



Transport Sector Status Report Update

**Senior Officials' Meeting
on Central Asia Regional Economic Cooperation
25-26 September 2008
Baku, Azerbaijan**

I. PROGRESS SINCE THE APRIL 2008 SENIOR OFFICIALS' MEETING

A. Implementation of the CAREC Transport and Trade Facilitation Strategy

1. The preparation of the Action Plan for Implementation of the CAREC Transport and Trade Facilitation Strategy (the Action Plan) is underway. A preliminary draft of the Action Plan was presented at the Senior Officials' Meeting on 24–25 April 2008 in Baku, Azerbaijan. The draft Action Plan was discussed in detail in the joint meeting of the Transport Sector Coordinating Committee (TSCC) and Trade Facilitation/Customs Cooperation Committee (the Joint Meeting) held on 11–12 June 2008 in Baku. The revised draft Transport and Trade Facilitation Strategy Report was also presented to the Joint Meeting. The meeting participants expressed support for these two documents and provided constructive comments. The Joint Meeting agreed to submit the Action Plan to the September 2008 Senior Officials' Meeting for endorsement.

B. Investments

2. The following investment projects have been either approved or committed.

- **Afghanistan.** Construction of the Bala Murghab–Armalik section (193 km) of the Ring Road is being supported by an ADB grant of US\$176 million. ADB is preparing grants under a multitranche financing facility for the Road Network Development Program for approval in 2008. The Islamic Development Bank (IsDB) will announce the tender for the Andkhoy–Aquina Road Project and the Doshi–Pol-Khumri Road Project for implementation during 2008–2010. The World Bank will approve a US\$18 million grant to improve priority roads, intersections, and side drain systems critical for smooth flow of traffic in Kabul in 2008. It is also processing additional financing for the ongoing Emergency Customs Reform and Trade Facilitation Project.
- **Azerbaijan.** ADB is preparing tranche II of the Road Network Development Program in the amount of US\$55 million for approval in 2008 to rehabilitate the Ganja bypass of the east-west highway. It will prepare tranche III of the program for approval in 2009 to finance upgrading of the Ganja–Qazakh section of the east-west highway. The European Bank for Reconstruction and Development (EBRD) expects to disburse a US\$100 million loan for financing the 60 km section of the Baku–Samur Road Project during 2008–2009. IsDB plans to finance part of the Bahramtata–Biliswar highway in 2008. Under the funding of IsDB and the Saudi Fund, the contractor for the Yevlakh–Ganja Road Project has been selected and implementation will take place during 2008–2009. IsDB also considers financing construction of the Ujar–Zardab–Aghdjabedi highway with a tentative amount of US\$35 million. In March 2008, the World Bank approved a US\$450 million loan to rehabilitate the east–west railway line, procure new locomotives, modernize Azerbaijan Railways, and finance project support and capacity building. In April 2008 it approved a US\$300 million loan as additional financing to upgrade the remaining sections of the M3 highway between Alat and Masalli and rehabilitate the R6 Baku bypass as well as some secondary and local roads.
- **Kazakhstan.** The Government gives high priority to improvement of the Western Europe–Western China Transport Corridor by 2012 with assistance of ADB, EBRD, IsDB, and the World Bank. ADB is preparing a multitranche financing facility in the amount of US\$650 million to finance a 480 km section in Zhambyl Oblast, with the first tranche loan to be approved in 2008. EBRD plans to approve a US\$180 million loan to improve the

102 km section between Aktobe and the Russian Federation border in 2008, and to help the Government prepare the Almaty–Khorghos section under a public-private partnership. IsDB will finance the 114 km section between Shymkent and Taraz at a cost of US\$414 million, with the first tranche (US\$186 million) and the second tranche (US\$228 million) to be approved in 2008 and 2009, respectively. The World Bank will approve a US\$898 million loan to improve the 564 km Aktobe–Kyzyl Orda section in 2008. Funding sources for the remaining 461 km Kyzyl Orda–Shymkent section need to be identified.

