



# **Transport Sector Status Report Update**

**Senior Officials' Meeting  
on Central Asia Regional Economic Cooperation  
24 – 25 April 2008  
Baku, Azerbaijan**

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## I. PROGRESS OF COOPERATION SINCE THE SENIOR OFFICIALS' MEETING IN SEPTEMBER 2007

### A. CAREC Transport and Trade Facilitation Strategy

1. A Consultation Meeting (the Meeting) of the Transport Sector Coordinating Committee (TSCC) was convened to further discuss the draft CAREC Transport Sector Strategy (the Strategy) on 6 September 2007 in Manila, Philippines. Delegations from seven CAREC countries<sup>1</sup> and representatives of multilateral institutions (MIs) including the Asian Development Bank (ADB) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) attended.<sup>2</sup> The consultants engaged by the TSCC Secretariat (the Secretariat) made a presentation on major findings of the Strategy. The Meeting in principle supported the Strategy and agreed on a statement of the Strategy. ADB gave a briefing on the main features of the CAREC Trade Facilitation Strategy, which was being prepared in conjunction with the Strategy.

2. A Senior Officials' Meeting (SOM) was convened in Manila, Philippines on 8-9 September 2007.<sup>3</sup> The SOM discussed, among others, integration of the draft strategies for transport and trade facilitation because of the links between transport and trade facilitation.

3. The 6<sup>th</sup> Ministerial Conference held in Dushanbe, Tajikistan on 3 November 2007 endorsed the integrated CAREC Transport and Trade Facilitation Strategy (TTFS), which included the six corridors (see a map attached).

4. The 3<sup>rd</sup> Regional Consultation Workshop on the TTFS was held in Tashkent, Uzbekistan on 30–31 January 2008. The Workshop discussed the TTFS report and the draft Action Plan for implementation. The consultants will finalize the TTFS report and revise the draft Action Plan by incorporating the comments received during the Workshop. UNESCAP, World Bank, and the World Customs Organisation made presentations on models for transport corridor performance measurements and possible structures for transport and trade facilitation. The Workshop participants agreed that an appropriate corridor performance measurement method would be identified for the TTFS and would be applied to the CAREC corridors.

### B. Infrastructure Investments

5. Major investments with external assistance since the SOM in September 2007 are as follows:

- **Afghanistan.** In November 2007, ADB signed an agreement on the provision of a US\$176 million grant to finance the construction of a 143 kilometer (km) road from Bala Murghab to Leman. This road is part of the missing link of the Ring Road that connects major cities and provinces around the country. Completion of this link is essential for connecting northern Afghanistan to its western region. The Saudi Fund is expected to finance the construction of the last 50 km of the Ring Road to connect Leman to Armalick. ADB is exploring grants of \$180 million under a multitranche financing facility (MFF) to finance the road network development program during 2008–2009. IsDB will announce the tender for two road projects: (i) Andkhoy Aquina Road Project and (ii) Doshi-Pol-Khumri Road Project. These projects will be implemented during 2008-2010. Islamic Development Bank (IsDB),

<sup>1</sup> The representative from Mongolia was not able to attend the Meeting.

<sup>2</sup> Japan International Cooperation Agency was represented as an observer.

<sup>3</sup> Delegations from the eight CAREC participating countries: Afghanistan, Azerbaijan, People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan attended the SOM. A representative of Turkmenistan attended as an observer. Representatives from the six multilateral institutions (MIs)—Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank—contributed to the proceedings.

together with Saudi Fund for Development (SFD), will finance the construction of the Armalik-Harmaz Road Project.

