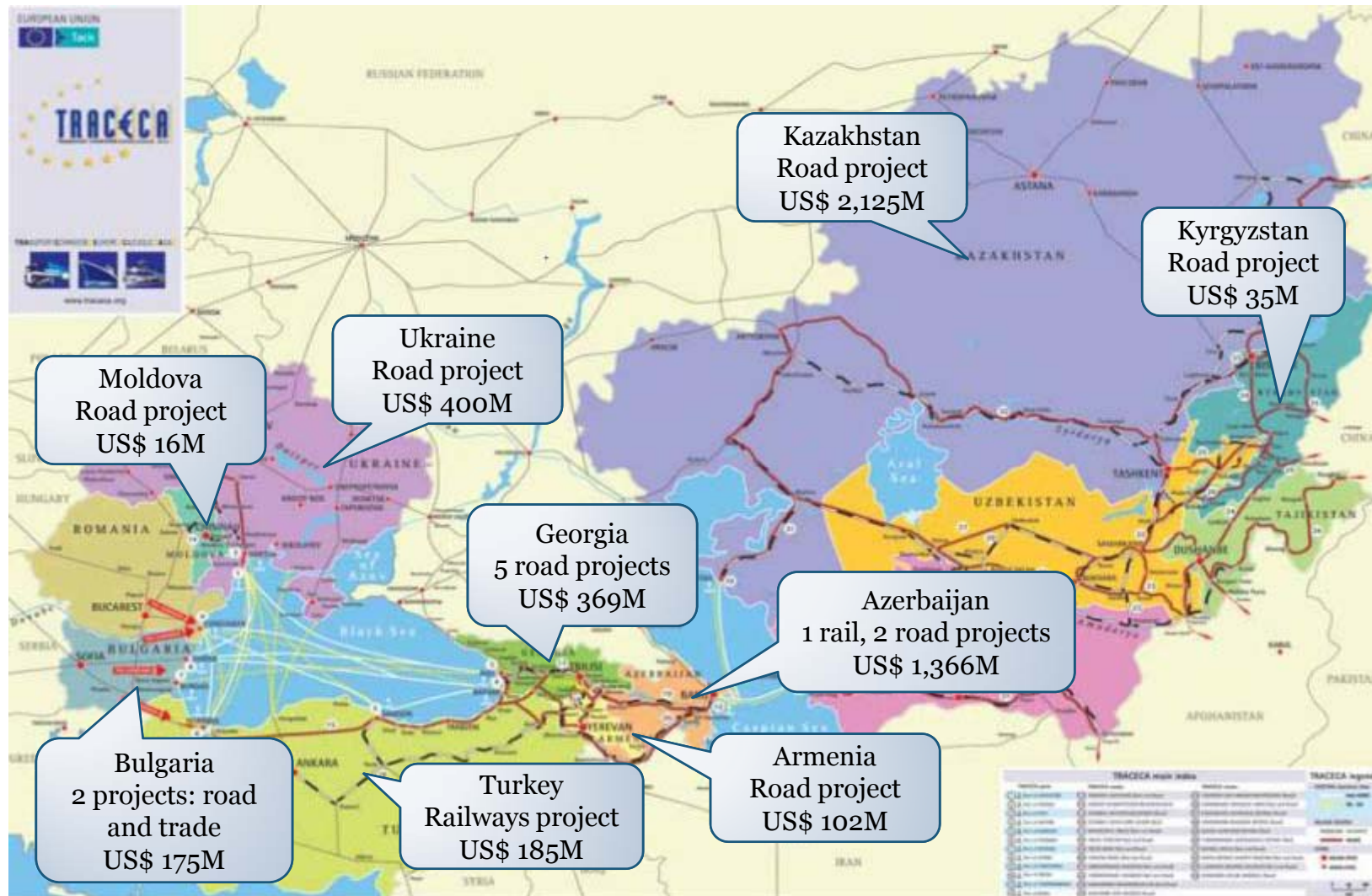


World Bank Transport Projects in TRACECA Countries

Olivier Le Ber
Lead Transport Specialist
World Bank



WB has 16 transport projects total US\$ 4.8 billion in TRACECA countries (3 projects under preparation)



