

Central Asia & Tajikistan Transport Sector Development Challenges

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Conference on Prospects for the Development of Trans-Asian and Eurasian Transit Transportation Through Central Asia Until the Year 2015 October 23-24, Dushanbe, Tajikistan





Presentation Outline

- Central Asia regional transport issues, including roads, rail and air transport
- Tajikistan transport sector (rail, road and aviation)
- World Bank activities in the sector
- Challenges that the Bank can help addressing
- Examples of Bank interventions in Europe and Central Asian (ECA) Region

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Central Asia Road Transport

- About 66,000 km of main roads, of which 29,000 km carry most of the regional and international traffic
- Most major roads run north–south reflecting orientation of trade with Russia
- Few east-west main roads, several missing links
- Road and Rail connections are not well developed
- Rapidly increasing traffic levels and change in the types of vehicles (40T trucks are now common)
- Deteriorating road network conditions
- Truck fleet is generally of poor quality the majority of trucks were part of the previous state transport fleets during the FSU, and do not meet international transit standards (TIR)
- Most of the fleet is privately owned and operated, usually by sole traders or by small and medium enterprises

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Central Asia Road Network Condition

- Much of the road network is in poor condition
 - maintenance budgets are generally low, partly because fuel and other road user charges are low by international standards;
 - technical standards of the road networks are based on the FSU specifications (6T axles) and are inappropriate for current traffic levels (12T axles);
 - there is limited use of new technologies and techniques in road construction and maintenance
 - National road enterprises responsible for road maintenance, little use of private sector
- Need to strengthen institutional capacity of road organizations to adopt modern road management practices

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Central Asia Rail Transport

- Rail network extends for more than 22,000 km, significant proportion in poor condition with speed restrictions
- Most lines oriented north-south, also reflecting vital industrial and strategic needs of the FSU
- · Rail links often cross borders several times
- Disjointed networks in TAJ and KRG dependency on UZB
- All are state owned enterprises (some privatization planned in KAZ)

Railways	Total Route	Freight transport	Passenger	Number of Staff	Labor
nanways	Length (km)		transport (million passenger-km)		productivity (tkm+pkm/staff)
Kazakhstan	14,648	147,700	10,686	176,800	1,254
Kyrgyzstan	424	561	50	4,756	69
Tajikistan	482	1,085	41	6,013	60
Turkmenistan	2,554	7,476	1,127	15,932	159
Uzbekistan	3,993	18,887	2,065	42,449	429
TOTAL	22,101	175,709	13,969	182506	1,988

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Central Asia Rail Operations

- · Relatively high labor productivity in KAZ; low in other countries
- · Predominantly freight: 92% of traffic units and higher for revenues
- · Passenger services heavily cross-subsidized by freight revenues
- Main advantage is common standards for infrastructure and rolling stock, providing for high level of interoperability (compared to Europe)

Rail Indicators: Central Asian Republics and European Union Members (2002)							
	Traffic density Traffic units/route-km (million)	Labor Productivity Traffic units/employee (000)					
EU Railways*	3.67	650					
Central Asian Railways	8.38	954					
Kazakhstan	10.55	1,263					
Kyrgyz Republic	1.02	88					
Tajikistan	2.05	187					
Turkmenistan	3.37	540					
Uzbekistan	5.61	488					
* - excluding UK							







Central Asia Regional Aviation

- · UZB and KAZ have moderate domestic markets
- KAZ, UZB and TKM have well developed international hubs
- Tourism is relatively underdeveloped though high potential
- UZB & TKM state owned carriers with both "Russian" and "western" aircraft, KAZ has one dominant airline with mostly western aircraft. KRG and TAJ have small operators
- Considerable variation in size and quality of airports and services

Key Indicators of CAR Air Services (2004)								
	Aircraft	Passengers	Air Freight	Inbound	Outbound			
	Departures	Carried	Ton -Km	Tourists	Tourists			
	(Thousands)	(Thousands)	(millions)	(Thousands)	(Thousands)			
Kazakhstan	20	1,010	21	2,410	2,374			
Kyrgyz Republic	5	205	5	140	45			
Tajikistan	7	413	7	4	3			
Turkmenistan	25	1,412	14	NA	NA			
Uzbekistan	22	1,466	71	231	400			
Source: 2005 World Development Indicators, World Bank 2005								

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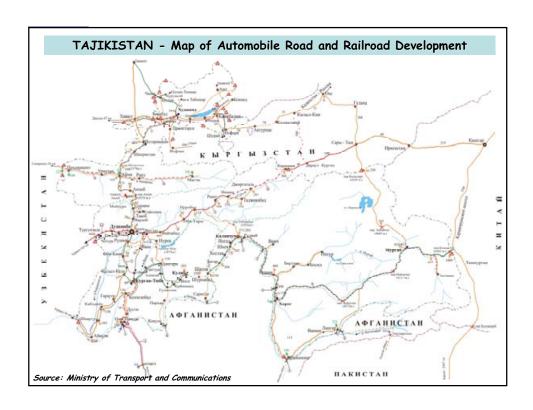


Suggested Recommendations for Central Asia Regional Aviation

- Kazakhstan and Uzbekistan should explore the benefits of liberalization
- Kyrgyz Republic and Tajikistan should explore closer cooperation
- Possible role for International organizations:
 - Coordination of technical assistance
 - Co-sponsor seminars to enhance synergies between aviation and tourism sectors,
 - Engage private sector and governments to ensure a wider commitment for and understanding of policy changes and its impacts
 - Co-sponsor a regional workshop on air cargo needs

