

The European Union's Tacis programme
for Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan,
Turkmenistan, Ukraine, Uzbekistan

Aktau Port Development Masterplanning & Feasibility Study for the Port of Aktau, Kazakhstan

Progress Report Number Two

May 2008



This project is funded by
the European Union

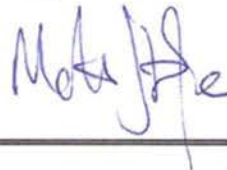


The project implemented by
Scott Wilson & Proektirovshik

1 COVER PAGE

Project Title	: Masterplanning and Feasibility Study for the Port of Aktau, Kazakhstan	
Project Number	: EuropeAid123967/C/SER/KZ	
Beneficiary Country	: Republic of Kazakhstan	
	Project Partner	EC Contractor
Name	: Aktau International Sea Commercial Port	Scott Wilson Ltd.
Address	: Aktau, Kazakhstan	Scott House, Basing View, Basingstoke, Hampshire RG21 4JG
Tel. number	: +7 (3292) 51 45 49	+44 1256 310 200
Fax number	: +7 (3292) 44 51 01	
Contact person :	Talgat B. Abylgazin, Director	Martin Edge, Director

Signatures :



Date of report : 25 May 2008

Reporting period : 5 December 2007 – 5 June 2008

Author of report : John Gardner, Project Team Leader

EC M & E team:

[name] [signature] [date]

Project Manager:

[name] [signature] [date]

2 PROJECT SYNOPSIS

Project Title	: Masterplanning and Feasibility Study for the Port of Aktau, Kazakhstan
Project Number	: EuropeAid123967/C/SER/KZ
Country	: Republic of Kazakhstan

Project objectives:

The overall objective of the project is to deliver a detailed independent appraisal of future prospects of Aktau port together with a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents.

Planned outputs:

The outputs will be a series of reports, plans, feasibility study, master plan, environmental impact assessment report, tender documents to match the project objectives and in the format suitable for further approval by the state expert committee.

Project activities:

The project activities comprise a mixture of short term and long term expert input involving:

- Traffic forecasts
- Financial evaluation and modeling
- Port legal and management procedures
- Port operations
- Environmental impact assessment
- Design of marine facilities

Project starting date:

5th June 2007

Project duration:

18 months

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4 SUMMARY OF PROGRESS FOR THE PERIOD 5/06/07 TO 5/06/08

4.1 ACTIVITIES IN THE PERIOD

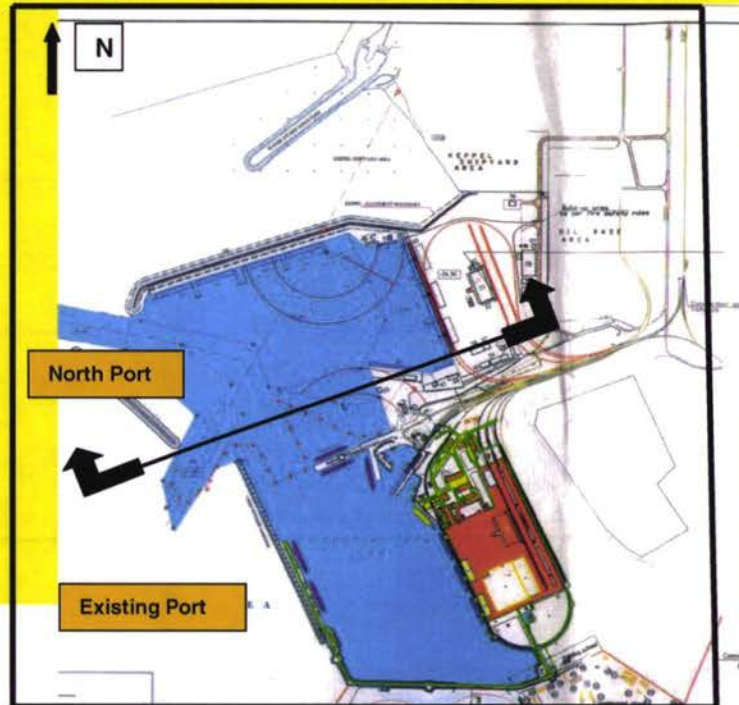


Figure 1 Plan of Aktau Port

The main activities in the period involved:

