USA (\$377 million), Japan (\$105 million) and Saudi Arabia (\$45 million). Iran provided \$30 million to improve the Herat-Armalik section (60 km). ADB is improving the Bela Murghab-Andkhoy section (350 km) for \$135 million, while ADB and ADB-administered Japan Fund for Poverty Reduction (JFPR) have financed the Andkhoy-Puli Khumri (322 km) for \$90 million. The Puli

Khumri-Doshi section (47 km) is relatively in good condition and is considered for financing Islamic Development Bank (IsDB). Work on the Doshi-Kabul section (272 km) is ongoing with World Bank assistance. In 2004, rehabilitation of the Salang Tunnel, 2.7 km long at 3,363 m above the sea level, was completed.

In addition to the regional ring road network, Afghanistan has 8 major regional road corridors totaling about 1,037 km which connect Afghanistan to its surrounding countries through the regional ring road network. About 85% of the total length of the 8 major regional roads corridors have been or are being improved. The Kabul-Torkham (bordering Pakistan) totaling 224 km—the main road corridor—is improved by European Union (150 km) and Pakistan (74 km). The Kandahar-Spin Boldak (bordering Pakistan) is being improved by ADB/JFPR and Kuwait, totaling \$25 million. India assisted the reconstruction of the Delaram-Zaranj (border of Iran) totaling 223 km (\$84 million). Iran upgraded the Herat-Islam Qala (border of Iran) totaling 124 km (\$50 million). Iran also assisted the construction of a 320-meter (m) bridge and its approach roads. Improvement of cement concrete surfaced road between Herat and Torghandi (119 km) is being considered. A road section (37 km) between Andkhoy and Aquina (border of Turkmenistan) is planned for improvement with external assistance. Rehabilitation of the Naibabad-Hairatan road section is underway with ADB/JFPR. The World Bank has assisted the construction and rehabilitation of a road section between Puli Khumri-Sher Khan Bandar facing Tajikistan (\$30 million). Rehabilitation of the Salang Tunnel (2.7 km long at 3,363 m above the sea level) was completed in 2004. The construction of a new 670 m long two lane bridge over the Phanzh river, bordering Afghanistan and Tajikistan, was completed by USA. In 2005, Japan started to finance the improvement of the Kabul International Airport (about \$30 million) and ADB-funded regional airport project maintains its complementarity with this international airport. In May 2005, World Bank approved a supplemental grant of about \$45 million for the rehabilitation of the Taloqan-Kishem section of the road from Kundz to Faizabad and additional rehabilitation of the Kundz-Taloqan road, including additional demining requirements in the civilian areas of the Kabul International Airport and other project areas. ADB approved a \$138.2 million loan and JFPR grant for improving the north-south road transport corridor in September 2006. Road sections of Kabuk-Kandahar and Kabul-Chaharikar requires widening and some sections may need rehabilitation.

- (ii) **Azerbaijan.** The Yevlakh-Ganja and Qazakh-Georjian border sections of the east-west highway corridor is being improved with financing from ADB (\$52 million), IsDB (\$10.4 million) and Saudi Fund for Development (\$11 million). ADB is preparing a multitranche financing facility for the Road Network Investment Program with the first tranche to help develop the new Masalli-Astara expressway of the southern road corridor, connecting to Iran. In addition to its assistance to the construction of a bypass around Tovuz in western Azerbaijan (\$40 million), the World Bank approved in January 2006 a \$200 million loan for rehabilitating the Kurdamir-Ujar section of the Baku-Georgia road corridor, upgrading the Alat-Masalli section of the Baku-Iran road corridor, and rehabilitating the 2nd category road between Baku and Shamakhi of the east-west transport corridor. The World Bank is preparing two other \$200 million loans for further improving the sections of Azerbaijan's East-West and North-South

corridors, for approval in 2008 and 2009 respectively.¹ The World Bank is preparing a \$200 million loan in rail trade and facilitation, for approval in 2007. European Bank for Reconstruction and Development Bank (EBRD) supported the development of the Baku port (€16.2 million). It also assisted the reconstruction of an 85 km section of Gazi Mamed-Kyurdamir road (\$41 million) in 1997 and the upgrading of a 60 km section of the Sumgait-Zarat along the Baku-Samur road corridor, bordering Russian Federation, (\$100 million) in 2005. EBRD helped the improvement of the Azeri section of the trans-Caucasian rail link through track renewal, improvements to a tanker wagon workshop and commercialization initiatives (\$36 million and EU grant of \$8 million in 1998) and the Azerbaijan Dovlet Demir Yolu (Railway Company) in meeting the increasing demand for oil and oil products traffic primarily among the East-West trans-Caucasus railway line (\$50 million) in 2005. The air navigation systems were also upgraded with financing from EBRD (\$13.7 million) in 1997.

