

Logistics Processes and Motorways of the Sea II

LOGMOS Master Plan – Annex 9.1

Country Profile

KYRGYZSTAN

October 2013



This project is funded by
the European Union



DORNIER
CONSULTING

A project implemented by
Egis International / Dornier Consulting



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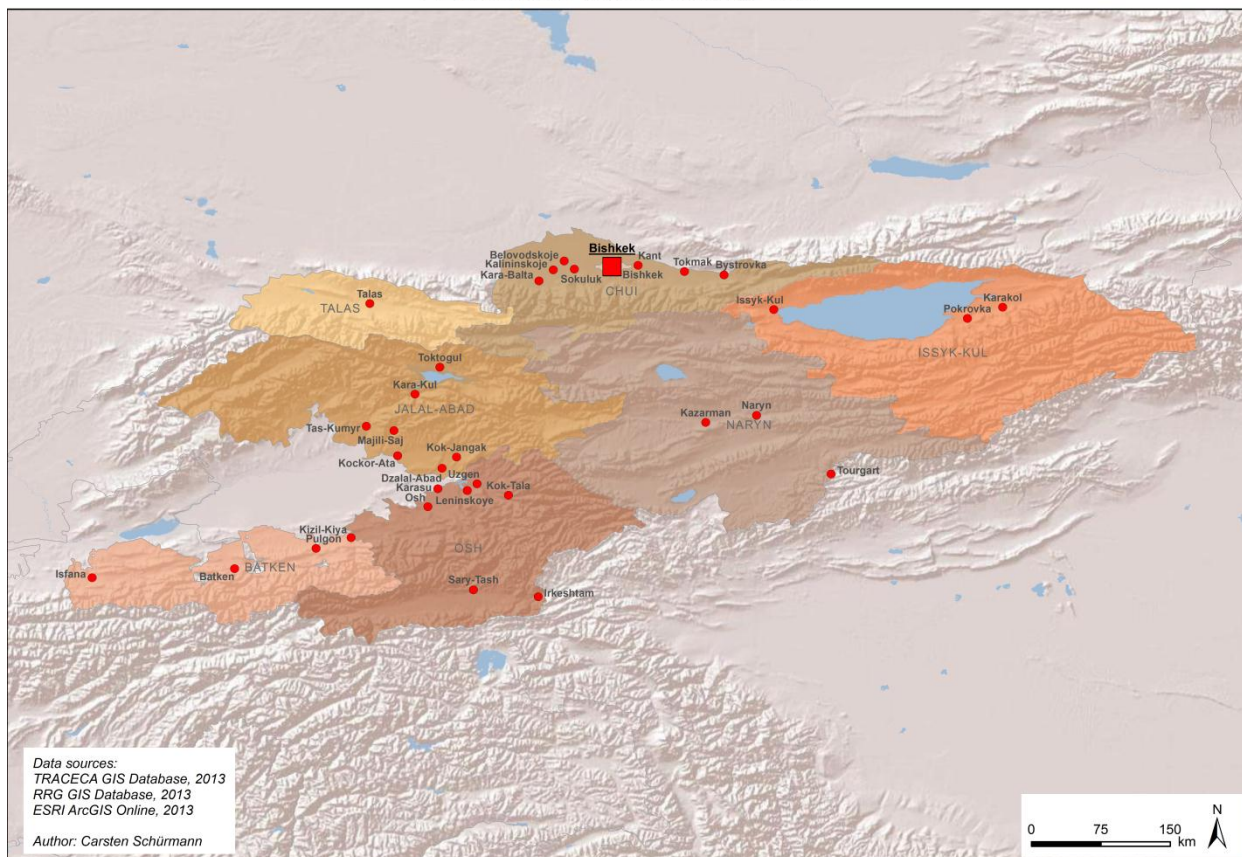
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Figure 1: General Map of Kyrgyzstan

Administrative division of Kyrgyzstan



Source: TRACECA (2013)



1 INTRODUCTION

The Republic of Kyrgyzstan is situated in the Eastern part of Central Asia, bordering Kazakhstan to the North, Uzbekistan to the West, Tajikistan to the South and the People's Republic of China to the East. As a landlocked country, Kyrgyzstan relies on international roads and railways to ensure access to major economical markets and routes. Like its southern neighbour Tajikistan, Kyrgyzstan is a mountainous country and so special attention is given to road infrastructures and its development by the State.

World trade and logistics performance indicators

In 2012, Kyrgyzstan was ranked 111st out of 132 countries in the Enabling Trade Index developed by the World Economic Forum (average score of 3.4/7). It occupied, in particular, the 39th position for access to market, the 125th position for border administration, the 98th position for transport and communications infrastructure and the 116th position for business environment.

In the World Bank logistics performance index of 2012, Kyrgyzstan was ranked 130th compared to 91st in 2010.

TRACECA Framework

Kyrgyzstan has been an active member of TRACECA since the Brussels Conference in May 1993 where the TRACECA programme started.

The ten direct beneficiary countries under review by LOGMOS Project share a globally common legal and regulatory background for the transport sector, but also operate under different laws and rules that reflect their respective contexts and policies.

International Conventions and regional or bilateral agreements complete the framework, and there are expected moves at both national and regional (TRACECA and other groups) levels.

Any legal issues related to the LOGMOS Project focus on transport laws and regulations as well as on the aforementioned national, international, regional and bilateral conventions and agreements that have a direct or indirect impact on surface transport modes, particularly maritime and intermodal transport¹.

The TRACECA programme started out as one of the components of the intergovernmental TACIS programme. The active participation of Kyrgyzstan started in September 1998, when it signed without any restriction the Basic Multilateral Agreement (MLA) on the development of the transport corridor Europe–Caucasus–Asia, which was also signed by Azerbaijan, Armenia, Bulgaria, Georgia, Kazakhstan, Moldova, Romania, Tajikistan, Turkey, Ukraine and Uzbekistan.

After the Intergovernmental Committee and Permanent Secretariat of TRACECA were established in 2000, Kyrgyzstan set up a TRACECA National Commission headed by a National Secretary.

Kyrgyz representatives take an active part in all conferences and working group's meetings organised by IGC TRACECA.

¹ More detailed information can be found on the separate [legal report of the LOGMOS Master Plan](#)



2 NATIONAL TRANSPORT POLICY

The national transport policy of Kyrgyzstan has been at inception phase and until recently there were no policy documents for the transport sector. A paper for road transport development strategy 2011–2015 has been drafted but not validated yet.

Up to 2011, several national programmes were relevant for the transport sector:

- Development Strategy of the country, (2009-2011)
- Development programme for road and water transport (2009-2011)
- Transport and Communication sector development programme (2009-2011)
- Strategy of the road subsector development for (2007-2010)

The two major objectives in road sector development in Development Strategy of the country (2009-2011) were:

- strengthening the transit potential of the country; and
- expanding access to serve local markets, employment opportunities and social services.