- Meetings with present and future port users;
- Meetings with AISCP (Aktau International Sea Port) to determine current port activities and future aims;
- Preparation and delivery of reports as required in the Terms of Reference (ToR);
- Review of existing environmental impact assessment (EIA) reports and preparation of new EIAs to match the agreed Master Plan;
- Further analysis of present and future port traffic volumes;
- Further analysis of rail network into Aktau and estimation of rail capacity;
- Further analysis of oil pipeline networks into, and adjacent to, Aktau and Kazakhstan;
- Preliminary design and cost estimates for North Port marine structures;
- Review of equipment for the detection and monitoring of oil spills within the existing and future port;
- Presentation of the Draft Feasibility Study to AISCP on 21st and 22nd January 2008 and subsequent agreement on actions to be incorporated into the Master Plan
- Submission of the Final Feasibility Study for the North Port expansion including the EIA;
- Submission of the Master Plan for the Existing Port and North Port Expansion;
- Steering Committee Meeting No.2 and agreement on the Master Plan

The work was carried out by visiting and local experts working in Aktau and elsewhere. In most of the cases where work was carried out in Aktau the work was carried out in conjunction with the valuable assistance of members of the AISCP staff.

The future of Aktau port is very closely linked to the manner in which oil is moved from the Kazakhstan oilfields to destinations outside Aktau. This subject was reported in detail in the traffic study submitted on 5th October 2007 and the pre-feasibility study submitted on 19th September 2007. During the current reporting period responses were obtained from AISCP and oil companies to these studies.

As a result of these responses one of the main activities in the current reporting period was a re-examination of routes and volumes involved in present and future movement of oil by pipeline and rail. The results of this re-examination were incorporated into the draft Feasibility Study Report which was presented to AISCP on 21st and 22nd January 2008.

The draft Feasibility Study Report emphasized the range of possible future traffic increases and the impact that this range would have on development scenarios in the North Port. In the case of oil volumes this range is described in the Report as Scenarios A, B and C. The relationship between these scenarios and the demand for future oil berths is shown graphically in Figure 2 below:

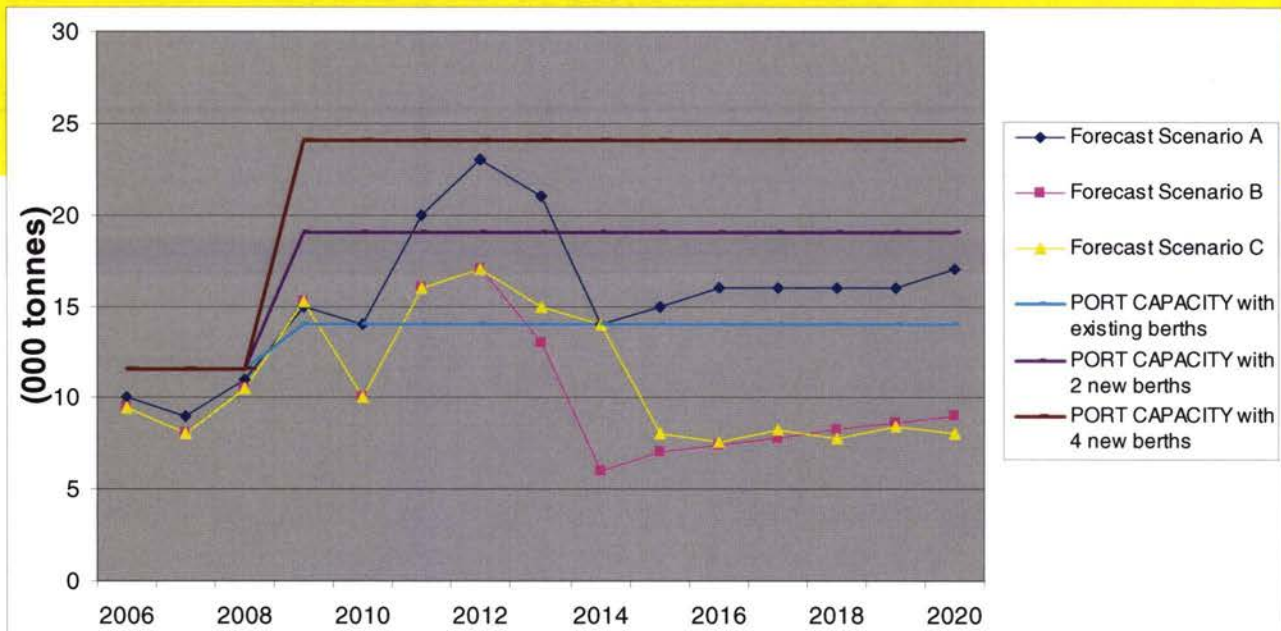


Figure 2 Forecast Oil Traffic and Port Capacity (taken from Feasibility Report)

At the Steering Group Meeting No2 held in Astana on 27th March it was agreed with AISCP and the Department of Transport that the detailed design stage of this project should comprise only the design of 4 oil berths in accordance with Scenario "A" of the traffic forecasts.