- (iii) **Kazakhstan:** The World Bank provided a \$100 million loan to rehabilitate priority national road sections of the Astana-Karaganda road (part of Asian Highway Route No. 7) and strengthen routine road maintenance. The Astana International Airport was constructed with Japan's assistance (about \$190 million). The Irtysh River bridge in Semipalatinsk, along one of the major regional road transport corridors, was constructed with assistance from Japan (about \$180 million) to further improve regional trade flows. Japan also financed three road sections² totaling 954 km in the western region (about \$140 million). The Kazakhstan section of the Almaty-Bishkek regional transport corridor was improved by ADB (\$52 million) and EBRD (\$25 million), and TRACECA (about \$2 million). An EBRD loan (\$119 million) was provided to rehabilitate the existing 900 km road between Atyrau and Aktau in the oil rich region of western Kazakhstan in 2003. EBRD financed the improvement of track maintenance methods and improvement of labor productivity in 1999 (\$65 million with €2 million grant). The Government has requested the MIs to consider financing of the East-West road transport corridor project totaling 2,309 km traversing from western Russia Federation to eastern PRC. EBRD is reviewing the proposed Almaty-Issykul road project. The World Bank is preparing a loan for the rehabilitation and reconstruction of about half of the South-West road corridor that links Kazakhstan to PRC and Russia Federation.
- (iv) **Kyrgyz Republic:** About \$50 million was provided from Japan to improve the Bishkek-Manas International Airport. The Kyrgyz's section of the Almaty-Bishkek regional transport corridor was improved with ADB support (\$5 million). The road sections totaling about 383 km of the Bishkek-Osh road transport corridor (about 619 km) were upgraded by ADB and Japan, amounting to about \$170 million, while IsDB has financed the Jalal Abad-Uzgen section of the corridor. The remaining road stretches (totaling 120 km) of the corridor are being improved with assistance from ADB (\$40 million). Once this section is completed, the whole Kyrgyz section of Asian Highway No. 7 connecting the country to Uzbekistan will be completed. The road section between Osh and Sopy Korgan–

¹ A loan of \$50 million is also under preparation by the World Bank for urban transport and traffic management improvement in Baku for approval in 2008.

² Atyrau-Uralsk (492 km), Kostanai Oblast border-Karabutak (249 km) and Karabutak-Aktyubinsk (213 km). The first two road segments are located along the Asian Highway Route Nos. 63 and 61, respectively.

part of the Asian Highway No. 65 connecting Kyrgyz to Tajikistan and PRC—is being improved by financial support from ADB (\$32.8 million) and the China State Development Bank (\$4 million). ADB is preparing a \$20 million loan to further strengthen road maintenance in the country.

- (iv) **Mongolia:** The Altanbulag-Ulaanbaatar-Choyr section was improved from financial support from ADB (a total of \$50 million), while ADB's financing (\$37.1 million), together with Republic of Korea (\$23.9 million) and PRC (\$1.5 million), is supporting the remaining section of this road transport corridor connecting Mongolia to the Russian Federation and PRC. ADB is preparing a loan for developing a road in the western region to link the PRC and Russian Federation through Mongolia. Japan supported railway transport rehabilitation in two phases, totaling about \$70 million. Japan provided a grant (about \$7 million) to improve the ancillary railway facilities at about 45 locations along the northern part of the main North-South railway corridor.
- (vi) **PRC:** In 2002, the World Bank provided \$150 million for the rehabilitation of the Kuitun-SailimuHu Highway and the improvement of connectivity of the primary local roads and towns to the provincial and national highway system in the Xinjiang Uygur Autonomous Region, in the western part of the PRC. ADB is preparing a \$150 million loan for upgrading the Korla—Kuqa road in the Xinjiang Uygur Autonomous Region.
- (vii) **Tajikistan:** ADB-financed road project (\$20 million) improved important sections of the North-South road transport corridor along Asian Highway Route No. 7 (connecting Tajikistan to Afghanistan and Uzbekistan) and of the East-West road transport corridor along Asian Highway Route No. 66 (linking Vahdat [near Dushanbe] and Kulma pass, bordering PRC). Subsequent assistance from ADB in two phases, totaling \$45 million, has supported the improvement of the eastern part of the road transport corridor linking the country with Uzbekistan and Kyrgyz Republic (Asian Highway Route No. 65). ADB is preparing a loan to finance the remaining section of this corridor. IsDB has financed the road section between Anjirrob Poyom and Shagon along Asian Highway No. 66. Japan started to finance on a grant basis (about \$10 million) the southern most segment of the Dushanbe-Nizhni Pyanzh section of Asian Highway Route No. 7. In 2001, EBRD approved a loan of \$5.5 million to modernize Tajikistan's air navigation equipment and to support the restructuring of the aviation sector. This has been also supported by \$2 million grants from the Japan Fund for Post Conflict Support and Japan Europe Cooperation Fund.