To achieve these objectives, the following tasks were planned:

- Rehabilitation of six roads and construction of the railway making the international transport corridors:
 - Osh–Sarytash–Irkeshtam (road stretch of 258 km)
 - Suusamy–Talas–Taraz (road stretch of 199 km)
 - Bishkek–Naryn–Torugart (road stretch of 539 km)
 - Sarytash–Karamyk (road stretch of 136 km)
 - Osh–Batken–Isfana (road stretch of 385 km)
 - Karakol–Tyup–Kegen (road stretch of 76 km)
 - China–Kyrgyzstan–Uzbekistan railway
- Maintenance and improvement of the internal hard-surface road network
- Provision of transport independence of the country
- Replacement of the outdated aeronavigation equipment

Measures regarding transport policy aspects were also considered. Carrying out the contemplated tasks called for the introduction of new public-private partnership arrangements, legislation on toll roads highways and a new concept for Road Funding operations.

The new road network management system should apply a uniform approach that is based on delineation of the policymaking role of the Ministry of Transport and Communications from road facilities management functions through institutional changes and corporatisation of road enterprises.

In rail transport, Kyrgyzstan is also preparing a Strategy on development of the railway sector for the period 2012–2020, but its completion and approval is, for the moment, delayed.

At regional and international levels, the Republic of Kyrgyzstan defines its transport policy in accordance with the programmes it takes part in, such as TRACECA or CAREC, through which regional activities of passenger and freight transport are coordinated. Kyrgyzstan is crossed by CAREC international corridors I, II, III, V. The countries involved in CAREC, worked out an



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action plan (up to 2020) to remove obstacles for the development of trade and transport links between them. The Kyrgyz Republic is an active participant in this programme, and intends to implement the CAREC initiating regulatory reform, in parallel to the preservation and improvement of the areas of regional road infrastructure in the country.



3 LEGAL ENVIRONMENT IN THE FIELD OF TRANSPORT

The legal environment in the field of transport has been developed and improved since the Republic of Kyrgyzstan gained independence. Today the main legal act that regulates transport is the law on transport adopted on August 8th 1998, which has been amended several times (August, 1st 2003, February 7th 2005, February 6th 2006, July 15th 2006 and July 15th 2006).

Other main instruments in the sector of Transport are:

- The law on Roads (01.06.1998)
- The law on Road Traffic in the Kyrgyz Republic (20.04.1998)
- The law on Railway transport (09.08.1998)
- The law on Public-Private Partnership of (12.01.2012) (ratified with modifications but did not entered into force yet)
- The Customs Code of (12.07.2004)
- The Development Strategy of the Customs Service for 2011-2013 (03.01.2011)
- The law on Automobile Transport (new draft law brought to examination to the Parliament in June 2012)

At the international level, Kyrgyzstan collaborates with the following organisations:

- Transport Ministers meeting of CIS countries. The objective of the Transport Co-ordination Meeting (KTS) is to eliminate all barriers in the field of transportation (including those for Kyrgyz carriers) within the CIS.
- TRACECA
- Organization for Cooperation of Railways (OSJD)
- Organization of Economic Cooperation (ECO)
- Shanghai Cooperation Organization (SCO)
- Transport policy council of the Eurasian Economic Community (EurAsEC)
- Intergovernmental road council
- CAREC Programme of the Asian Development Bank (ADB)
- Intergovernmental Road Developers Council (MSD).

The Republic of Kyrgyzstan has also signed the following UNECE Conventions:

- Customs Convention on Containers
- Convention on Road Traffic
- Convention on Road Signs and Signals
- Convention for the international carriage of passengers and luggage by road
- IRU Convention

The Republic of Kyrgyzstan has also established bilateral (see Table 1 below) and multilateral (see Table 2) relations with LOGMOS beneficiary countries in road, rail and maritime transport, and has also developed a strong cooperation in the Customs field.



Table 1: Bilateral Agreements with LOGMOS Beneficiary Countries

Countries	Transport issues				Customs
	Maritime	Road	Railway	General	
Armenia		On international road transport 21.04.1997			On cooperation and custom documentation and custom guarantees mutual acceptance 14.02.1996
Azerbaijan				On general principles cooperation in the field of transport 23.02.1993	On cooperation and mutual assistance in customs issues 03.02.2004
Bulgaria					
Georgia		On international road transport 04.1997			
Kazakhstan		On international road transport 26.10.1993 On transit carriage of goods by road via the territory of Kazakhstan 26.03.2004	On peculiarities of legal regulations of activities of enterprises, institutions and organisations in the railway sector 08.04.1997 On tariffs policy regulation in the sector of railway transport 07.08.1997		On cooperation and mutual assistance in customs issues 04.04.2000
Moldova		On international road transport 10.06.1996			On cooperation on customs issues 10.06.1996
Romania					
Tajikistan		On international road transport			



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		12.07.1996 On transit of goods by road 22.07.2005 On international Road connections 27.05.2013			
Turkey		On international road transport 28.04.1992			
Turkmenistan		On international road transport for passengers and goods 29.11.1995			
Ukraine		On international road transport 21.02.1993	--	On cooperation in the field of transport 23.02.1993	
Uzbekistan		On international road transport 04.09.1996			

Table 2: Multilateral Agreements with LOGMOS Beneficiary Countries

Signatory countries	Title of the agreement	Place and date of signature
Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	On Principles of Cooperation and Terms of Relations in Transport Area	Bishkek, 23.04.1992
Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	On Coordination of the Activity of Railway Transport	Bishkek, 23.04.1992



4 NATIONAL POLICY AND LEGISLATION IN TRADE AND TRANSIT

The main regulatory body in trade and transit is the Customs Service under the Government of the Republic of Kyrgyzstan. The Customs Code of the Republic of Kyrgyzstan dates back from the 13th of April 2004. The revision of the previous code began in 2000 when Parliament approved the Customs Reform and Modernisation Plan (2000-2004) and the creation of a special commission dedicated to this task. The birth of the new code was also possible thanks to the help of USAID and the consultation of the ADB.

The main objective pursued by the commission in the framework of the Customs Reform and Modernization Plan was to modify the organisational structure of the customs administration in order to improve the efficiency of operations and management and bring the legislation up to date. The Ministry of Finances was subsequently reorganised and the Committee for Revenue was created. Its role involved the supervision and coordination of activities of the Department of Customs Service (DCS) and the Department of Tax Service (DTS), which respectively used to be the State Customs Incorporate and the State Tax Inspectorate.