- **Kyrgyz Republic.** ADB is preparing loans/grants for approval during 2008–2010 to help rehabilitate the Bishkek–Torugart road. The Export-Import Bank of China will cofinance this project. The Government has invited the Arab Coordination Group, of which IsDB is a member, to cofinance the project. The Group will participate in a cofinanciers’ meeting to be held in October 2008 and will look into the possibility of financing the reconstruction of the remaining part of the Osh–Sary Tash–Irkeshdam road. IsDB approved a concessional loan of US\$11.2 million in 2008 to reconstruct the Taraz–Talas–Suusamyр road and plans to cofinance the Osh–Sary Tash–Irkeshdam road project with ADB. The World Bank is preparing for approval in 2009 a US\$20 million grant to improve the Osh–Isfana road in collaboration with EBRD, IsDB, and the European Union.
- **Mongolia.** In February 2008 ADB approved a US\$37.6 million grant for the first phase of the Western Regional Road Corridor Development Project, which will develop about 430 km of road from the PRC border to Hovd in the western region. The second phase, which involves construction of 317 km of road from Hovd to the Russian Federation border, is scheduled for approval in 2010. To complement this project, ADB also approved a US\$2 million grant for the Community-Based Local Road Upgrading and Maintenance Project in the western region in July 2008. Japan and Mongolia signed the exchange of notes in March 2008 for a concessional loan (US\$280 million equivalent) for the construction of a new international airport in Ulaanbaatar.
- **People's Republic of China.** In 2008 ADB approved a US\$105 million loan for the Xinjiang Municipal Infrastructure and Environmental Improvement Project, which will construct road infrastructure and utility services to strengthen PRC’s cross-border trade with Central Asia. ADB is exploring a US\$100 million investment in the Xinjiang Urban Transport and Environmental Improvement Project for approval in 2009. The World Bank’s ongoing Third Xinjiang Highway Project (US\$150 million), which covers the Kuytun–SailimuHu Highway, will be completed in 2009.
- **Tajikistan.** ADB is preparing a grant for the CAREC Transport Corridor III project, which will improve the road between Dushanbe and the Uzbekistan border. EBRD expects to disburse in 2008 the loan that cofinances with the Government of Netherlands the road maintenance development project. At the invitation of the Government, the Arab Coordination Group plans to participate in the cofinanciers’ meeting scheduled for October 2008 to discuss the Kulyab–Khalaikum road project. IsDB will provide a US\$20 million concessional loan to finance the third phase of Shagon–Zhigar road project, and loan appraisal was scheduled for August 2008.

C. Nonlending Activities

3. External aid agencies have approved or committed to support the following major nonlending activities during 2008:

- ADB plans to approve five technical assistance (TA) projects with a total amount of about US\$2 million in 2008, four of which had been approved by July. These TA projects were (i) CAREC Transport Corridor 1 (Zhambyl Oblast section), (ii) Regional Logistic Development Project, (iii) CAREC Transport Corridor III (Dushanbe-Uzbekistan border road), and (iv) CAREC: Transport Sector Strategy Study (Supplementary).
- EBRD approved a US\$800,000 TA project to develop a road maintenance development plan for Tajikistan in 2008.
- IsDB plans a US\$400,000 TA project for a feasibility study on the Kandahar-Spin Boldak railway in Afghanistan and a US\$250,000 TA project for a feasibility study of the Kafarnigan–Yavan railway in Tajikistan.
- USAID provided a US\$350,000 grant, managed by the World Bank, for studies on monitoring the performance of trade corridors linking Central Asia with South Asia through Afghanistan and Pakistan.
- The World Bank plans a regional TA project of US\$300,000 to strengthen trade links between Central Asia and Afghanistan.
- The World Bank will release the results of the second round of the study of performance measurement of selected major transport corridors in Central Asia in 2008.

4. A list of investment and TA projects in the CAREC transport sector for 2007–2010 together with a map of the six CAREC corridors is attached.

D. Other Regional Cooperation Initiatives

5. With support from ADB and UNESCAP, the Shanghai Cooperation Organization (SCO) member states concluded negotiations over the draft Framework Agreement on Facilitation of International Road Transport at the 8th Negotiating Meeting held in the Kyrgyz Republic on 24–27 June 2008. They plan to start preparing and negotiating draft annexes to the Agreement. The TSCC secretariat has maintained close coordination with the SCO secretariat.