WB has 16 transport projects total US\$ 4.8 billion in TRACECA countries (3 projects under preparation)

- Armenia
 - Lifeline Roads Project US\$ 102M
 - North-South Corridor Improvement Project (under preparation)
- Azerbaijan
 - Second and Third Highway Projects US\$ 916M
 - Rail Trade and Transport Facilitation US\$ 450M
- Bulgaria
 - Road Infrastructure Rehabilitation US\$ 122.5M
 - Second Trade and Transport Facilitation US\$ 52.8M
 - Railways Infrastructure Rehabilitation (under preparation)



WB has 16 transport projects total US\$ 4.8 billion in TRACECA countries (3 projects under preparation)

- Georgia
 - First, Second and Third East West Highway US\$ 249M
 - Secondary and Local Roads US\$ 90M
 - Kakheti Regional Road US\$ 30M
- Kazakhstan
 - South-West Road Corridor Rehabilitation US\$ 2,125M
- Kyrgystan
 - National Road Rehabilitation US\$ 35M
- Moldova
 - Road Sector Program Support Project US\$ 16M



WB has 16 transport projects total US\$ 4.8 billion in TRACECA countries (3 projects under preparation)

- Turkey
 - Railway Restructuring US\$ 185M
- Ukraine
 - Roads and Safety Improvement Project US\$ 400M
 - Railway Modernization Project (under preparation)



World Bank Instruments

Two basic lending instruments :

- *Investment Loans/Credits*: finance goods, works, and services to support economic and social development projects through identified activities (about 75% to 80% of WB lending)
- *Development Policy Loans/Credits*: Quick-disbursing assistance to support the sector or economy as a whole

Both Lending Instruments Aim at Reforms Beyond Lending

Advisory Services:

- *Economic & Sector Work (ESW)*: Detailed studies of specific sector issues funded through World Bank budget
- *Fee-For Service*: Technical Assistance provided by Bank staff paid for by the Client



Investment Lending - Characteristics

- Finances specific expenditures defined ex ante
- Disburses as costs are incurred
- Typical implementation: 5 to 7 years
- Repayment: up to 25 years IBRD, 40 years IDA, 35 years blend
- Macroeconomic framework: considered as part of overall context in Country Partnership Strategy
- Policy conditions: No formal requirement
- Fiduciary requirements: Project level financial management and procurement rules to ensure Bank financing is used for intended purposes
- Safeguards policies: all apply