In 2005, the Customs Service Department was transformed into the State Customs Inspectorate under the Government of the Kyrgyz Republic. In 2007, the State Customs Inspectorate, under the Government of the Kyrgyz Republic, was transformed into the State Customs Committee of the Kyrgyz Republic. Similarly, in 2005 the State Tax Inspectorate was placed under the direct subordination to the Government of the Kyrgyz Republic and in 2009, it was transformed into the State Tax Service under the Government of the Kyrgyz Republic.

The new Customs Code of the Kyrgyz Republic is mainly based upon economic methods of management. It is free from provisions of administrative and criminal law, and relies on modern international practices, such as:

- the audit-based control;
- the selective inspection methods;
- the customs clearance at facilities of the persons that move goods;
- the introduction of simplified customs clearance procedures; and
- the performance of customs operations using information systems and information technologies.

The adoption of the new Customs Code has become an important argument in terms of meeting the recommendations of the World Customs Organization, because in many ways it relies on the provisions of the updated wording of the Kyoto Convention (the International Convention on the Simplification and Harmonization of Customs Procedures).

In January 2011, the Government of the Kyrgyz Republic approved the Kyrgyz Republic Customs Service Development Strategy for Years 2011 to 2013, and the related Strategy Implementation Action Plan. The Strategy provides support to foreign trade and encourages export-oriented sectors of the economy, including the reform and modernisation of the customs service.

The Action Plan provides for:

- the optimisation of customs procedures (the optimisation of functions and the identification of the responsibilities on the border);
- the optimisation of the customs infrastructure (the optimisation of the placement and equipment of checkpoints);
- the improvement of the structure of customs service;



- prompt customs tariff regulation;
- the provision of high-quality human resources (setting up the succession pool matching the needs of the customs service).

At the international level, several legal frameworks in the field of trade and transit were developed:

- Kyrgyzstan became a member of the World Trade Organisation on 20.09.1998.
- Kyrgyzstan is included in the Common Action Plan led by the CAREC regional trade facilitation programme that aims to harmonise and simplify customs procedures and documentation (data, information sharing, ICT development for customs operations), developing border posts and facilities, a regional intelligence system and capacity building for regional customs organisations.
- Kyrgyzstan is part of the Transit Framework Agreement under the Economic Cooperation Organisation (ECO). Its main purposes are:
 - to facilitate the movement of goods, luggage and passengers through the respective territories of the Contracting Parties and provide all necessary facilities for transit under the provisions of this Agreement;
 - to ensure the safety of goods, luggage and passengers and avoid unnecessary delays during the transit traffic through territories of Contracting Parties; and
 - to cooperate and coordinate the efforts of the Contracting Parties to avoid the incidence of customs frauds and tax evasion and harmonizing necessary administrative affairs dealing with transit traffic.
- A Free Trade Agreement was also established in April 1999 together with Tajikistan and Uzbekistan. Trade between the three signatories was supposed to be realised without customs duties, taxes and quantitative restrictions. However, due to political reasons, the principles of this FTA are not respected with Uzbekistan.

The Asian Development Bank continues to support the reform and modernisation of the customs services of the Kyrgyz Republic and Tajikistan after initiating the 2002 Regional Trade Promotion and Customs Co-ordination Programme (based on the ADB USD 25,000,000 grant). The project is focused on elaborating a single automated information system and developing the infrastructure of the customs checkpoints. In addition, the project participants implemented regional customs service infrastructure upgrades and a development programme on the basis of additional support provided by the ADB (USD 18.2 M).

Kyrgyzstan applies the following trade regimes toward its trade partners:

- the free trade regime with the CIS member countries;
- the most-favoured nation regime with the WTO member states;
- the preferential regime with the least developed nations.

The basic package of legal and institutional documents that govern the trade regime of the country was adopted in 1998 on the WTO accession. Since 1998, Kyrgyzstan has been supporting the liberalisation of its foreign trade regime in line with its WTO commitments.

Before 1999, import customs duties of 10% were applied to all the imported goods in the country. The customs tariff was differentiated after the WTO accession. Currently, it is applied in accordance with the assumed commitments. The average rate of the Kyrgyz Republic Customs Tariff for all the imported goods amounts to 4.84% of the customs value and zero rates of customs duties cover 42% of the entire customs tariff. This customs tariff applies to imports from non-CIS countries only.



It is worth mentioning that the applicable customs tariff for the imported goods is much lower than those prescribed by the country's WTO commitments. For instance, the average rate of the duty on agricultural products under the WTO commitments should have been 12.2%, but the actual rate is 8.1%. The commitment rate for industrial goods is 6.5%, but the actual rate applied is 4.1%. The reason for this is that the manufacture of export products in Kyrgyzstan is heavily dependent on the imports of required raw materials and other materials not produced within the country, such as oil products, electrical machinery and equipment, plastics and products from rubber and ferrous metals, ground-based vehicles, pigments, paints, fertilisers, etc. These materials and raw materials account for about 68-70% of total imports. For this reason, provisions are made every year for the duty-free importation of the industrial equipment/components and raw materials required for production within the country², when developing the Customs Tariff for the purposes of the development of the domestic production.

Kyrgyzstan is preparing its accession to the Customs Union, which will gather the Russian Federation, the Republic of Kazakhstan and the Republic of Belarus to create the Eurasian Economic Union territory in which will a free movement of good, capitals and labour will exist.

² Source: Ministry of Economy and Antimonopoly Policy of the Kyrgyz Republic (www.mert.kg)



5 INVESTMENTS IN TRANSPORT AND LOGISTICS SECTOR IN KYRGYZSTAN

With the exception of the EBRD, investments in the transport sector in Kyrgyzstan come mainly from Asian IFIs, such as the Asian Development Bank (ADB), the Islamic Development Bank (IsDB), the Japan International Cooperation Agency (JICA) and the Saudi Fund.

ADB proposed a USD 100 M loan facility. The proposed CAREC corridor 3 (Bishkek-Osh Road) Improvement Project, Phase 4 (the project) will improve national and regional connectivity by rehabilitating an estimated 130 km of crucial road sections between Bishkek and Osh. The impact of the proposed project will improve connectivity and access to markets. The outcome of the project will be the efficient movement of freight and passenger traffic along the Bishkek-Osh road. The project outputs will be (i) 60 km of rehabilitated road from Bishkek to Kara Balta, (ii) 70 km of rehabilitated road from Madaniyak to Jalalabad, (iii) strengthened road asset management system, and (iv) improved road safety.

The Asian Development Bank (ADB) has assisted the Kyrgyz Republic in rehabilitating 483 km of the 655 km Bishkek-Osh road through three loans that total USD 140 M. Other development partners co-financed the rehabilitation of this road.