Similar analysis was carried out for dry cargo and grain but this showed that there was not an immediate need for additional berths and accordingly detailed design was not required at this stage. The results of the analysis are shown in figures 3 and 4 below:

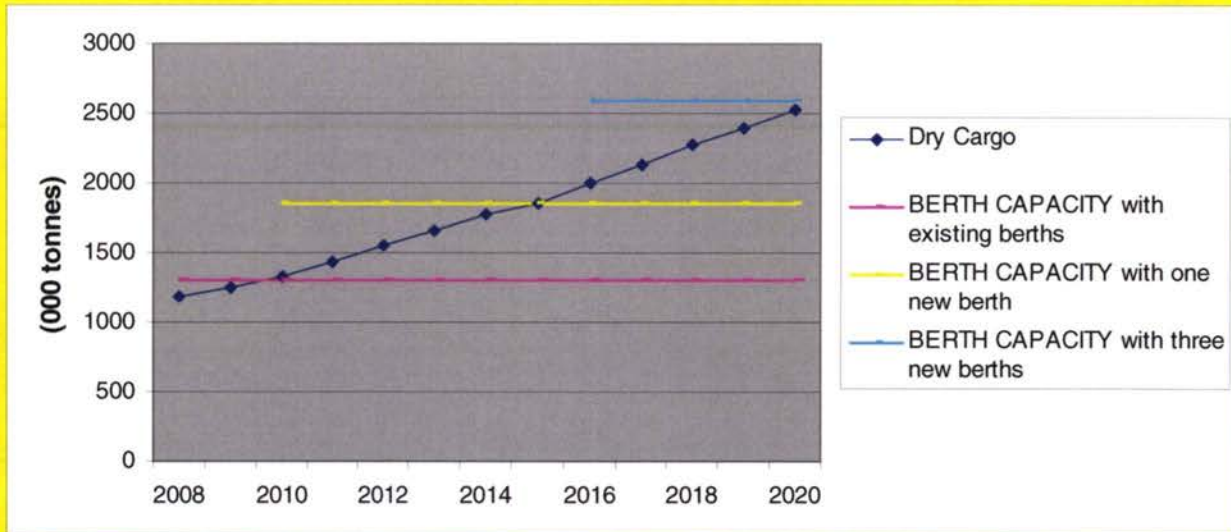


Figure 3 Forecast Dry Cargo traffic and Existing Port Capacity (taken from Feasibility Report)

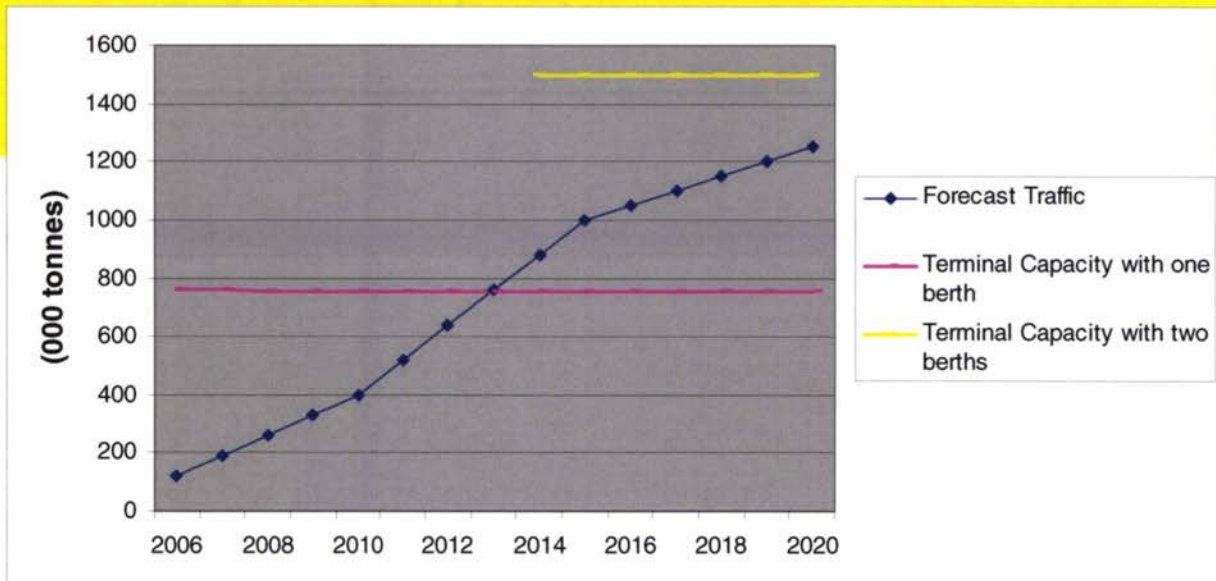


Figure 4 Forecast Grain Cargo traffic and Port Capacity (taken from Feasibility Report)