Investment Lending - example Azerbaijan Rail

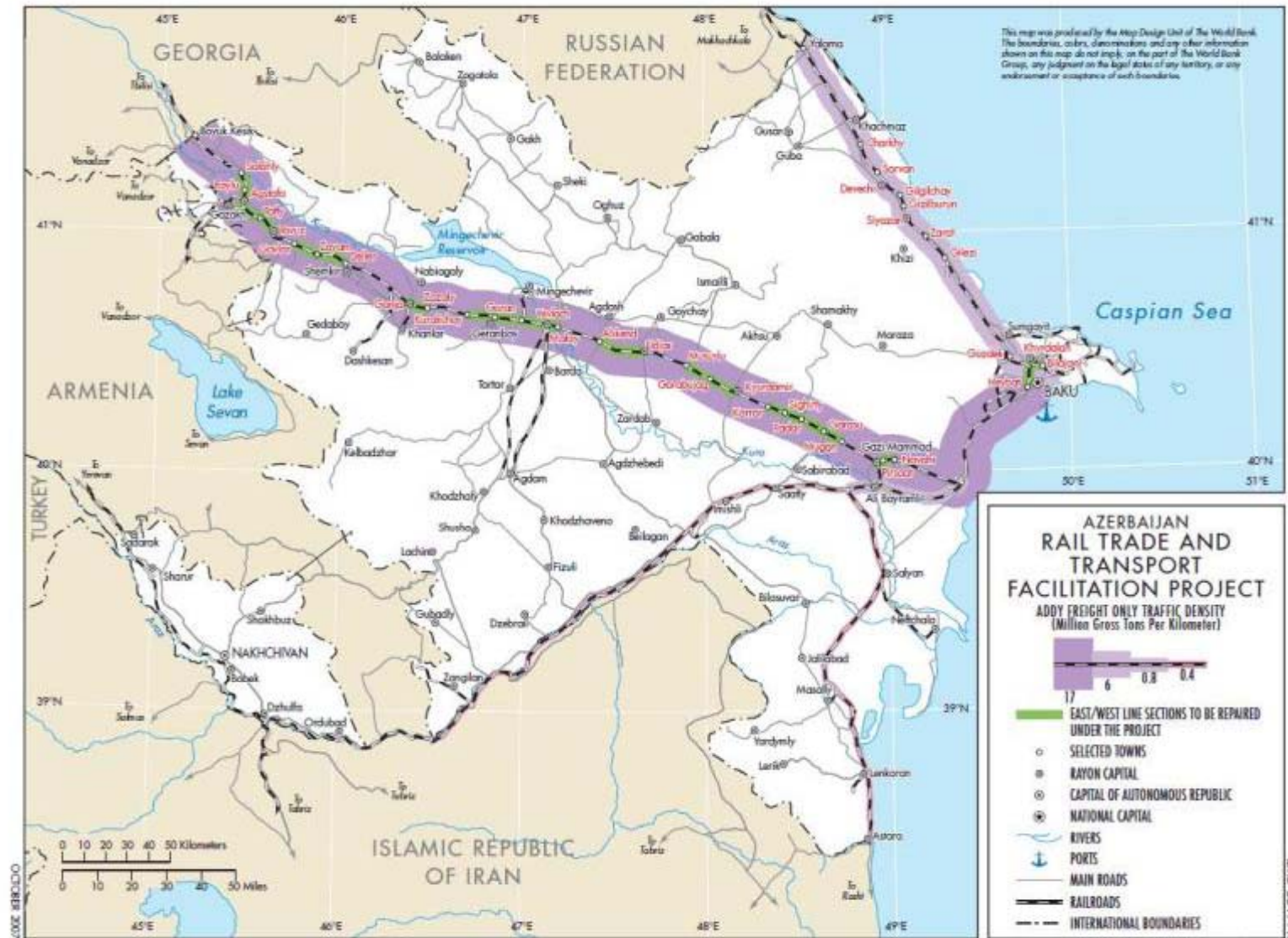
Azerbaijan Rail Trade & Transport Facilitation Project (2008)

- US\$795 million investment (US\$450 million financed by the World Bank)
 - Track rehabilitation
 - 25kV AC electrification
 - Signaling on East-West corridor
 - 50 new AC locomotive to operate on the corridor
- Project supports commercialization of Azerbaijan Railway
 - Railway converted to closed joint stock company in 2009
 - Reorganization by lines of business in 2010
 - Implementation of IFRS accounting system (on-going)
 - Enhanced oil spill prevention and response capacity (on-going)