- **Azerbaijan.** ADB approved two loans in the total amount of US\$200 million under the MFF for the Road Network Development Program, Project 1 on 4 October 2007 to finance the construction of a new expressway between Masalli and Astara on the southern corridor. ADB is preparing loans for financing projects 2 and 3 of the program for approval in 2008. The World Bank approved a US\$450 million loan for rail trade and transport facilitation on 27 March 2008, which will rehabilitate the East-West main line, procure new mainline locomotives, modernize the Azerbaijan Railway, and finance project support and capacity building. The World Bank will approve in April 2008 a US\$300 million loan as additional financing for the remaining part of the construction of a new expressway stretching between Alat and Masali on the southern corridor. The World Bank is also preparing two US\$200 million loans to further improve certain sections of the East-West and North-South Corridors, targeted for approval in 2008 and 2009, respectively. The European Bank for Reconstruction and Development (EBRD) plans to provide loans of US\$49 million in 2008 and US\$50 million in 2009 to finance the Baku to Samur road project. IsDB is planning to finance part of the Bahramtata-Biliswar highway in 2008. Tender for the Yevlakh Ganja Road Project was opened in March 2008 and the implementation will take place during 2008-2009. IsDB and SFD will finance this project.
- **Kazakhstan.** The Government gives high priority to the improvement of the Western Europe–Western China Transportation Corridor (the Corridor) running from Khorgos at the border with the People’s Republic of China (PRC), through Almaty and Shymkent, to the western border with the Russian Federation. The Corridor has the total length of about 2,815 km and covers the whole section in Kazakhstan of the CAREC Corridor 1b. The Government plans to improve the Corridor by 2012 with assistance from external sources including ADB, EBRD, Islamic Development Bank (IsDB), and World Bank. ADB is examining options for financing 480 km of the Corridor, EBRD 102 km, and the World Bank 1,024 km. EBRD provides assistance to the Government to prepare the Almaty-Horgos section under a public-private partnership. ADB is preparing a MFF to finance the Project for approval in 2008. IsDB is expected to finance a ring road in Almaty. The Government has completed 478 km and is constructing 531 km. IsDB together with others such as Kuwait Fund, SFD, OPEC Fund and Abu Dhabi Fund, will propose US\$250-300 million for the Western Europe-Western China Road Corridor (CAREC Corridor 1b).
- **Kyrgyz Republic.** ADB approved a US\$25.6 million grant to finance the Kyrgyz component of the CAREC Regional Road Corridor Improvement Project on 24 October 2007. The Project will rehabilitate 150 km of the road from Sary-Tash to the Tajik border, which is connecting the PRC, Kyrgyz Republic, and Tajikistan along CAREC Transport Corridor 5. IsDB approved a US\$17.8 million loan to finance the reconstruction of the Osh-Sary-Tash-Irkeshtam road in 2007. ADB is preparing a MFF to finance the improvement of the Bishkek-Torugart road for approval in 2008. EBRD is exploring the possibility to cofinance this project. IsDB plans to provide loans for the reconstruction of the Taraz-Talas-Suusamyр road and the construction of part of the Issyk-Kul ring road. The World Bank is preparing a US\$20 million grant to finance the improvement of the Osh-Isfana road for approval by 2009. This will be done in collaboration with EBRD, IsDB and the European Union that are among those requested by the Government to cofinance the project. IsDB is financing the second phase of the Talas-Taraz-Suusamyр Road Project (25 km) and is planning with the Government to arrange a meeting with potential cofinanciers for financing of the second phase of the Osh-Sarytash-Irkishtam Road and Talas-Taraz-Suusamyр Road. IsDB will continue to work with ADB on cofinancing possibilities for Bishkek-Torugart Road (CAREC Corridor 1c), when the feasibility study is ready.

- **Mongolia.** ADB approved a US\$37.6 million grant for Phase I of the Western Regional Road Corridor Development Project on 26 February 2008. The Project will develop 431.2 km road from the PRC border to the Hovd province in the western region. Phase 2 of the Project, which will involve construction of the remaining 317.2 km road from Hovd to the Russian Federation border, is scheduled for processing by 2010. In March 2008, the exchange of notes was signed between Japan and Mongolia for a concessional loan (US\$280 million equivalent) to finance a new international airport in Ulaanbaatar.
- **People's Republic of China.** ADB approved a US\$150 million loan on 13 December 2007 to improve 296.5 km of the road section between Korla and Kuqa on the highway linking Urumqi to Kashi in Xinjiang. ADB is exploring an investment for the Xinjiang urban transport and environmental improvement project in 2009.
- **Tajikistan.** ADB approved a US\$40.9 million loan and a US\$12.5 million grant for the Tajikistan component of the CAREC Regional Road Corridor Improvement Project in October 2007. The Project will rehabilitate a 120 km road from Nimich to the Kyrgyz border along CAREC Transport Corridor 5. EBRD plans investments amounting to US\$4 million in 2008 and US\$2 million in 2009 for road maintenance development. IsDB plans investments amounting to US\$9.3 million in 2008 for reconstructing the Kulyab-Khalaikum road. ADB is preparing loans and grants for the CAREC Transport Corridor III Project, which will improve the road from Dushanbe to the Uzbekistan border.
- **Uzbekistan.** ADB approved a US\$75.3 million loan for the CAREC Regional Road Project in December 2007 to improve a 131 km section of the highway that extends from the Kazakh border in northern Uzbekistan to Afghanistan and Turkmenistan in the south along CAREC Corridor 2 and 6a. ADB plans to provide loans to finance a road project in 2009 and a railway project in 2010.