The Feasibility Study Report emphasized the potential impact of competitor ports on the future of Aktau and recommended that to compete with alternative transport routes AISCP should establish a forum for working with the oil, rail, pipeline and tank storage companies to ensure that oil exporting facilities and procedures at Aktau are as attractive as the alternative transport routes that are available and that the capacity of the rail and pipeline are increased so that they can handle the projected future volumes.

The Master Plan Report outlined how the existing and North Port could be developed in detail up to year 2020 and in concept from 2020 onwards. This Report was presented to AISCP, the Government and Funding agencies at the Steering Group Meeting No.2 held in Astana on 27th March. The outcome of the meeting was that the Master Plan was accepted and can be issued as "Final".

The design process for the oil terminals proceeded during April and at the end of the period, 6 detailed options were produced for detailed operational discussions with AISCP prior to proceeding with finalization of the design and the corresponding tender documents.

4.2 STAFF MOVEMENTS

Throughout the period the consultants maintained a project office in the Rahat hotel in the vicinity of the port. The office was permanently staffed by the project co-coordinator and between 2 and 5 members of the team depending on the work requirements. Work on the project was carried out in the project office and in the offices of the experts, in Kazakhstan and overseas, depending on the most efficient location for the work. The following team members visited the project office for various periods for meeting and report preparation:

NAME	TEAM DESIGNATION
M. Edge	Project Director
J. Gardner	Team Leader
E. Laing	Transport economist
D. Lambert	Financial expert
V. Turzeladze	Transport Logistics expert

4.3 MEETINGS HELD DURING THE PERIOD

During the period meetings were held with several government and private organizations at local and national levels to obtain their aims and expectations for the port and to inform these organizations on the proposed expansion and upgrading work at Aktau port. In most cases these meetings were attended by a member of the AISCP staff.

Meetings were also held with the finance organizations most likely to be involved in the finance of future development at the port, the Development Bank of Kazakhstan (DBK) and the European Bank for Reconstruction and Development (EBRD).

The most important meetings were the working group meeting held in Aktau on 21st and 22nd January 2008 and the Steering Group Meeting No.2 held in Astana on 27th March 2008. Notes of these meetings are given in Appendix 1 of this report.

4.4 STEERING GROUP MEETING NUMBER 2

The Steering Group Meeting No. 2 was re-scheduled at the request of AISCP to enable key Government and funding agency persons to attend the meeting. The outcome of the meeting was a positive endorsement of the Master Plan and concluded with a clear direction for future work by the project team as explained in Section 6 below. AISCP also provided a clear strategy that they intend to follow for the future funding and construction contracts for the port development. The Protocol from the meeting is contained in Appendix 1 of this report. Following the meeting the EBRD wrote a letter to AISCP concerning the way forward and this letter is also included, for reference, in Appendix 2.

4.5 VISIT BY THE EU MONITOR

The EU monitor is planning to carry out the second visit to the project at the end of this reporting period.

4.6 PROJECT DELIVERABLES ACHIEVED TO DATE

Project deliverables have been delivered on schedule and to the required standard

ITEM	MAIN ACTIVITY	DATE DUE (ENGLISH)	DATE DELIVERED	DATE DUE (RUSSIAN)	DATE DELIVERED
1	Inception report	5/08/07	5/08/07	19/08/07	19/08/07
2	Conceptual master plan (based on existing traffic forecasts)	5/08/07	5/08/07	19/08/07	19/08/07
3	Pre-feasibility study for expansion (based on existing traffic forecast and studies)	5/09/07	5/09/07	19/09/07	19/09/07
4	Comprehensive traffic, shipping and container forecast	5/10/07	5/10/07	19/10/07	19/10/07
5	Feasibility study for the North Port expansion	20/12/07	17/01/08	5/01/08	11/02/08
6	Environmental Impact Assessment	5/01/08	6/03/08	19/01/08	
7	Master Plan for Existing and North Port	5/01/08	6/03/08	19/01/08	
8	Progress Report No. 1	5/12/07	5/12/07	5/12/07	5/12/07
9	Progress Report No. 2	5/06/08	5/06/08	5/06/08	5/06/08

Items 5,6 and 7 were rescheduled to take account of the revised schedule for the award of the breakwater contract and discussions with AISCP.