Combined, the development partners have assisted the government in rehabilitating over 539 km (82%) of the Bishkek-Osh road. However, due to funding limitations, there remain two missing sections of the Bishkek-Osh road needing rehabilitation: Bishkek to Kara Balta (60 km) and Madaniyak to Jalalabad (70 km). The state of these roads warrants urgent attention. Road improvement in the adjacent sections attracts increased traffic, but the two sections will not be able to provide the required level of service and will also pose traffic hazards. Therefore, the government has requested ADB to help rehabilitate the two road sections under the project³.

Table 3: IFI Supported Projects in Kyrgyzstan

Title of project	Year of approval	Sub-sector	Total project cost	IFI funding
CAREC transport corridor I (Bishkek–Torugart). Project I, II, III	2011	Road	USD 450 M	USD 125 M (ADB) USD 6.9 M (Gov of Japan) USD 200 M (EXIM Bank of China) USD 75 M (IsDB)
Project for improvement of the equipment for road maintenance in Issy-Kul and Chui Oblasts	2010	Road	JPY 974 M	JPY 974 M (JICA)
CAREC Regional Road Improvement Project (Kyrgyzstan component) – Supplementary	2010	Road	USD 32 M	USD 23 M (ADB)

³ Source : ADB



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financing				
National Road Rehabilitation (Osh–Batken–Isfana)	2009 2010 (additional financing) 2011 (2 nd add financing)	Road	USD 130 M	USD 51 M (WB), USD 35 M (EBRD)
Osh–Isfana Road Upgrading Project	2009	Road	USD 73 M	USD 35 M (EBRD) USD 20 M (WB) USD 18 M (EU)
CAREC Regional Road Improvement Project (Kyrgyzstan component)	2007	Road	USD 71.5 M	USD 48.6 M (ADB)
Taraz–Tasal–Suusamyр Reconstruction Project	2004	Road	USD 34 M	USD 24 M (IsDB) USD 10 M (Saudi Fund)
Southern Transport Corridor Road project (Osh–Sary Tash–Irkeshtam)	2004	Road	USD 159 M	USD 32.8 M (ADB) USD 17.3 M (IsDB) USD 75 M (EXIM bank of China)
Third Road Rehabilitation Project (Bishkek–Osh)	2002	Road	USD 57.1 M	USD 45.9 M (ADB), USD 10 M (IsDB)
Almaty–Bishkek Regional Road Rehabilitation Project	2000	Road	USD 6.7 M	USD 5 M (ADB), USD 0.4 M (TRACECA)

6 STRATEGIC CHALLENGES

6.1 Market Challenges

6.1.1 National Trade: Exports and Imports

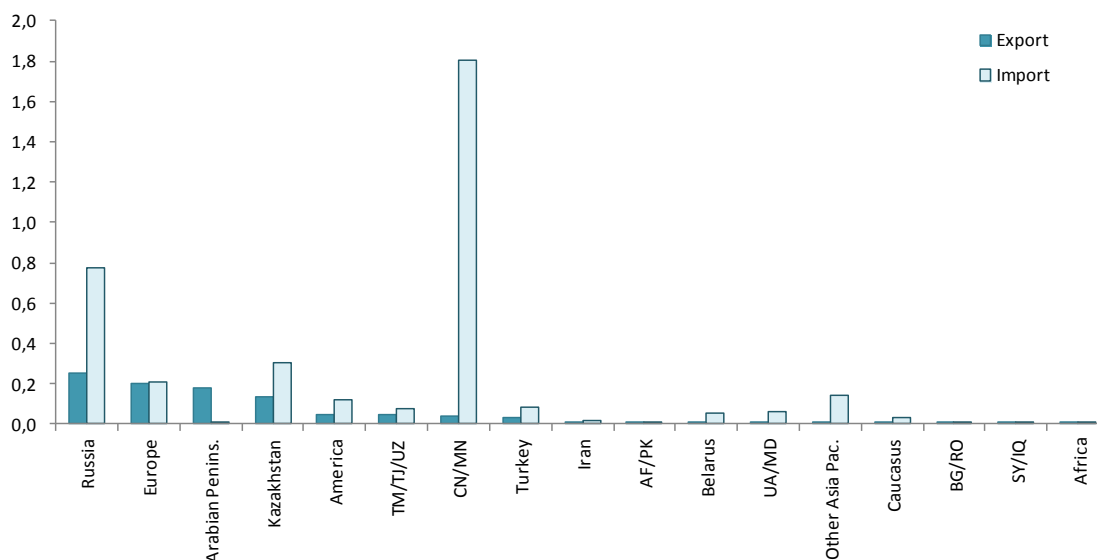
World Trade Partners

Kyrgyzstan is a landlocked country so its trade, quite naturally, is dominated by neighbouring countries. Figures show that in 2010 Kyrgyzstan's greatest trade share was occupied by China (particularly, in regards to imports), Russia and Kazakhstan (above 70% of total trade). Trade with Europe, for instance, constituted up to 9% of total trade exchange; and trade with Caucasus, Turkey, West (Bulgaria and Romania) and North-West (Moldova, Ukraine) TRACECA did not exceed 6%.

According to UN Comtrade data, in 2010 Kyrgyzstan's trade balanced negative at an equivalent of EUR 2.7 bn, making it a net importer country. As can be seen from Figures 2 and 3 below, the most considerable influx of goods to Kyrgyzstan originates from China (EUR 1.8 bn). These are mostly non-bulk commodities, which contribute to more than one third of total Kyrgyz trade. A second important partner for Kyrgyzstan is Russia (22% of total trade exchange): in 2010 the total amount of goods imported from Russia equalled EUR 0.77 bn, of which more than 60% of imports were bulk commodities.

Kazakhstan is the third, in terms of trade value, partner for Kyrgyzstan (slightly above 9%); 40% of trade is non-bulk goods. Trade with Europe is of equal importance for Kyrgyzstan; non-bulk commodities represent 90% of this trade-flow.