II. Next Steps

6. TSCC will continue undertaking tasks in the 2008 Work Program and will prepare actions specified in the 2009 work program. The TSCC Work Program for 2009, which received broad support during the Joint Meeting of TSCC and Trade Facilitation/Customs Cooperation Committee on 11–12 June 2008 in Baku, includes the following tasks:

- Review the implementation of the transport-related activities in the Action Plan;
- Update the CAREC Transport Sector Report, including external assistance to regional transport projects;
- Subject to the consideration of the SOM in September 2008, prepare for the first Transport Ministers' Meeting in 2009.

External Assistance for Transport Sector in CAREC Countries
Table 1: Planned Investments, 3rd Quarter 2007–2010

No.	Project Title	CAREC Corridor	Other Intervention	Country Involved	Funding Agency	Total for all Interventions (US\$ million)	Total for CAREC Interventions (US\$ million)
2007 APPROVED							
1	Road Network Development Project 1 (Bala Murghab to Leman)	3b, 6	-	AFG	ADB	176.0	176.0
2	MFF: Road Network Development Program, Project 1 (Masali–Astara)	-	Feeder for 2	AZE	ADB	200.0	-
3	Xinjiang Regional Road Improvement (Korla–Kuşa)	1c, 2, 5	-	PRC	ADB	150.0	150.0
4	Railway Safety Enhancement	-	Other	PRC	ADB	100.0	-
5	CAREC Regional Road Corridor Improvement (Sary Tash–Karamik)	3b,5	-	KGZ	ADB	25.6	25.6
6	Osh–Sary Tash–Irkeshtam Road Reconstruction	2a,3b	-	KGZ	IsDB	17.5	17.5
7	Taraz–Talas–Suusamyр Road (Supplementary)	3b	-	KGZ	IsDB	3.6	3.6
8	CAREC Regional Road Corridor Improvement (Dushanbe–Kyrgyz Border)	3b,5	-	TAJ	ADB	53.4	53.4
9	Road Maintenance Development	-	Other	TAJ	EBRD	4.0	-
10	CAREC Regional Road (Guzar–Bukhara–Nukus–Dautata)	2a,6a	-	UZB	ADB	75.3	75.3
Subtotal Approved for 2007						805.4	501.4
2008 APPROVED							
1	Rail Trade and Transport Facilitation (East–West main line)	2	-	AZE	WB	450.0	450.0
2	Second Highway - Additional Financing (East–West and North–South Corridors: Alat–Masali and Tagiyev–Sahil) ^a	2	Feeder for 2	AZE	WB	300.0	150.0
3	Xinjiang Municipal Infrastructure and Environmental Improvement	1a,1b	-	PRC	ADB	105.0	105.0
4	Reconstruction of Taraz–Talas–Suusamyр Road II	3b	-	KGZ	IsDB	11.2	11.2
5	Western Regional Road Corridor Development Project, Phase I	4a	-	MON	ADB	37.6	37.6
6	Community–Based Local Road Upgrading and Maintenance in the Western Region	4a	-	MON	ADB	2.0	2.0
7	New Ulaanbaatar International Airport Construction	4b	-	MON	JBIC	280.0	280.0
Subtotal Approved for 2008						1,185.8	1,035.8
2008 PLANNED							
1	MFF: Road Network Development Program, Project 1			AFG	ADB	54.0	54.0
2	Kabul Urban Roads Improvement	-	Urban	AFG	WB	18.0	-
3	MFF: Road Network Development Program, Project 2 (Ganja Bypass)	2		AZE	ADB	55.0	55.0
4	Baku–Samur Road	-	Feeder for 2	AZE	EBRD	70.0	-
5	Ujar–Zardab–Aghdjabedi Highway Construction	-	Other	AZE	IsDB	35.0	-
6	MFF: CAREC Corridor I (Zhambyl Oblast Section), Project 1	1b, 6bc	-	KAZ	ADB	340.0	340.0
7	Western Europe–Western China Corridor (Aktobe–Russian border)	1b, 6bc	-	KAZ	EBRD	180.0	180.0
8	Western Europe–Western China Corridor (Korday–Taraz–Zhambyl Oblast) Section1,Tranche 1	1b	-	KAZ	IsDB	186.0	186.0
9	South–West Corridor (Aktobe–Kyzyl–Orda Oblast), Phase 1	1b, 6b, 6c	-	KAZ	WB	848.0	848.0