4.7 RESOURCE AND SCHEDULE SITUATION AT THE END OF THE PERIOD

At the end of the period the resources used to date are as shown below:

AKTAU MASTER PLAN-EXPERT INPUT UP TO 31/05/08

	Original number of working days	Addendum 1 number of working days	% Estimated utilised by 31/05/08
INPUT:			
<i>Long-term experts</i>			
- Team leader	305.0	92.0	100
- Senior experts	536.0	35.0	100
- Expert		177.0	34
<i>Short-term experts</i>			
- Senior experts	100.0	481.0	68
- Junior experts	220.0	960.0	39
PROVISION FOR INCIDENTAL EXPENDITURE:		385,000	7
PROVISION FOR EXPENDITURE VERIFICATION		17,000	12.4

4.8 POTENTIAL PROBLEMS AND POSSIBLE SOLUTIONS IDENTIFIED IN THE PERIOD

As reported in Progress Report No.1 it is clear that the financial viability of future development at Aktau Port will depend on many factors. These factors have been examined at length in the Feasibility and Master Plan Reports submitted during the period. The reports were discussed in detail at meetings on 21st and 22nd January and on 27th March. During these discussions the project team were advised that Government is currently considering a concession agreement with Dubai Ports World (DPW) for the dry cargo berths. It will be necessary to reschedule the proposed study of the ownership, management and organization of the port (Item 11 in 5.2 below) to match the developments with DPW so that this factor can be taken into account by the project team in the future phases of the project.

5 PLANNING FOR THE WHOLE DURATION OF THE PROJECT

5.1 PROJECT GOALS AND OBJECTIVES AS STATED IN THE TOR

The ToR states that the following results shall be achieved by the Consultant:

- Traffic Forecast for the years 2010, 2015 and 2020 including modal split, shipping forecast and container forecast as well as assessment of the traffic potential for the economic free zone and logistics centre;
- Phased Master Plan and access transportation lanes for the development of the Port till 2020 based on the assessment of the existing facilities, the North expansion under construction and the traffic potential;
- Feasibility Study for the short to medium term development of the Port (mainly north and south port expansions, economic free zone and logistics centre) in coordination with interested International Financing institutions;
- Technical and tender documentation for construction of basic port facilities for the North Port, taking account of the work already completed on the North Port;
- Proposal for the legal and institutional strengthening of Aktau Port to create a structure able to attract private funding;
- Integrated corporate Plan for the Aktau International Sea Commercial Port with focus on further management and organisational strengthening, marketing and Management Information System also as a response to increased intra-port competition.

These results are to be contained in project deliverables in Russian and English. At present the project is proceeding on schedule to achieve these overall results.

5.2 REMAINING PROJECT DELIVERABLES TO BE ACHIEVED BY COMPLETION OF PROJECT (ITEMS 1-9 ALREADY ACHIEVED AS LISTED IN 4.6 ABOVE)

ITEM	MAIN ACTIVITY	MONTHS (ENGLISH) From 5/6/07	MONTHS (RUSSIAN) From 5/6/07
10	Technical design, specifications and tender documents for option selected for immediate port expansion	31/7/08	15/8/08
11	Assessment of the legal & institutional framework and of management & organization (schedule subject to any arrangements with Dubai Ports World)		
12	Feasibility study for the South Port expansion incl. Environmental Impact Assessment	31/7/08	15/8/08

13	Proposal for legal and institutional framework including Draft Corporate Plan (subject to outcome of Item 11 above)		
14	Draft final report on port master planning, feasibility study and tender for expansion	15/9/08	30/9/08
15	Assistance during tendering of concession and implementation of proposals on legal & institutional strengthening and of corporate plan (at this stage it is not known if this assistance is required, see Item 11)		
16	Final report on port master planning, feasibility study and tender for expansion	17.5	18.0

The overall plan of operations and the overall output performance plan are shown in Tables 3 and 4 respectively.

6 PLANNING FOR THE FINAL REPORTING PERIOD, 5/06/08 TO 5/12/08

6.1 PROJECT GOALS AND OBJECTIVES

The goals to be achieved during the next, and final, reporting period are defined in 5.2 above.

Basis of Planning

- Protocol of Steering Meeting No 2 in Astana 27th March 2008
- EBRD letter dated 2nd April 2008
- Terms of Reference as revised under Addendum No 1

Activities

- Based on the outcome of Steering Group committee meeting No. 2 the Feasibility and Master Plan studies are now considered to be completed and the final versions will be issued immediately
- The EIA report will be finalised immediately.