### C. Nonlending Activities

6. Major nonlending activities with external assistance since the Senior Officials' Meeting in September 2007 included:

- ADB approved technical assistance (TA) in the amount of US\$500,000 to help develop a cross-border agreement between PRC, Kyrgyz Republic, and Tajikistan in September 2007. The TA will help remove nonphysical barriers to regional trade and transport and facilitate smooth trans-border movement of people, goods and vehicles.
- EBRD approved two TAs for Kazakhstan: (i) the preparation and transaction advisory services for Almaty-Horgos Road as a public-private partnership (€300,000) and (ii) the Prefeasibility Study on Almaty-Issyk-kul Road Project (US\$150,000).
- The exchange of note was signed between Japan and Tajikistan on 21 December 2007 for the provision of a \$0.6 million grant to finance the detailed design of the Kurgan Tyube-Dusti Rehabilitation Project, following US\$12.6 million grant financing of the road improvement between Dusti-Nizhni Pijan.
- EBRD approved a TA of US\$800,000 to develop a road maintenance development plan for Tajikistan in the first quarter of 2008.
- The World Bank continued its study on performance measurement of selected major transport corridors in Central Asia. The study aims to develop a quantifiable set of

indicators for Central Asia to compare regional performance in trade facilitation and transport with international standards. Four rounds of measurements were planned from 2007 to 2008. The first and second rounds were undertaken in August and November 2007 respectively. The results of the second round of measurements are being analyzed and will be released in mid 2008.

- USAID has provided US\$350,000 for studies to monitor the performance of trade corridors linking Central Asia with South Asia through Afghanistan and Pakistan. The Trust Fund is managed by the World Bank.
- Planned TAs for 2008 amount to about US\$2 million, comprising US\$1.7 million for preparing regional road and railway projects and US\$300,000 for regional trade links. IsDB plans a TA in the amount of US\$400,000 to finance a feasibility study on the Kandahar-Spin Boldak railway in Afghanistan. The World Bank is planning a regional TA of US\$300,000 to strengthen trade links between Central Asia and Afghanistan.
- US\$3.6 million of TAs is programmed from 2009–2010. ADB plans a number of TAs for Kazakhstan, the Kyrgyz Republic, and Mongolia while IsDB plans feasibility studies on the Kafarnigan-Yavan Railway and the Kandahar-Spin Boldak Railway in 2009.

7. An updated list of external assistance on investment and TA projects in the CAREC transport sector for 2007-2010 is attached.

#### **D. Other Regional Cooperation Initiatives**

8. The Shanghai Cooperation Organization (SCO) member countries, with support from ADB and UNESCAP, made progress toward conclusion of negotiations over the draft Framework Agreement on Facilitation of International Road Transport during the 7<sup>th</sup> Negotiating Meeting held on 18–21 December 2007 in Beijing, PRC. The 8<sup>th</sup> Negotiating Meeting is scheduled for 24–27 June 2008 in the Kyrgyz Republic. The SCO member countries are conducting a study to prepare the Annexes to the Agreement. The team for finalizing the CAREC TTFS has maintained close coordination with the SCO secretariat.

## **II. Next Steps**

9. The TSCC will continue to undertake the following tasks in the 2008 Work Program as agreed upon during the 7<sup>th</sup> TSCC:

- Implementation of the short-term actions recommended in the Action Plan of the CAREC Transport and Trade Facilitation Strategy;
- Preparation of the Transport Sector Report Update for the Senior Officials' Meeting and Ministerial Conference; and
- Update the external assistance program for regional transport projects.

10. The CAREC TTFS Report is expected to be finalized at a joint Meeting of TSCC and Trade Facilitation and Customs Cooperation Committee (TFCCC) tentatively scheduled for 11–12 June 2008 in Baku, Azerbaijan.