Figure 2: Kyrgyzstan Trade Partners, 2010, bn EUR



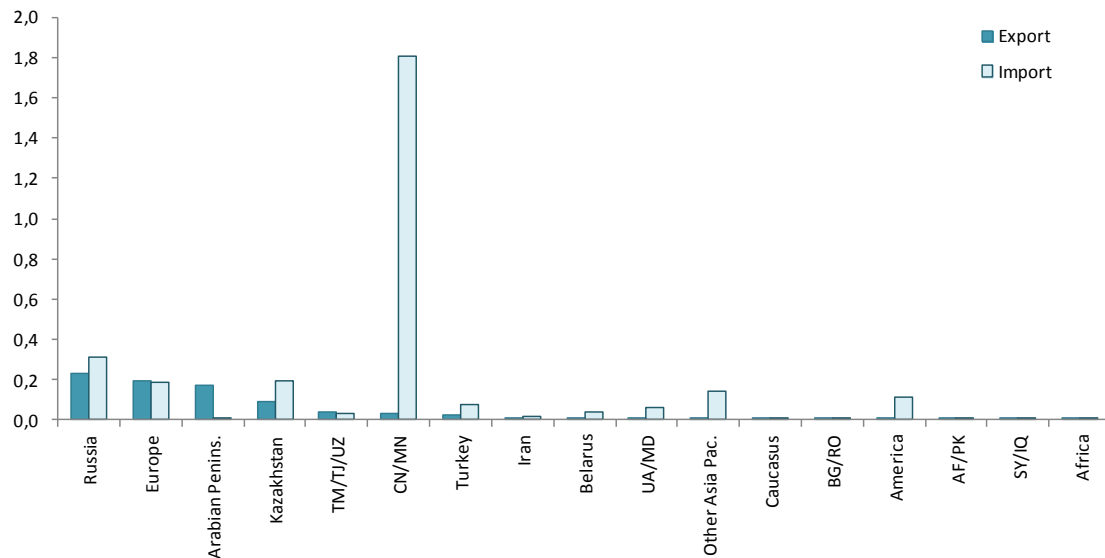
Source: Computation based on Eurostat and UN Comtrade databases

It must be stressed that:

- Kyrgyzstan is one of the key trade attractions in the TRACECA region, however, most of their goods come to Kyrgyzstan from non-TRACECA countries.

- The main direct trade partners of Kyrgyzstan are China/Mongolia, Russia and Kazakhstan. This implies that most of the direct trade happens outside of the TRACECA corridor (e.g., along North-South corridor).
- A core direction for developing Kyrgyzstan's potential trade along TRACECA routes could be its trade with Europe, Caucasus, Turkey, and West and North-West TRACECA regions. In 2010, this trade constituted 16% of the total trade exchange of Kyrgyzstan in non-bulk commodities.

Figure 3: Kyrgyzstan Trade Partners, Potential Trade, 2010, bn EUR



Source: Computation based on Eurostat and UN Comtrade databases

To concentrate on potential trade of Kyrgyzstan with other TRACECA countries, it is necessary to mention that it is unbalanced (see Table 4 below). According to the estimates, the tonnage of imported goods to Kyrgyzstan exceeded that of exported goods by more than 3 times. In 2010, the most considerable inflow of containerizable goods (completely and partially) to Kyrgyzstan was due to Kazakhstan (see Figure 4). This trade is, obviously, circulating along the North-South corridor. Therefore, keeping Kazakhstan separate from this analysis, one could easily notice that the trade of Kyrgyzstan in potentially containerizable goods with Europe, West TRACECA, Turkey, Caucasus and Central Asia (Turkmenistan, Uzbekistan and Tajikistan) could be balanced: for example, in 2010, Kyrgyzstan imported from these countries 216.0 and exported 170.9 thousand tonnes.

Table 4: Distribution of Kyrgyzstan Potential Trade Partners, 2010, % in trade value

Zones	All products		Total all products	No min. fuel & ores		Total no min. fuel & ores
	Import	Export		Import	Export	
Afghanistan-Pakistan	1%	0%	0%	0%	0%	0%
Africa	0%	0%	0%	0%	0%	0%
America	5%	3%	4%	0%	4%	3%
Arabian Peninsula	19%	0%	4%	21%	0%	5%
Area Nes						
Belarus	1%	1%	1%	1%	1%	1%
Bulgaria-Romania	0%	0%	0%	0%	0%	0%



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Caucasus	0%	1%	1%	0%	0%	0%
China-Mongolia	4%	49%	39%	4%	60%	48%
Europe	21%	6%	9%	24%	6%	10%
Iran	1%	0%	1%	1%	1%	1%
Kazakhstan	14%	8%	9%	11%	6%	7%
Other Asia Pacific	0%	4%	3%	0%	5%	4%
Russia	26%	21%	22%	28%	10%	14%
Syria-Iraq	0%	0%	0%	0%	0%	0%
TJ-TM-UZ	5%	2%	3%	5%	1%	2%
Turkey	3%	2%	2%	3%	3%	3%
Ukraine-Moldova	1%	2%	1%	1%	2%	2%
Total	100%	100%	100%	100%	100%	100%

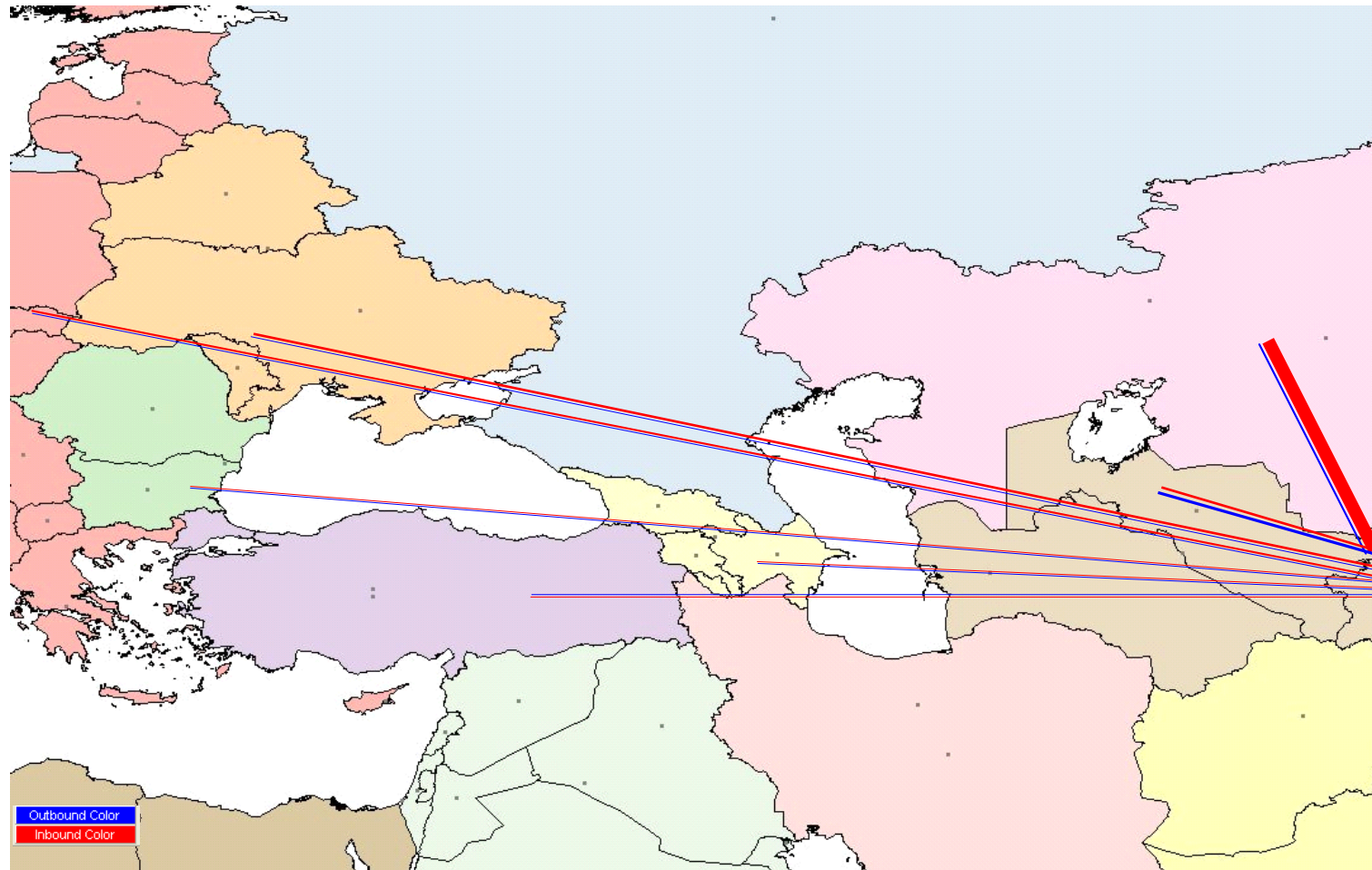
Source: Computation based on Eurostat and UN Comtrade databases