Detailed design and Tender Documents for the oil jetties in the North Port (Item 10)

- Work will proceed with designs of oil jetties under Scenario "A" of the Master Plan: 4 oil berths.
- Estimated completion date July 2008, based on early approvals by EC Delegation and a 3-month design period.

Assistance with Procurement of a Contractor (Item 10)

This stage will be dependent upon financing being secured, which in turn depends on AISCP responding positively to conditions in the EBRD letter of 2nd April 2008 ie:

- AISCP to secure firm contracts with oil shippers
- Government of Kazakhstan, through MoTC to confirm Government's readiness to issue a cash deficit guarantee if required
- AISCP to implement specified efficiency improvements
- MoTC to clarify the intentions of the proposed DPW concession
- AISCP to complete the EIA including public consultation

Review of Ownership and Management of Aktau Port (Item 11)

This stage can proceed only when the intentions of Government are clarified in respect of (1) the ownership of operation of the North Port oil terminals and (2) the terms of concession of the dry cargo berths (presently under consideration by Government and Dubai Ports World).

Proposals for Institutional Strengthening can be developed once the above Government intentions are defined.

Pre-Feasibility Study for the South Port Expansion (Item 12)

The Master Plan Study for North Port Extension outlines a development plan sufficient to 2020 and beyond. Consultant will review the need for facilities in a possible South Port extension and incorporate this into a Pre-Feasibility Study.

Draft Corporate Plan (Item 13)

A Draft Corporate Plan will be prepared based on the Consultant's current understanding of Government intentions. The Plan will cover intra-port terminal competition, marketing, tariff policy, electronic data sharing (EDI) amongst the port community.

Draft Final Report (Item 14)

This report will comprise a consolidation of all project reports with particular emphasis on the next actions to be taken by AISCP.

Final Report (Item 15)

This report will take account of comments and discussion following the issue of the draft report

The Plan of Operations for the Final Reporting Period is shown in Table 5.

7 TABLES

TABLE 1: PROJECT PROGRESS REPORT

Project title: Masterplanning and Feasibility Study for The port of Aktau, Kazakhstan					Project number : EuropeAid123967/C/SER/KZ					Country : Kazakhstan					Page : 1									
Planning period : 5 December 2007 – 5 June 2008					Prepared on : 5 June 2008					EC Consultant : Scott Wilson Ltd														
Project objectives: The overall objective of the project is to deliver an independent appraisal of the future prospects of Aktau port together with a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents.																								
		TIME FRAME (months)											INPUTS											
		2007						2008					PERSONNEL EC Consultant		COUNTERPART		EQUIPMENT AND MATERIAL		OTHER					
No	ACTIVITIES IMPLEMENTED	1	2	3	4	5	6	7	8	9	10	11	12	13	Planned	Utilised	Planned	Utilised	Planned	Utilised	Planned	Utilised		
1	Inception	■													Total planned for the project as per addendum 1: Long term exp: 92 Team leader 35 Senior 177 Experts Short term exp: 481 Senior 960 Junior					Office equipment	Office equipment			
2	Conceptual Master Plan			■																				
3	Pre-feasibility Study of North Port			■																				
4	Traffic Forecasts		■														5							
5	Draft Feasibility Study for North Port							■									0							
6	Draft Master Plan							■									29							
7	Environmental Impact Assessment							■																
8	Progress Report 1						■																	
9	Progress Report 2												■											
TOTAL															Long Term	34								
															Short Term	693								

TABLE 2: RESOURCE UTILISATION REPORT

Project title Masterplanning and Feasibility Study for The port of Aktau, Kazakhstan		Project number : EuropeAid123967/C/SER/KZ		Country : Kazakhstan		Page : 1
Planning period : 5 December 2007 – 5 June 2008		Prepared on : 5 June 2008		EC Consultant : Scott Wilson Ltd		
Project objectives: The overall objective of the project is to deliver is to deliver an independent appraisal of the future prospects of Aktau port together with a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents.						
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER	
PERSONNEL						
Long Term	304	34	34	199	105	
Short Term	1441	693	693	898	543	
Sub-Total						
EQUIPMENT AND MATERIAL						
	Office equipment	Office equipment	Office equipment	Office equipment	Office equipment	
Sub-Total						
OTHER INPUTS						
Per diems	NA	NA	NA	NA	NA	
Translation						
Sub-Total						
TOTAL	NA	NA	NA	NA	NA	