In October 2006, the Tajikistan Government started the construction of the Sharshar tunnel, located at the south of Dushanbe, which will reduce travel time between the capital and Kulob, one of the major cities in the southern region. The total cost is estimated at \$35 million, of which \$30 million has been borrowed from the PRC. This tunnel and the highway bridge across the Panj river (which is being constructed by US and will be completed by the end of 2007) will improve trade links with Afghanistan. The PRC is also supporting the Dushanbe-Khudjent road project³ along the North-South road transport corridor (Asian Highway Route No. 7). EBRD is considering to finance road maintenance equipment.

³ Includes tunnels. Concessional financing from the PRC is about \$300 million.

- (viii) **Uzbekistan:** An important segment of regional railway connection linking Uzbekistan to Kazakhstan and Turkmenistan was rehabilitated with ADB assistance, totaling \$140 million. ADB is preparing a \$20 million Regional Infrastructure Roads Project that would connect Uzbekistan to Kazakhstan. In 2001, an EBRD loan of \$68 million was approved to upgrade diesel-electric locomotives, in addition to its financial support (\$40 million approved in 1999). It also supported, together with Japan (about \$90 million) and ADB (\$70 million), Uzbekistan to modernize the railway systems and management. The Tashkent Airport was rehabilitated by an EBRD loan (\$48 million approved in 1997). In 2004, Japan financed the construction of a new railway line between Tashguzar-Kumkurgan through a concessional loan of about \$140 million.

5. At the TSCC meetings in 2006, the Kyrgyz Republic delegation requested MIs to provide grant financing for the feasibility study of the proposed PRC–Kyrgyz Republic–Uzbekistan railway link project. The 6th TSCC Meeting agreed that regional transit traffic flows would be studied under the CAREC transport sector strategy study (CAREC TSSS).

6. It is recognized that the external assistance program for regional transport projects needs to be updated from time to time as appropriate.

C. Nonlending Activities

7. MIs continued to provide grant assistance to CAREC countries in support of regional transport cooperation. Major nonlending activities with external assistance included:

- (i) **Afghanistan.** Swedish International Development Cooperation Agency (Sida) has funded a feasibility study on the Hirat-Chagcharan road section of the East-West highway corridor. USAID has funded a feasibility study on the Mazar-Lai Sarjangal-Trin Kot section of the North-South highway corridor.
- (ii) **Azerbaijan.** ADB assisted in developing a transport sector development strategy. The World Bank approved technical assistance for the railway trade and transport facilitation project.
- (iii) **Mongolia.** ADB is assisting the Government in preparing the feasibility study of the western regional road development, and is preparing a transport sector development strategy. The World Bank is preparing an infrastructure strategy.
- (iv) **Kyrgyz Republic.** ADB is assisting the Government on developing a road maintenance program and is also preparing a transport sector development strategy.
- (v) **Tajikistan.** ADB is carrying out a study on strengthening road maintenance and financing. ADB is considering its support to develop a transport sector master plan for the country.

- (vi) **Uzbekistan.** ADB completed, in January 2007, a transport sector strategy and in March 2006 the project preparatory technical assistance on the Regional Railway Rehabilitation Project.
- (vii) ADB funded a pre-feasibility study of improving three regional roads: (i) Bishkek–Torugart–Kashi road linking the Kyrgyz Republic to PRC along Asian Highway Route No. 61, (ii) Dushanbe–Tursunzade (near the border of Uzbekistan) road in Tajikistan along Asian Highway Route No. 65, and (iii) the Angren–Gulistan road in Uzbekistan along Asian Highway Route No. 7 connecting Uzbekistan to Kazakhstan. The Final Report was submitted to the relevant Governments and ADB in February 2007.
- (viii) The World Bank is financing a study on transport corridor performance measurement in Central Asia.
- (ix) **TRACECA.** Recent TRACECA activities include the following:
- Pre-feasibility and Feasibility Studies on the Termez (Uzbekistan)–Dushanbe (Tajikistan)–Sari-Tash (Kyrgyz) road along Asian Highway Route No. 65 (€ 1.4 million, 2004)
 - Development of the Coordinated National Transport Policies (€ 1.25 million, 2004)
 - Development of Equipment Certification Centers for the Transportation of Perishable Goods in Central Asia in the frame of ATP Convention⁴ to facilitate trade and transport by implementing technical standards, certification and licensing systems in the field of international road transport at the regional level for perishable goods (€ 2 million, 2004)
 - Training of Air transport Control Staff of South Ring States (€ 2.5 million, 2004)
 - Analysis and Forecasting of Traffic flows for the TRACECA countries (€ 2.5 million, 2005)
 - Development of Master Planning and Feasibility Studies for Aktau Port, Kazakhstan Central Asian (€ 2 million, 2005)
 - International Logistics Centres/ Nodes Network in Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) (€ 2 million, 2006)
 - Training in Civil Aviation Administration (€ 2 million, 2006)