**External Assistance for Regional Cooperation in the Transport Sector in Central Asia Regional  
Economic Cooperation Countries**

**Table 1: Planned Program for Investments, 3<sup>rd</sup> Quarter 2007–2010**

Project Title	Country Involved	Lending Agency	Amount (US\$ million)
<b>2007 APPROVED</b>			
1 Road Network Development Project 1 (Bala Murghab to Leman)	AFG	ADB	176.0
2 MFF <sup>4</sup> - Road Network Development Program, Project 1	AZE	ADB	200.0
3 Xinjiang Regional Road Improvement	PRC	ADB	150.0
4 Reconstruction of the Osh-Sary-Tash-Irkeshtam Road	KGZ	IsDB	17.5
5 CAREC Regional Road Corridor Improvement	KGZ/TAJ	ADB	79.0
6 CAREC Regional Road	UZB	ADB	75.3
<b>Subtotal approved for 2007</b>			<b>697.8</b>
<b>2008 APPROVED</b>			
1 Rail Trade and Transport Facilitation	AZE	WB	450.0
2 Western Regional Road Corridor Development Project, Phase I	MON	ADB	37.6
3 New Ulaanbaatar International Airport Construction Project	MON	JBIC	280.0
<b>Subtotal approved for 2008</b>			<b>767.6</b>
<b>2008 PLANNED</b>			
1 MFF - Road Network Development Program, Project 1	AFG	ADB	80.0
2 MFF - Road Network Development Program, Project 2	AZE	ADB	50.0
3 Baku to Samur Road	AZE	EBRD	49.0
4 Construction of Ujar–Zardab–Aghdjabedi Highway	AZE	IsDB	35.0
5 Construction of Expressway along the Southern Corridor	AZE	WB	300.0
6 Xinjiang Municipal Infrastructure and Environmental Improvement	PRC	ADB	150.0
7 CAREC Transport Corridor I, Project 1	KAZ	ADB	100.0
8 Construction of the Almaty Ring Road	KAZ	IsDB	25.0
9 South-West Corridor (Aktobe-Kyzylorda Oblast - Kyzyl-Orda) – Project 1	KAZ	WB	150.0
10 MFF - CAREC Transport Corridor I (Bishkek-Torugart Road) Project	KGZ	ADB	20.0
11 Osh-Isfana Road Rehabilitation	KGZ	EBRD	35.0
12 Bishkek-Naryn-Torugart Road Rehabilitation	KGZ	EBRD	20.0
13 Reconstruction of Taraz–Talas–Suusamyр Road (Phase II)	KGZ	IsDB	10.0
14 Road Maintenance Development	TAJ	EBRD	4.0
15 Western Europe-Western China (Shymkent-TGaraz-Korday) (CAREC 1b)	KAZ	IsDB	150.0
16 Reconstruction of Shagon-Zigar Road (Phase III)	TAJ	IsDB	17.6
<b>Subtotal planned for 2008</b>			<b>1,195.6</b>
<b>2009 INDICATIVE PROJECT LIST<sup>5</sup></b>			
1 Kabul–Jalalabad Road (alternate alignment)	AFG	IsDB	10.0
2 Kabul–Jalalabad Road (alternate alignment)	AFG	Saudi	40.0
3 Baku to Samur Road	AZE	EBRD	50.0
4 East-West Corridor Improvement	AZE	WB	500.0
5 Xinjiang Urban Transport and Environmental Improvement (formerly Xinjiang Urban Transport Infrastructure Development)	PRC	ADB	100.0
6 South-West Corridor (Kyzyl-Orda - Shymkent) – Project 2	KAZ	WB	350.0
7 MFF - CAREC Transport Corridor I (Bishkek-Torugart Road), Project 2	KGZ	ADB	30.0
8 Reconstruction of the Osh-Sarytash-Irkeshtam Road (Phase III)	KGZ	IsDB	15.0
9 Construction of the Bishkek–Torugart Road	KGZ	IsDB	12.0
10 National Road Rehabilitation (Osh-Isfana)	KGZ	WB	20.0
11 Road Maintenance Development	TAJ	EBRD	2.0
12 Road Development	UZB	ADB	100.0
13 CAREC Transport Corridor III (TAJ/UZB)	REG	ADB	100.0
<b>Subtotal planned for 2009</b>			<b>1,329.0</b>

<sup>4</sup> MFF – Multitranchise Financing Facility

<sup>5</sup> Processing of projects in 2009 and 2010 will depend on further discussion with concerned Governments and the availability of financing.