No.	Project Title	CAREC Corridor	Other Intervention	Country Involved	Funding Agency	Total for all Interventions (US\$ million)	Total for CAREC Interventions (US\$ million)
10	CAREC Corridor I (Bishkek-Torugart Road), Phase 1	1c	-	KGZ	ADB	20.0	20.0
11	Osh–Isfana Road Rehabilitation	-	Other	KGZ	EBRD	35.0	-
12	Bishkek-Naryn–Torugart Road Rehabilitation	1c	-	KGZ	EBRD	20.0	20.0
13	Shagon–Zigar Road Reconstruction, Phase III	-	Feeder for 5	TAJ	IsDB	20.0	-
	Subtotal Planned for 2008					1,881.0	1,703.0
2009 INDICATIVE^b							
1	MFF: Road Network Development Program, Project 2	TBD	-	AFG	ADB	120.0	120.0
2	Kabul–Jalalabad Road	5, 6c	-	AFG	IsDB	10.0	10.0
3	Kabul–Jalalabad Road	5, 6c	-	AFG	Saudi	40.0	40.0
4	MFF: Road Network Development Program, Project 3 (Ganja-Qazakh)	2	-	AZE	ADB	200.0	200.0
5	Baku to Samur Road	-	Feeder for 2	AZE	EBRD	30.0	-
6	Highway 3 (Yevlach-Samakhy and Ganja-Gazakh)	2	-	AZE	WB	500.0	500.0
7	Xinjiang Urban Transport and Environmental Improvement (formerly Xinjiang Urban Transport Infrastructure Development)	-	Urban	PRC	ADB	100.0	-
8	MFF: CAREC Corridor I (Zhambyl Oblast Section), Project 2	1b, 6bc	-	KAZ	ADB	210.0	210.0
9	Western Europe–Western China (Korday-Taraz-Zhambyl Oblast) Section2, Tranche 2	1b	-	KAZ	IsDB	228.0	228.0
10	CAREC Corridor I (Bishkek–Torugart Road), Phase 2	1c	-	KGZ	ADB	20.0	20.0
11	Bishkek–Torugart Road Construction	1c	-	KGZ	IsDB	12.0	12.0
12	Taraz-Talas-Suusamyrd Road	3b	-	KGZ	IsDB	10.0	10.0
13	National Road Rehabilitation (Osh–Isfana)		Other	KGZ	WB	20.0	-
14	Regional Logistics Development	4b	-	MON	ADB	30.0	30.0
15	CAREC Corridor III (Dushanbe–Tursunzade–Uzbek Border Road)	3b, 6c	-	TAJ	ADB	35.0	35.0
	Subtotal Planned for 2009					1,565.0	1,415.0
2010 INDICATIVE^b							
1	MFF: Road Network Development Program, Project 3	TBD	-	AFG	ADB	100.0	100.0
2	MFF: Road Network Development Program, Project 4	2	-	AZE	ADB	45.0	45.0
3	MFF: CAREC Transport Corridor I (Zhambyl Oblast Section), Project 3	1b, 6ab	-	KAZ	ADB	100.0	100.0
4	Almaty-Issyk-Kul Road Construction	-	other	KAZ/KGZ	EBRD	283.0	-
5	CAREC Corridor I (Bishkek-Torugart Road), Phase 3	1c	-	KGZ	ADB	40.0	40.0
6	Bishkek-Naryn Torugart Road	1c	-	KGZ	IsDB	15.0	15.0
7	Reconstruction of the Osh-Sary Tash-Irkeshtam Road (Phase II) ^c	2,3b,5		KGZ	IsDB	15.0	15.0
8	Western Regional Road Corridor Development, Phase II	4a	-	MON	ADB	40.0	40.0
	Subtotal Planned for 2010					638.0	355.0
	TOTAL (2007–2010)					6,075.2	5,010.2