⁴ Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage (entry into force on 1 September 1970, amended on 7 November 2003). This is usually abbreviated as ATP Convention.

- Development of Common Security Management System and Cooperation in the Area of Maritime Safety and Ship (€ 3.5 million, 2006)⁵
 - Motorways of the Sea (€ 2.5 million, 2006)⁶
- (x) **EU and UNDP.** EU, together with UNDP, has supported the Border Management Programme in Central Asia (BOMCA) and Drug Action Programme in Central Asia (CADAP).
- (xi) **United Nations Office on Drug Control (UNODC).** UNODC is conducting programs to address the negative aspects of transport and trade facilitation.⁷
- (xii) **Japan International Cooperation Agency (JICA).** JICA is conducting a study on transport and customs in the Central Asia in response to the Second Ministerial Meeting for the Central Asia plus Japan Initiative held in June 2006. The study will be conducted from February to July 2007.
- (xiii) **CAREC Transport Sector Strategy Study (CAREC TSSS).** In February 2007, ADB has started the regional technical assistance for the CAREC TSSS. CAREC TSSS will be conducted in two phases: (i) assessment of regional transport developments, issues, and constraints; and (ii) development of a CAREC transport sector strategy. CAREC TSSS will be completed in December 2007. The CAREC TSSS team will closely coordinate with stakeholders active in the CAREC region.

The CAREC TSSS will (i) pursue simplicity in the overall goals and recommendations and aim to complete assessments and develop the recommendations in such a way as to be practical and useful for CAREC participating countries, supporting them to achieve actual transport facilitation on the ground, and effectively responding to the present economic realities and medium- and long-term economic developments; (ii) take full advantage of the outcomes of the past CAREC TSS activities, regional transport facilitation programs other than CAREC, ADB's transport sector strategies and operations in CAREC countries, and the studies and plans conducted by CAREC countries

⁵ The Project will develop an overall concept, designed as a Master Plan for the development of a Common Security Management System, focusing on both the Black Sea and the Caspian Sea, and linking the institutions involved in risk assessments and in case of emergency. The project specific objectives are: (i) identification of technical and personnel prerequisites in order to meet the requirements of IMO Conventions on safety of navigation, security of transport, including passengers and crews, and the requirements for environmental protection; (ii) developing and adapting of technical and personnel prerequisites in order to meet the requirements of the Port State Control Memorandum in the Black Sea as well as in the Caspian Sea; (iii) based on the upgrading of maritime education of seafarers in order to fulfil the requirements of the IMO White List; (iv) institution building in order to establish sustainable bodies in charge of performing the relevant tasks; (v) permanent upgrading of personnel know how and skills; (vi) assimilation of the development level of the different Beneficiary countries in order to meet best International standards.

⁶ The overall objective of the Project is to facilitate trade and transport through improving logistics capabilities, interoperability and multimodal transport and thus developing modern efficient "Motorways of the Sea" connecting the TRACECA countries with Europe and the international market. The specific objective of the Project is to develop a financially and economically viable, as well as a technically feasible and an environmentally and institutionally sound concept for the intermodal transport with a focus on including the river and the seas systems into this concept within the TRACECA region.

⁷ Include the drug control at airports. UNODC has more than 15 ongoing programs which address HIV/AIDS, anti-drug and human trafficking, and anti-terrorism. Some programs are relevant to transport and trade facilitation.

and ADB's development partners active in the CAREC region; and (iii) address both positive and negative aspects of transport facilitation.