TABLE 3 OVERALL PLAN OF OPERATIONS

Project title :Masterplanning and Feasibility Study for The port of Aktau, Kazakhstan						Project number : EuropeAid123967/C/SER/KZ						Country : Kazakhstan						Page : 1					
Planning period : 5 June 2007 - 5 June 2008						Prepared on : 5 June 2008						EC Consultant : Scott Wilson											
Project objectives : The overall objective of the project is to deliver an independent appraisal of the future prospects of Aktau port together with a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents																							
MAIN ACTIVITIES	TIME FRAME												INPUTS										
	2007						2008						PERSONNEL (man days)		EQUIPMENT AND MATERIAL	OTHER							
	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	EC Consultant	Counter Part		
Inception report			X																			Office equipment	Office equipment
Conceptual Master Plan			X																				
Pre-Feasibility Study of North Port				X																			
Traffic Forecasts					X																		
Feasibility Study for North Port							X																
Environmental Impact Assessment									X														
Master Plan for North Port									X														
Tender Documents														X									
Legal Framework															X								
Feasibility Study for South Port														X									
Draft Corporate Plan																							
Draft Final Report																X							
FINAL REPORT																	X			799.0	961.5		

TABLE 4 OVERALL OUTPUT PERFORMANCE PLAN

Project title : Masterplanning and Feasibility Study for the Port of Aktau, Kazakhstan	Project number : EuropeAid123967/C/SER/KZ	Country : Kazakhstan	Page : 1
Planning period : Planning period : 5 June 2007 - 5 June 2008	Prepared on : 5 June 2008	EC Consultant : Scott Wilson	
Outputs (to be described and target dates indicated)	Agreed Objective Verifiable Indicators	Constrains and Assumptions C/A	
<ul style="list-style-type: none"> ▪ Inception report-----5th August 2007 ▪ Conceptual Master Plan----5th August 2007 ▪ Pre-Feasibility Study of <ul style="list-style-type: none"> ○ North Port -----5th September 2007 ▪ Traffic Forecasts----- 5th October 2007 ▪ Feasibility Study for N. Port-5th January 2008 ▪ Master Plan for N. Port-----15th February 2008 ▪ Tender Documents-----31st July 2008 ▪ Legal Framework-----Not known ▪ Feasibility Study for S. <ul style="list-style-type: none"> ○ Port-----31st July 2008 ▪ Draft Corporate Plan----- Not known ▪ Draft Final Report-----15th September 2008 ▪ FINAL REPORT-----5th December 2008 	Reports submitted on time and subsequently accepted by Project Partner	Target dates to be reviewed in the light of new information and new dates agreed where applicable	

TABLE 5 PLAN OF OPERATIONS FOR THE FINAL REPORTING PERIOD (Work Programme)

Project title : Masterplanning and Feasibility Study for the Port of Aktau, Kazakhstan		Project number : EuropeAid123967/C/SER/KZ		Country : Kazakhstan			Page : 1			
Planning period : 5 June 2008 - 5 December 2008		Prepared on : 5 June 2008		EC Consultant : Scott Wilson						
Project objectives: The overall objective of the project is to deliver a detailed independent appraisal of future prospects of Aktau port together with a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents.										
		TIME FRAME 2008 (months)					INPUTS			
							PERSONNEL in man/days	EQUIPMENT AND MATERIAL	OTHER	
No	ACTIVITIES	7	8	9	10	11	12	EC Consultant	Counterpart	
	<ul style="list-style-type: none"> ▪ Technical design report & tender documents ▪ Assessment of Legal & Institutional Framework ▪ Feasibility Study for S. Port incl. EIA ▪ Proposal for Legal & Institutional Framework incl. Draft Corporate Plan ▪ Draft Final Report ▪ Assistance during tendering and implementation of Draft Corporate Plan ▪ Final Report 		■							
							★			
							188	460		
TOTAL										

8 APPENDICES

APPENDIX 1: Steering Committee Meeting Protocol, March 2008

APPENDIX 2: EBRD letter to AISCP on the way forward

**Protocol
of the Second Meeting of the Steering Committee on
the Feasibility Study and Master Planning for the Aktau Port Development**

Astana

27 March 2008

The meeting was attended by: (in accordance with the list)

**Implementation of the TRACECA Project
the Feasibility Study and Master Planning for the Aktau Port Development
(B. Uandykov, Adrian Van der Meer, T. Abylgazin, U. Hindstrom, M. Edge,
A. Ayturayev, A. Glok)**

1. To take into account the report of Scott Wilson (hereinafter referred to as "the Consultant", presentation of the Feasibility Study, Master Planning and EIA for the Aktau Port North Extension developed in the framework of part 1 of the Working Program of the TRACECA Project.