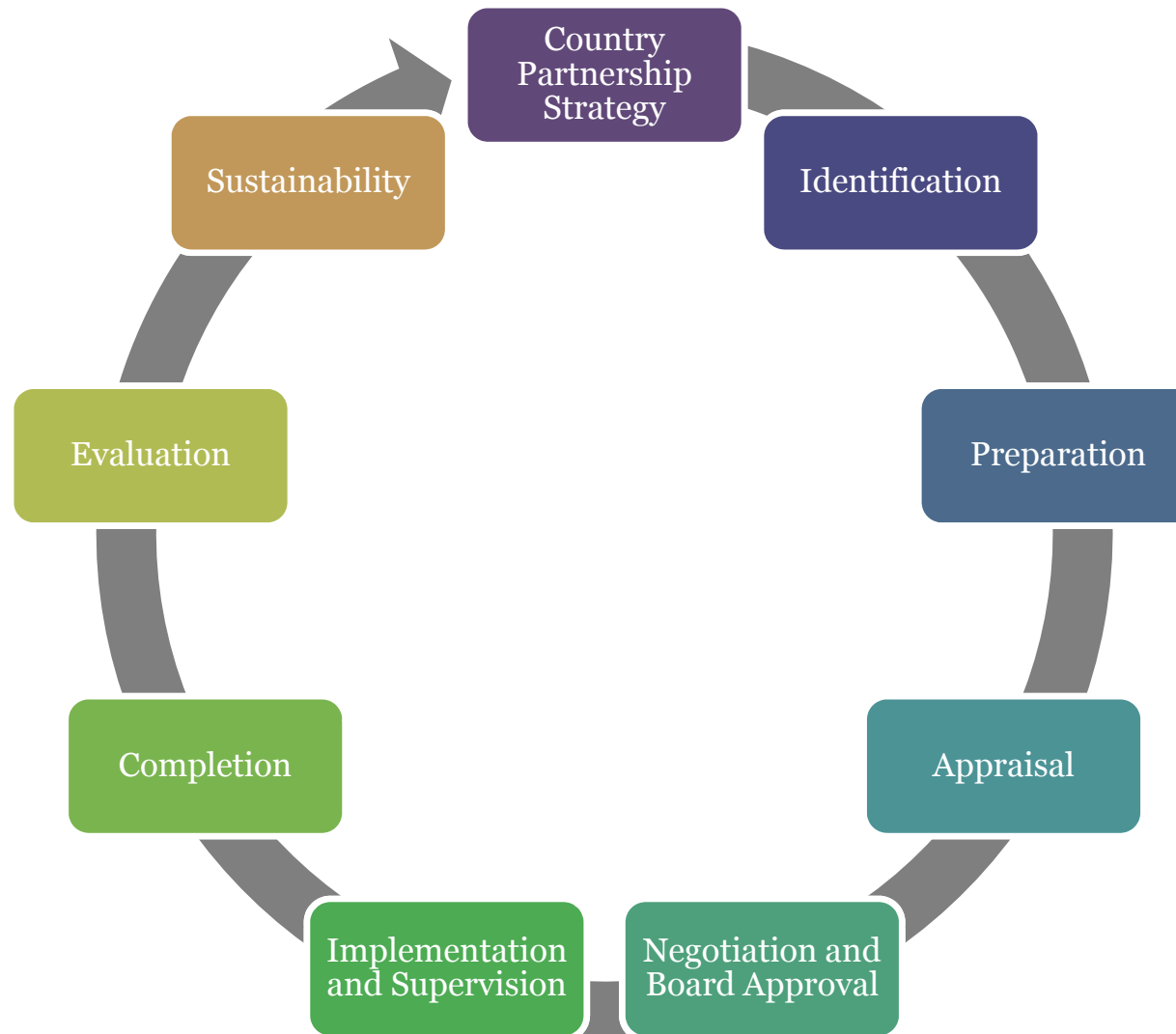
*Investment Lending supports sector reform & capacity building
and deepens policy dialogue*



Investment Lending - example Azerbaijan Rail



The World Bank Project Cycle



Project Cycle: Country Partnership Strategy (CPS) - Linkage to operations

- Dialogue with Gvmt based on a shared vision for development.
- CPS serves as guide of priorities for the Bank's lending program and covers a period of 3 to 4 years.
- CPS is based on the Bank's comparative advantage.
- Prepared by the WB Country Unit with contributions from Country Economist and sector specialists.
- Ministry of Finance generally coordinates the country's participation.
- Each lending operation needs to outline how the proposed operation fits the CPS.