The CAREC TSSS is expected to (i) have a linkage to the CAREC trade/customs facilitation program and strategy, since movements of goods and people tend to be constrained more by procedural matters at border points rather than by transport infrastructure deficiencies themselves; (ii) identify about five major regional transport corridors and CAREC border-points;⁸ (iii) review actual international and regional trade flows from, to, and through the CAREC countries, since international and regional trade presently takes place beyond the geographical boundaries of the currently-defined CAREC region;⁹ (iv) identify about five major international conventions and subsequent domestic procedural requirements for each transport subsector (roads and road transport, railways and railway transport, ports and shipping, and airports and civil aviation); and (v) contain not only strategies but also the CAREC regional transport corridors and border-facilities, TA requirements, an action plan to facilitate transport, and prioritized infrastructure and institutional development plan with financing requirements for potential external financing.

On 15 March 2007, the first consultation workshop was held to further discuss and refine the terms of reference and work program in Almaty, Kazakhstan. The RETA will have two more workshops: (i) second consultation workshop tentatively scheduled for 1.5 days in June/July 2007, which will be held in conjunction with the 7th TSCC meeting in Tashkent; and (ii) third consultation workshop scheduled for November/December 2007 in Manila for completing the final report.

The expected outputs from RETA in June 2007, leading towards the 6th Ministerial Conference to be held in Dushanbe, will be a simple statement of CAREC TSS, proposing about 5 major strategic goals, which the CAREC Ministers will be requested to endorse.¹⁰ Detailed technical matters will be further discussed and refined by TSCC members and relevant transport offices since technical matters require substantial time to let the CAREC participants get fully involved in discussions and let them have ownership. Support from CAREC participating countries to CAREC TSS is important throughout 2007, especially during mid 2007—the 6th Ministerial Conference.

8. It is recognized that external assistance program for nonlending activities also needs to be updated from time to time as appropriate.

D. Other Regional Cooperation Initiatives

9. The fifth negotiating meeting of Shanghai Cooperation Organization (SCO) member countries (comprising the PRC, Kazakhstan, the Kyrgyz Republic, the Russian Federation, Tajikistan, and Uzbekistan) over the draft Agreement (the Agreement) on Facilitation of

⁸ UNESCAP's Asian Highway and Railway Initiatives and TRACECA's transport corridors will also be reviewed. Appropriate criteria for the selection of CAREC regional corridors will be developed

⁹ Including Georgia, Iran, Pakistan, the PRC as a whole, Turkmenistan, and the Russian Federation.

¹⁰ A brief description of major CAREC transport corridors and border-points, TA requirements, an action plan to facilitate transport, and prioritized infrastructure and sector development plan may be added as an attachment, for which any endorsement will not be sought.

International Road Transport was held in Beijing on 23–26 January 2007 with support from ADB and UNESCAP. The meeting made substantive progress with consensus to about half of the framework agreement. The SCO secretariat with support of ADB, UNESCAP, and experts of the countries will conduct a study on preparation of Annexes to the Agreement. The next meeting will be held in Issyk Kul, Kyrgyz Republic, during the third quarter of 2007. The CAREC TSSS team will closely coordinate with SCO.

10. SCO has identified, among others, two regional road projects along Asian Highway Route No. 70 in Kazakhstan as top priority investments: (i) Volgograd-Astrakhan-Atyrau-Biyneu-Kungrad road section (about 788 km), and (ii) Aktau-Biyneu-Kungrad road section (about 544 km) located in the western region of Kazakhstan including construction of the bridge over Kigach river (part of Asian Highway Route No. 70). SCO has also identified two other road projects along Asian Highway Route No. 65: (i) Osh (Kyrgyz)-Kashgar (PRC) and (ii) Dushanbe (Tajikistan)-Karamyk (Kyrgyz)-Kashgar (PRC) as priority projects. CAREC TSSS will review all regional road projects considered by SCO.

11. Representatives of Mongolia, the PRC, and the Russian Federation concluded negotiations over the draft Transit Traffic Framework Agreement in November 2005. The finalized Transit Traffic Framework Agreement has been submitted to the three governments for consideration and signing.

II. Next Steps

12. In accordance with the 2007 Work Program endorsed at the Sixth TSCC Meeting, the TSCC will undertake the following activities in 2007:

- (i) Review of implementation of Action Plan on Harmonization of Regional Transport Regulations and Cross-Border Agreements;
- (ii) Preparation and review of the CAREC transport sector strategy;
- (iii) Review of the pre-feasibility study report on improving the Bishkek–Torugart–Kashi road linking the Kyrgyz Republic to the PRC, Dushanbe–Tursunzade road in Tajikistan, and the Angren–Gulistan road in Uzbekistan;
- (iv) Preparation and review of the final report on maintenance management of regional roads in selected CAREC countries;
- (v) Update of external assistance program for regional transport projects; and
- (vi) Preparation of CAREC Transport Sector Report Update.