2. We approve the above documents and recommend that the Consultant be guided by Scenario A in the implementation of the following stages of the Working Program.

3. In order to determinate most real traffic volumes at the port of Aktau, RSE AISCP should refer to the authorized agency (Ministry of Transport and Communications) and oil companies to clarify prospective oil volumes.

4. RSE AISCP should start implementing the Consultant's recommendations on increase of throughput capacity of the existing port of Aktau.

5. To recommend that the Consultant should proceed with its work on EIA for the Aktau Port North Extension and request for conclusion of EBRD, JAICA and the RK Ministry of Environmental Protection.

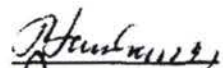
6. To take into account the Contract Procurement Strategy proposed by RSE AISCP for the Aktau Port North Extension Project.


7. For the purpose of implementation of the Contract Procurement Strategy, the Consultant should proceed with development of the Detailed Design and tender documents for construction of oil berths in accordance with FIDIC rules.

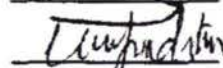
8. Taking into account the possibility of involvement of investors in the construction and operation of dry cargo berths under the Aktau Port North Extension Project, the meeting agreed:

- To develop an alternative model of public-private partnership (concession) alongside with the corporate plan of the existing state enterprise (RSE AISCP) in the framework of part 2 of the Working Program;

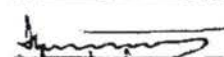
- To invite representatives of the European Commission, EBRD, DBK and the Consultant to attend meetings of working groups on this issue.


 B. Uandykov

 A. Van der Meer

 U. Hindstrom

 N. Baybazarov

 T. Abylgazin

 M. Edge





European Bank
for Reconstruction and Development

Talgat Abylgazin
Managing Director
AISCP
130000 Aktau
Kazakhstan

№ 1024
2 April 2008

Re: Aktau International Commercial Sea Port
Steering Committee Meeting 27 March 2008

Dear Sirs,

I thank you for having invited me to the 2nd Steering Committee meeting on 27 March 2008, to discuss the recommendations of Scott Wilson for the development of Aktau Port. It was a good and constructive meeting, and SW's well prepared study provided a good base for the discussions.

I was pleased that the Steering Committee unanimously approved the Consultant's recommendations and could reach an agreement on how to bring the project forward. However, as you recall, the decision was made on the basis that those actions recommended by Scott Wilson (Section 1.10), must be carried out in order to make the expansion viable, including acceptable for EBRD financing.

Therefore let me take the opportunity to reiterate these necessary actions required:

1. The AISCP to enter into long-term contracts with oil major producers (notably TCO) for a minimum level of oil shipments per year. The level required shall be sufficient to give AISCP revenue that will sustain its operating and maintenance costs plus debt service. AISCP to commence discussions with oil majors as soon as possible.
2. The Government to give a cash deficit guarantee in case the oil volumes would not reach the agreed minimum level. The the guarantee could be lifted when a sustained level of oil shipment has been established. The MOTC shall arrange a letter confirming the Government's readiness to provide such a guarantee for this project.
3. The AISCP to undertake measures identified in the study to enhance the efficiency of the port, including streamlining of procedures for customs clearance and an institutional reform programme to improve productivity. The AISCP and Scott Wilson to commence to and efficiency enhancement plan.

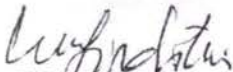
4. The MOTC to clarify conditions for the possible concession to DP World, UAE to ensure that this will not jeopardize the financial or operational viability of the AISCP. We understand a concession would concern a container terminal only.
5. The AISCP to carry out an Environmental Impact Assessment (EIA) including public consultation, which for EBRD financing would need to be in accordance with the EBRD's Environmental Policy.

Any Bank financing would be subject to satisfactory due diligence, approval by the Bank's management and Board of Directors and negotiations and execution of appropriate legal documentation.

As a next step, the AISCP and MOTC should confirm to the Bank its acceptance of the above measures and provide evidence that actions, where indicated, have been initiated. The EBRD would then be in a position to seek an initial approval of the project concept by its Management and thereafter to issue a Mandate Letter setting out the terms and conditions on which the project would be prepared with AISCP.

I look forward to hearing from you and to continueing to work with you on this important project.

Yours sincerely,


Ulf Hindström
Senior Banker

Cc: Zhenis Kassymbek, Deputy Minister, MOTC
Adrian van der Meer, Ambassador EU Delegation
Scott Wilson