A proposed investment project should be referenced in the CPS or supports the CPS objectives.



Project Cycle Identification and Preparation

- *Identification* – Projects are selected that support CPS and the country's strategies and that are financially, economically, socially and environmentally sound.
- *Preparation* - The Bank provides advice to conduct studies and prepare detailed project documents. Typical documents for transport projects are Feasibility Report, Environmental Impact Assessment, Resettlement Action Plan.

Preparation of High Quality Feasibility Study is an Essential Step for a Sound Project



Project Cycle - Appraisal

This is when the Bank assesses aspects of the Project:

- Economic (economic internal rate of return ~ 12%)
- Technical (engineering and related issues)
- Institutional (implementing agency capabilities)
- Environmental (Category A project - consultation and disclosure)
- Social (Land acquisition and resettlement.)

The outputs from Appraisal are:

- Project Appraisal Document (PAD)
- Integrated Safeguard Data Sheet (ISDS) - publically available documents that covers World Bank safeguard policies
- Legal documents



Project Cycle - Negotiations & Board Approval

- The Bank and Borrower agree on loan or credit agreement and the Project is presented to the WB Board.
- The loan or credit agreement is signed
- The typical project cycle from Project Identification to Loan/Credit Effectiveness is slightly more than one year.
- Retroactive financing can facilitate project implementation.

*Additional Financing allows incrementing new loan funds to an existing project without processing a new operation.
Increasing use for scaling up of successful road projects.*



Project Cycle - Implementation & Supervision

- The Borrower implements the project
- The Bank ensures that the loan/credit proceeds are used for the purposes as specified in the Project documents.
- Objectives of supervision:
 - Help project attain its objectives
 - Meet statutory requirements of the Bank
 - Help with capacity building
 - Tell the Bank what is happening

Project implementation progress including disbursement rates and safeguards compliance are receiving heightened attention.



Project Cycle - Completion & Evaluation

- The Implementation Completion Report (ICR) is prepared to evaluate the performance of both the Bank and the Borrower.
- The ICR evaluates : project outcome, problems, achievement of objectives and lessons learned
- The ICR is due six months after the Closing Date of the Project and is sent to the Board
- The outcomes of the Project are measured against the original objectives and assess whether or not the Project's results can be maintained over the long term.

How the Project Development Objective and Results Framework are formulated during project preparation can impact evaluation results.



Illustrated Example of the Project Cycle

Kyrgyz - Osh-Batken-Isfana Road

National Road Rehabilitation Project

- Specific Investment Loan: US\$25 million Grant / Credit
- Activities: Financing the rehabilitation of a 30 km segment along the corridor and provision of consultant services to improve road safety planning.
- Linkage with Strategy: A priority project in the Country Development Strategy 2009-2011; consistent with the Joint Country Support Strategy 2007-2010.
- Project Development Objectives: (i) to contribute to the reduction of transport costs and travel time along the corridor and (ii) to improve road safety
- Identification : Initial Feasibility Studies (2000/2001) financed by EC Tacis.
- Preparation: Bank's Project Preparation Advance updated the EC Tacis studies to assess economic viability including environment and social assessment and proposed technical design solutions.



Illustrated Example of the Project Cycle

Kyrgyz - Osh-Batken-Isfana Road



Illustrated Example of the Project Cycle

Kyrgyz - Osh-Batken-Isfana Road

National Road Rehabilitation Project

- Project Appraisal: September 2009
 - Economic – EIRR over 74%
 - Technical – upgrading of a 30 km section between Pulgon and Burgandy
 - Fiduciary – procurement and financial management risks acceptable
 - Environment – Category B project, EIA completed
 - Social – potential land acquisition, Resettlement Policy Framework prepared
- Board Approval: November 2009
- Signing of Legal Agreements: December 2009
- Effectiveness: February 2010