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Tajikistan Today

- Politically very stable
- Consistent and outward oriented economic policies
- · Continuance in economic team
- Consistently high rates of economic growth
- Situated in the middle of the growth quadrangle of China, Russia, India and Kazakhstan - spillover effect?
- Possesses vast amount of energy resources, exports aluminum and cotton
- Result attractive to foreign investment

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Tajikistan Transport Sector Overview - Roads

- · The truck fleet aging and decreasing by 2% annually
- Transport performance 5 times less than average in similar countries
- The network.
 - 5000 km main roads and 9000 secondary roads
 - IFIs and bilaterals active in rehabilitation of trunk roads (ADB, IsDB and China)
 - Secondary roads are largely neglected, w/ 80% in poor condition
- The financing:
 - State budget covers only 20% of the needs \$14M in 2006
- Construction Industry.
 - Maintenance and investment firms
 - 60 (state owned) maintenance organizations or GUSADs around the country;
 depend upon state budget transfers
 - 130 registered construction firms, none of which qualified to conduct large works
 - Only \$7M out of \$500M ongoing contracts awarded to domestic firms

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Tajikistan Transport Sector Overview - Rail

- Extends 560 km part of Central Asian rail network
 - Cannot function autonomously (Northern and Southern parts not connected directly)
 - 80% of international traffic goes thru Uzbekistan
- No IFI/bilateral involvement in developing the railway subsector
- Tajik Rail Business Plan includes:
 - A new connection to South
 - · Dushanbe-border of Afghanistan
 - Electrification of Northern part around Khujand area
 - · Main corridor for freight in Ferghana valley

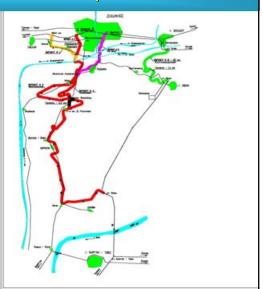




Dushanbe - Vakhsh Railway Link

Objectives (as per MOTC):

- Increase in the volume of cargo and passenger carriage
- Reliable railway link between the capital and Khatlon Region, whilst bypassing Uzbekistan's territory
- In the long term, this link could be utilized as transit for the cargo and passenger trains commuting to Pakistan via Afghanistan.
- Direct effect in poverty reduction in Tajikistan (needs to be accurately measured) through:
 - o Effecting the consumer prices, as the transportation cost constitutes as much as 60-70% in the pricing structure of the imported goods
 - o Creating new work places, thereby contributing to decrease of unemployment rates



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Tajikistan Transport Sector Overview - Air

- · Relatively well-developed
- · Main airports:
 - Dushanbe 3100 m runway
 - Khujand 2600 m runway
 - Can now accommodate jumbo jets
- Tajik Air
 - Soviet-inherited fleet of 40 different aircrafts
 - Makes money only from international flights, domestic flights are largely unprofitable
- On-going dialogue of the Bank with GoRT:
 - Programmatic Development Policy Credit framework
 - Three entities to separately manage infrastructure, operations and air control/navigation
 - The unbundling process will end in 2008 (the Bank's proposal)







There are number of challenges that need to be met

- · The challenges are threefold:
 - Remote Location
 - Limited Scale of Domestic Market
 - Mountainous Terrain
- Key issues:
 - Weak management
 - Railway and aviation reforms necessitated by the GoRT (ref: National Development Strategy)
 - Subsidies in rail, aviation and urban transport; compensation mechanisms largely inadequate
 - Weak domestic construction industry
 - Insufficient level of financing for road maintenance

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World Bank Activities in Transport

- Transport Sector Exploration Mission in February 2007
 - Did an overview of the sector, identified key challenges in the sector
- ADB is leading efforts in transport
- Current CPS (ends in FY09) does not envisage any financing in transport sector
- World Bank probably to focus on Economical and Sector Work
 - Proposed Transport Sector Policy Advisory Note to help the GoRT adopt a strategic approach for development of the transport
- However, comparative advantage of the Bank should be deployed to address most critical issues in the sector

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Key issues that the Bank will probably help to address

- · Cost recovery of ongoing investment projects
 - Dushanbe-Chanak highway (\$280M Chinese financing) an example
 - Introduce tolling in some sections of the road (e.g. Shahristan and Anzob Tunnels)
 - · Great exercise for a PPP
- Improved road maintenance activities
 - On a pilot-basis, introduce Output and Performance Based Maintenance to commercialize relationship of GUSADs with the MOTC
- Review of Tajik Railway business plan:
 - Bank has a long experience in railway restructuring in the region (Romania, Georgia, Turkey, Azerbaijan and Poland)
- Review of Aviation Sector
- Trainings

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Examples of World Bank Interventions Lending

- Highway rehabilitation in Poland three operations prepared and disbursed very quickly using country systems
- Trade and Transport Facilitation in Croatia: Rijeka Gateway Project improvements ports, highway interchange, customs, cargo storage areas
- Romania Railway Restructuring Projects financing of staff redundancy, network modernization
- Support to the transportation corridors in the South Caucasus

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Examples of World Bank Interventions Analytical Work

- Advice on use of PPPs in transport:
 - overall strategy and how-to seminars (Russia);
 - sub-sector strategy (Bulgaria);
 - specific transactions (Hungary, Georgia);
 - ex-post evaluation (Romania).
- Advice on railway restructuring: Croatia
- · Railway integration study in South East Europe
- Rapid rural infrastructure assessment: Armenia, Georgia
- Overall transport sector strategy: Russia, Ukraine

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