ADB = Asian Development Bank; AFG = Islamic Republic of Afghanistan; AZE = Azerbaijan; EBRD = European Bank for Reconstruction and Development; IsDB = Islamic Development Bank; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; MON = Mongolia; PRC = People's Republic of China; TAJ = Tajikistan; UZB = Uzbekistan; WB = World Bank.

^a \$150 million for CAREC 2 corridor is estimated.

^b Processing of projects in 2009 and 2010 will depend on further discussion with concerned governments and availability of financing.

^c In case the Government fails to reach agreement with other financiers, IsDB might finance this project.

Table 2: Planned Technical Assistance, 3rd Quarter 2007–2010

No.	Project Title	Country Involved	Funding Agency	Total (US\$'000)
2007 APPROVED				
1	Preparation and Transaction Advisory Services for the Almaty-Horgos Road as a Public-Private Partnership ^a	KAZ	EBRD	2,361.0
2	Prefeasibility Study on the Almaty-Issyk-kul Road Project	KAZ	EBRD	150.0
3	Detailed Design of the Kurgan Tyube-Dusti Road Rehabilitation	TAJ	JICA	600.0
4	Cross-Border Agreement among the PRC, Kyrgyz Republic, and Tajikistan	REG	ADB	500.0
5	Monitoring of Trade Corridor Performance between Central Asia and South Asia	REG	WB	350.0
Subtotal Approved for 2007				3,961.0
2008 APPROVED				
1	CAREC Transport Corridor 1 (Zhambyl Oblast section)	KAZ	ADB	150.0
2	Regional Logistic Development	MON	ADB	400.0
3	Road Maintenance Development Plan	TAJ	EBRD	800.0
4	CAREC Transport Corridor III (Dushanbe-Uzbekistan Border Road)	TAJ	ADB	650.0
5	CAREC Transport Sector Strategy Study (Supplementary)	REG	ADB	325.0
Subtotal Approved for 2008				2,325.0
2008 PLANNED				
1	Preparation of Feasibility Study for Kandahar-Spin Boldak Railway	AFG	IsDB	400.0
2	Railway Development Program	AZE	ADB	1,000.0
3	Central Asia–Afghanistan Trade Links	REG	WB	300.0
Subtotal Planned for 2008				1,700.0
2009 PLANNED				
1	Preparation of Feasibility Study for Kandahar-Spin Boldak Railway	AFG	IsDB	400.0
2	Bishkek and Osh Project I	KGZ	ADB	800.0
3	Western Regional Road Corridor Development Project, Phase II	MON	ADB	800.0
4	Feasibility Study for Kafarnigan–Yavan Railway	TAJ	IsDB	250.0
5	Caucasus Regional Transport	REG	ADB	2,000.0
6	Railway Sector Investment	UZB	ADB	500.0
Subtotal Planned for 2009				4,750.0
2010 PLANNED				
1	Bishkek and Osh Project II	KGZ	ADB	800.0
2	Regional Transport Logistic Development II	REG	ADB	2,500.0
3	Caucasus Regional Transport II	REG	ADB	2,000.0
Subtotal Planned for 2010				5,300.0
TOTAL (2007–2010)				18,036.0

ADB=Asian Development Bank; AFG=Islamic Republic of Afghanistan; AZE=Azerbaijan; EBRD=European Bank for Reconstruction and Development; IsDB=Islamic Development Bank; KAZ=Kazakhstan; KGZ=Kyrgyz Republic; MON=Mongolia; PRC=People's Republic of China; REG=regional; TAJ=Tajikistan; UZB=Uzbekistan; WB=World Bank.

^a The approved amount is €1,500,000, which was converted to US\$2,361,000 by using the exchange rate of US\$1.574: 1 € on 7 April 2008.

Six CAREC Transport Corridors