<b>Project Title</b>	<b>Country Involved</b>	<b>Lending Agency</b>	<b>Amount (US\$ million)</b>
<b>2010 INDICATIVE PROJECT LIST</b>			
1 Road Corridor	AFG	ADB	100.0
2 CAREC Transport Corridor 5 and 6c	AFG/PAK	ADB	150.0
3 North-South Corridor Improvement	AZE	WB	500.0
4 CAREC Transport Corridor I, Project 2	KAZ	ADB	100.0
5 Almaty-Issyk-Kul Road Construction	KAZ/KGZ	EBRD	283.0
6 MFF - CAREC Transport Corridor I (Bishkek-Torugart Road), Project 3	KGZ	ADB	40.0
7 Regional Customs Modernization and Infrastructure Development II	KGZ/TAJ	ADB	50.0
8 Bishkek-Naryn Torugart Road	KGZ	IsDB	15.0
9 Taraz-Talas-Suusamyр Road	KGZ	IsDB	10.0
10 Western Regional Road Corridor Development Project, Phase II	MON	ADB	40.0
11 Regional Railway Improvement Project	TAJ	ADB	25.0
12 Railway Development Project	UZB	ADB	50.0
13 Regional Customs Modernization	KAZ/KGZ/TAJ/UZB	ADB	100.0
14 CAREC Transport Corridor III, Phase II	TAJ/UZB	ADB	100.0
	<b>Subtotal planned for 2010</b>		<b>1,563.0</b>
<b>TOTAL (2007–2010)</b>			<b>5,553.0</b>

**Table 2: Planned Program for Technical Assistance, 3<sup>rd</sup> Quarter 2007–2010**

<b>Project Title</b>	<b>Country Involved</b>	<b>Donor Agency</b>	<b>Amount (US\$'000)</b>
<b>2007 APPROVED</b>			
1 Preparation and Transaction Advisory Services for the Almaty-Horgos Road as a Public-Private Partnership <sup>6</sup>	KAZ	EBRD	2,361.0
2 Prefeasibility Study on Almaty-Issyk-kul Road Project	KAZ	EBRD	150.0
3 Detailed Design of the Kurgan Tyube-Dusti Rehabilitation Project	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	<b>350.0</b>
<b>Subtotal approved for 2007</b>			<b>3,961.0</b>
<b>2008 APPROVED</b>			
1 CAREC Transport Corridor I (Bishkek-Torugart Road)	KGZ	ADB	150.0
2 Road Maintenance Development Plan	TAJ	EBRD	800.0
<b>Subtotal approved for 2008</b>			<b>950.0</b>
<b>2008 PLANNED</b>			
1 Preparation of Feasibility Study for Kandahar-Spin Boldak Railway	AFG	IsDB	400.0
2 Preparing the CAREC Regional Road Project	KAZ	ADB	150.0
3 Preparing the CAREC Transport Corridor III (Dushanbe-Uzbekistan Border Road) Project	TAJ/UZB	ADB	650.0
4 Railway Sector Investment	UZB	ADB	500.0
5 Central Asia – Afghanistan Trade Links	REG	WB	300.0
<b>Subtotal planned for 2008</b>			<b>1,600.0</b>
<b>2009 PLANNED</b>			
1 Transport Sector Strategy	KGZ	ADB	800.0
2 Western Regional Road Corridor Development Project, Phase II	MON	ADB	800.0
3 Feasibility Study for Kafarnigan–Yavan Railway	TAJ	IsDB	250.0
4 Caucasus Regional Transport	REG	ADB	800.0
5 Preparation of Feasibility Study for Kandahar-Spin Boldak Railway	AFG	IsDB	<b>400.0</b>
<b>Subtotal planned for 2009</b>			<b>3,050.0</b>
<b>2010 PLANNED</b>			
1 Regional Road Project II	KAZ	ADB	500.0
<b>Subtotal planned for 2010</b>			<b>500.0</b>
<b>TOTAL (2007–2010)</b>			<b>10,061.0</b>

Notes: The external assistance program needs to be updated from time to time, as appropriate.

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.

<sup>6</sup> 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