Table 5: Kyrgyzstan Potential Trade with TRACECA Countries and Europe, 2010, in tonnes and %

Zones	Tonnage		Share in trade with TRACECA countries and Europe	
	Export	Import	Export	Import
Bulgaria-Romania	6,012.1	901.8	2%	0%
Caucasus	2,930.5	5,939.7	1%	1%
Europe	12,142.8	76,713.3	5%	9%
Kazakhstan	87,611.9	528,820.6	33%	62%
TJ-TM-UZ	124,021.3	101,587.0	47%	12%
Turkey	25,745.8	30,934.0	10%	4%
Ukraine-Moldova	1,316.1	48,751.9	1%	6%
Total	262,074.6	846,681.5	100%	100%

Source: Computation based on Eurostat and UN Comtrade databases

Figure 4: Kyrgyzstan Potential Trade with TRACECA Countries and Europe, 2010, in tonnes



Source: Computation based on Eurostat and UN Comtrade databases



6.1.2 Regional TRACECA Trade

As has already been discussed, Kyrgyzstan's external trade with TRACECA countries is considerably unbalanced. The same analysis applies to the trade of Kyrgyzstan in (completely and partially) containerizable goods. For instance, in 2010 potential imports of Kyrgyzstan equalled 793.6 thousand tonnes (see Figure 5 and Table 6 below), including the following commodities:

- Vegetable products (34%), namely cereals from Kazakhstan
- Mineral products (17%), from Kazakhstan and Central Asia
- Foodstuff, beverages, tobacco (13.5%), including beverages and spirits imported from Caucasus and sugar/confectionary products, from West and North-West TRACECA
- Chemical products (13.7%), mainly fertilizers from Central Asia

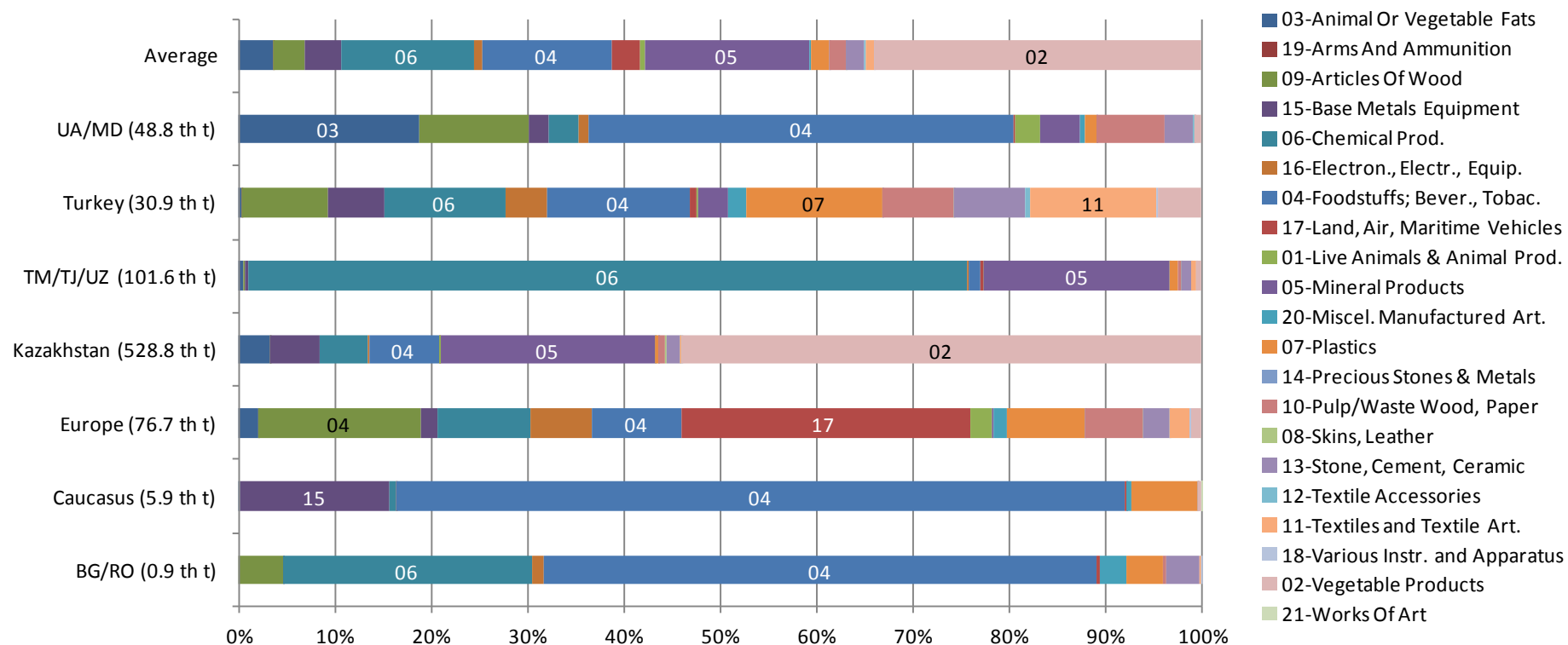
In 2010, total potential exports from Kyrgyzstan were estimated at 259.8 thousand tonnes (see Figure 5 and Table 7 below) and covered two principal categories of goods:

- Mineral products (39%), including salt, sulphur, etc., which are mainly exported to Central Asia
- Vegetable products (28%), namely, roots and tubers, exported to a number of destinations across the Caspian (Caucasus, Turkey, Europe, Bulgaria and Romania, Moldova and Ukraine)



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Figure 5: Potential Trade with TRACECA Region – Commodity Structure of Imports to Kyrgyzstan, 2010, in tonnes and %



Source: Computation based on Eurostat and UN Comtrade databases



Table 6: Potential Trade with TRACECA Region – Commodity Structure of Imports to Kyrgyzstan, 2010, in tonnes

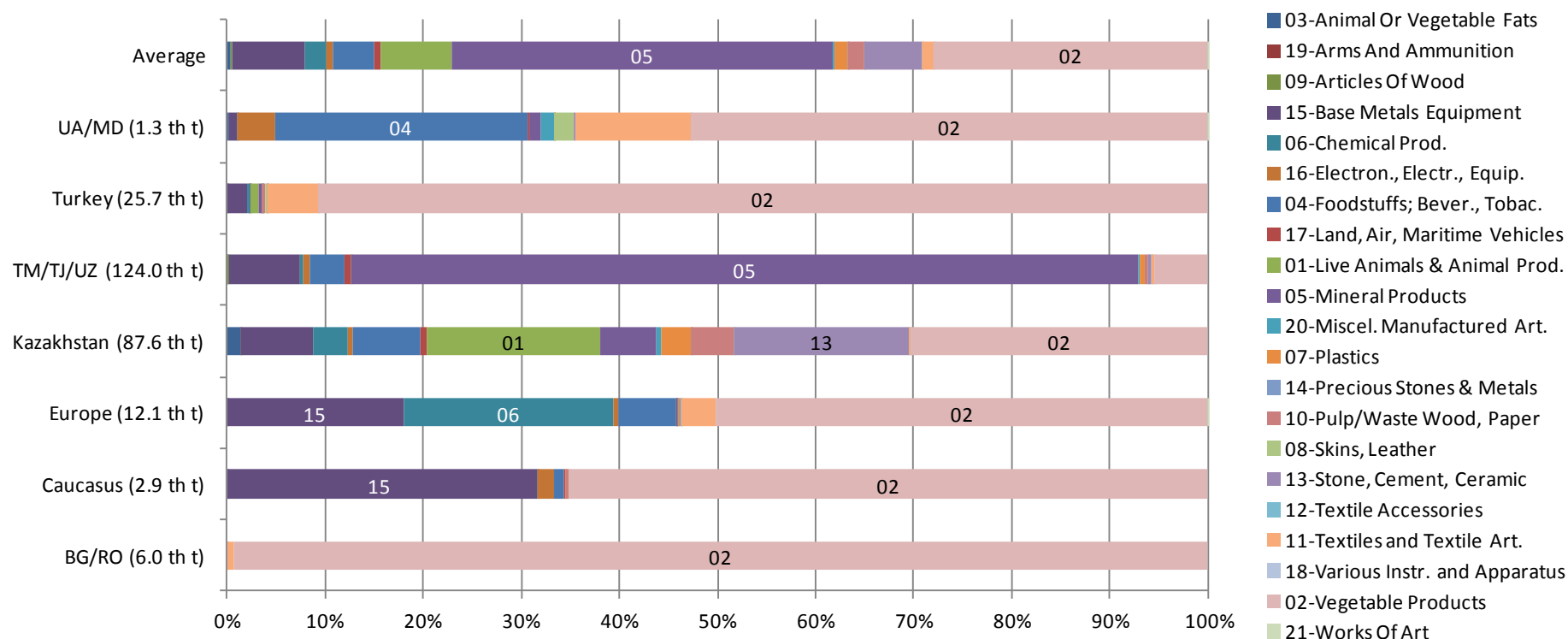
Commodity Groups	Bulgaria-Romania	Caucasus	Europe	Kazakhstan	TJ-TM-UZ	Turkey	Ukraine-Moldova
Animal Or Vegetable Fats	n/a	6.5	1,551.0	16,636.2	423.5	99.6	9,142.4
Arms And Ammunition	n/a	n/a	0.2	n/a	n/a	6.7	n/a
Articles Of Wood	40.8	n/a	12,922.8	668.2	145.6	2,744.2	5,544.8
Base Metals Equipment	0.6	925.9	1,306.0	27,318.8	422.3	1,836.9	1,012.0
Chemical Prod.	232.9	34.6	7,452.6	26,370.2	75,919.8	3,856.3	1,506.8
Electron., Electr., Equip.	11.4	6.8	4,923.0	352.5	117.9	1,354.5	524.3
Foodstuffs; Bever., Tobac.	517.6	4,489.7	7,115.5	38,458.7	1,279.6	4,604.9	21,540.5
Land, Air, Maritime Vehicles	2.7	8.8	23,000.3	378.1	361.1	185.0	54.7
Live Animals & Animal Prod.	n/a	n/a	1,789.1	782.0	12.1	66.3	1,219.8
Mineral Products	n/a	2.1	143.7	117,642.6	19,541.8	974.4	2,012.4
Miscel. Manufactured Art.	26.1	33.9	1,005.3	35.0	26.1	565.8	307.0
Plastics	34.2	410.0	6,188.1	1,339.3	930.1	4,387.5	582.7
Precious Stones & Metals	n/a	n/a	0.2	0.1	n/a	8.0	0.0
Pulp/Waste Wood, Paper	3.3	0.1	4,631.1	4,472.0	212.2	2,268.2	3,431.5
Skins, Leather	n/a	n/a	6.5	103.1	7.7	22.4	n/a
Stone, Cement, Ceramic	30.9	0.0	2,108.7	8,059.8	1,072.1	2,306.8	1,469.2
Textile Accessories	n/a	0.0	90.2	13.1	45.2	128.9	10.5
Textiles and Textile Art.	1.2	0.1	1,465.7	161.8	441.0	4,088.3	72.7
Various Instr. and Apparatus	0.1	0.6	137.0	13.9	0.2	12.0	2.6
Vegetable Products	0.0	20.5	876.3	286,015.0	628.5	1,417.3	317.9
Works Of Art	n/a	0.0	n/a	n/a	n/a	n/a	n/a
Total imports	901.8	5,939.7	76,713.3	528,820.6	101,587.0	30,934.0	48,751.9

Source: Computation based on Eurostat and UN Comtrade databases



Logistics Processes and Motorways of the Sea II

Figure 6: Potential Trade with TRACECA Region – Commodity Structure of Exports from Kyrgyzstan, 2010, in tonnes and %