Osh-Batken-Isfana Road Project supported by EC Grant, EBRD Sovereign Loan & World Bank IDA Grant and Credit



Illustrated Example of the Project Cycle Kyrgyz - Osh-Batken-Isfana Road

Additional Financing for National Road Rehabilitation Project

- In response to Joint Economic Assessment (July 2010) by ADB, IMF and World Bank.
- US\$10 million processed under emergency expedited procedures
- Funds to repair and rehabilitate road infrastructure in and around Osh and Jalal-Abad thereby creating temporary jobs.
- Preparation /Appraisal mission in early August
- Negotiations on September 9th
- Board Approval on September 30th
- Signing of Legal Agreements on October 1st

*Average processing time for Additional Financing
3 to 4 months*

Emergency projects can be completed within 2 months



Transport Corridor Performance Measures in Central Asia - *Example of ESW*

- A WB 2009 trade & transport study reviewed transport corridors in Central & South Asia.
- Central Asia has the potential to flourish as a corridor for transit trade between Russia, China, South Asia and Europe.
- Significant physical and non-physical barriers increase the “economic distance”.
- Transit transport by road connects Central Asia with markets in Western Europe, Turkey and the Russian Federation.
- Lack of cooperation between countries is a major issue.





The map was produced by the World Bank Group. The boundaries, colors, denominations and any other information shown on this map are for reference only and do not constitute an endorsement or approval by the World Bank Group, any member of its staff, or any organization or individual of any political or legal status.



Main Findings

- **Backhaul imbalance:**
 - Most trucks leave Central Asia empty when returning to their country of origin, especially for trade with China.
- **Import/export imbalance:**
 - Incoming trucks experience longer delays along the corridors and at borders because they carry cargo; outgoing trucks are typically processed faster (some are empty).
- **Transit trucks:**
 - Few trucks crossing South and Central Asia carry transit cargo.
- **TIR carnet use is not widespread in South and Central Asia:**
 - They are viewed as expensive, unnecessary, and ineffective



2009 Performance Measures

- Unofficial border posts continue to be operated along Kyrgyz/Uzbek/Tajikistan borders
- TIR trucks are not widespread in South and Central Asia
 - They are viewed as expensive, unnecessary, and ineffective to prevent delays along the corridors
- Performance along corridors shows marginal improvements since 2006
 - However, unscheduled stops contribute additional 25 – 33% overall travel time
 - Marginal improvements at BCPs since 2008
- Idle time waiting at the border crossings can be 13hrs: 26mins (Korgas)
 - Average time 2hrs: 48 mins; shortest time 5 mins (Kyzyl Bel)
- Average of 2 stops / 100 km by traffic police:
- Unofficial payments: \$13 - \$106, about 21% of total costs on some corridors
- Average travel speeds 36 – 51 km/hr (excluding stops)
- Overall commercial speed 17 – 28 km/hour (including stops)



Summary of Performance Measurements

- Informal barriers are high in Central Asia
- Delays by other border agencies can be significantly more than Customs
- Elimination of delays needs careful assessment
- Measurements should be continued on a systemic basis
- Further support from Governments and International organizations is needed

TRACECA can support improvement of transport corridor performance



Contacts

- Henry Kerali; Sector Manager Transport, Europe and Central Asia
 - HKerali@worldbank.org
- Motoo Konishi; Country Director Central Asia
 - MKonishi@worldbank.org
- Asad Alam; Country Director South Caucasus
 - AAlam@worldbank.org
- Peter Harrold; Country Director Central/South Europe and Baltics
 - PHarrold@worldbank.org
- Jane Armitage; Country Director Central/Western Balkans
 - JArmitage@worldbank.org
- Martin Raiser; Country Director Ukraine, Belarus, Moldova
 - MRaiser@worldbank.org
- Ulrich Zachau; Country Director Turkey
 - UZachau@worldbank.org



Thank you