Source: Computation based on Eurostat and UN Comtrade databases



Logistics Processes and Motorways of the Sea II

Table 7: Potential Trade with TRACECA Region – Commodity Structure of Exports from Kyrgyzstan, 2010, in tonnes

Commodity Groups	Bulgaria-Romania	Caucasus	Europe	Kazakhstan	TJ-TM-UZ	Turkey	Ukraine-Moldova
Animal Or Vegetable Fats	n/a	n/a	0.3	1,175.7	0.2	n/a	3.1
Arms And Ammunition	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Articles Of Wood	n/a	0.9	n/a	90.5	170.9	19.3	n/a
Base Metals Equipment	n/a	925.3	2,192.1	6,508.5	9,149.3	518.2	11.4
Chemical Prod.	n/a	3.4	2,599.1	3,022.7	391.2	19.2	0.4
Electron., Electr., Equip.	0.0	47.8	60.7	482.4	757.3	17.8	50.1
Foodstuffs; Bever., Tobac.	0.1	27.8	708.1	6,000.5	4,303.7	29.3	338.4
Land, Air, Maritime Vehicles	n/a	6.4	2.7	630.5	865.9	10.0	3.0
Live Animals & Animal Prod.	n/a	n/a	0.4	15,485.5	51.3	207.5	n/a
Mineral Products	n/a	n/a	18.3	4,966.1	99,570.9	95.0	14.6
Miscel. Manufactured Art.	n/a	n/a	0.1	439.8	61.3	2.3	17.1
Plastics	n/a	0.9	19.2	2,575.0	789.2	12.0	0.2
Precious Stones & Metals	n/a	n/a	26.5	0.1	n/a	0.0	n/a
Pulp/Waste Wood, Paper	n/a	7.9	0.0	3,939.9	360.7	60.9	0.1
Skins, Leather	n/a	n/a	0.0	12.1	4.7	59.3	28.0
Stone, Cement, Ceramic	n/a	n/a	n/a	15,577.5	280.0	0.0	0.4
Textile Accessories	n/a	n/a	3.1	3.2	12.0	1.2	n/a
Textiles and Textile Art.	39.8	0.8	427.3	107.3	419.1	1,340.4	155.0
Various Instr. and Apparatus	0.0	n/a	0.0	1.1	5.3	0.0	0.4
Vegetable Products	5,972.2	1,909.4	6,084.5	26,593.6	6,828.1	23,353.3	693.8
Works Of Art	n/a	n/a	0.3	n/a	n/a	n/a	0.0
Total exports	6,012.1	2,930.5	12,142.8	87,611.9	124,021.3	25,745.8	1,316.1

Source: Computation based on Eurostat and UN Comtrade databases



On the basis of the above observations, it can be assumed that:

- Kyrgyzstan's trade is closely linked to its neighbouring countries, e.g. China, Kazakhstan and Russia;
- Kyrgyzstan is a net importer; the majority of imported goods cover minerals and other bulk goods, which dominate mainly in trade with Kazakhstan, Russia and Central Asia;
- trade with TRACECA countries, although still modest (16% in trade value and 29% in tonnage), includes a considerable share of non-bulk goods, e.g. vegetables, beverages and food stuff; and
- in addition to this, TRACECA trade is quite well balanced in terms of eastbound and westbound flows in potentially containerizable goods, which is important for developing sustainable container transport services.

6.2 Intermodal Maritime Based Transport Challenges

LOGMOS aims to develop seamless door-to-door intermodal services, where all components of the transport chain may be considered as possible segments of LOGMOS projects, depending on their relevance for potential LOGMOS trade flows.

Port interfaces for operations, services, procedures etc. between land and sea are among the most critical points.

6.2.1 Port System and Maritime Links

Kyrgyzstan is a landlocked country and the development of multimodal and intermodal transportation in the country is weak. The transportation potential of Kyrgyzstan and adjacent countries, especially as transit markets, is among the key factors that will determine the region's success in increasing its importance and prominence. The region is ideally located on the crossroads of the European and Asian trunk railways with access to the Persian Gulf via Iran, to the Indian Ocean via Afghanistan and Pakistan, and the rest of the Asia and Pacific Region via China. Kyrgyzstan can expect real benefits from the international transit potential, but the utilisation of this potential would require joint co-ordinated and long-term effort from all countries in terms of expanding the existing networks of motor and rail roads, the construction of new logistics and transportation centres in key locations, and, afterwards, the development of efficient and improved transportation corridors.

Currently, there are no multimodal logistics centres in Kyrgyzstan, but there are plans to establish them. For instance, Kyrgyzstan authorities place high hopes on the establishment of a large **logistics centre on the basis of Manas Airport** to support the civil cargo traffic. The authorities intend to involve foreign investors into the project implementation due to its large scale and cost. Investors from Russia, Turkey and the USA are preferred. The centre is expected to service transit cargo underway from China to Russia and Europe. Currently, a U.S. military base is operating within the airport area.

There are plans for the establishment of a **trade and logistics centre on the Kyrgyzstan/Kazakhstan boundary at Karabalta**. Kyrgyzstan businesses are currently unable to fully meet the demand of Kazakh and Russian consumers. At present, the consumers demand a large quantity of similar goods, which they want to buy year round. Agrarian businesspeople are unable to create inventories of such products and are forced to bring them without prior arrangements at their own risk. In the event of this, expenses at the Kazakh and Russian customs offices go up considerably. The new trade and logistics centre would make it possible to reduce the customs-related component of the cost of commodities, because the supplies will be made available within the framework of applicable contracts. The goods arriving into the region by rail will be in large batches and so will also become cheaper.



The price for goods is affected not only by customs expenses, but also by services offered by customs brokers acting as intermediaries. It is not a cheap service for businesspeople. The relevant contracts will have to be concluded with Kazakh or Russian companies in order to avoid additional expenses.

There is also a strong need for a **logistics centre in Osh**, the second-large city of Kyrgyzstan, located in the fertile Fergana Valley near the Uzbekistan and Tajikistan borders. Development of an ILC in Osh is supported by the LOGMOS project. According to the available information, the harvested vegetables and fruit are currently sold from hand to hand, or "from the wheels". As the produce ripens, its owners get in touch with owners of transportation companies and order the required number of lorries. About 30% of harvested produce is wasted due to the lack of storage (refrigerated warehouses) of vegetables and fruit.

Subject to sufficient political support, an LC could support the agricultural exports in the entire Fergana Valley, including meat products, and influence changes in the trade structure in the region, namely migration from the retail trade toward the wholesale operations. With a container terminal, the ILC could also service Chinese and Turkish imports.

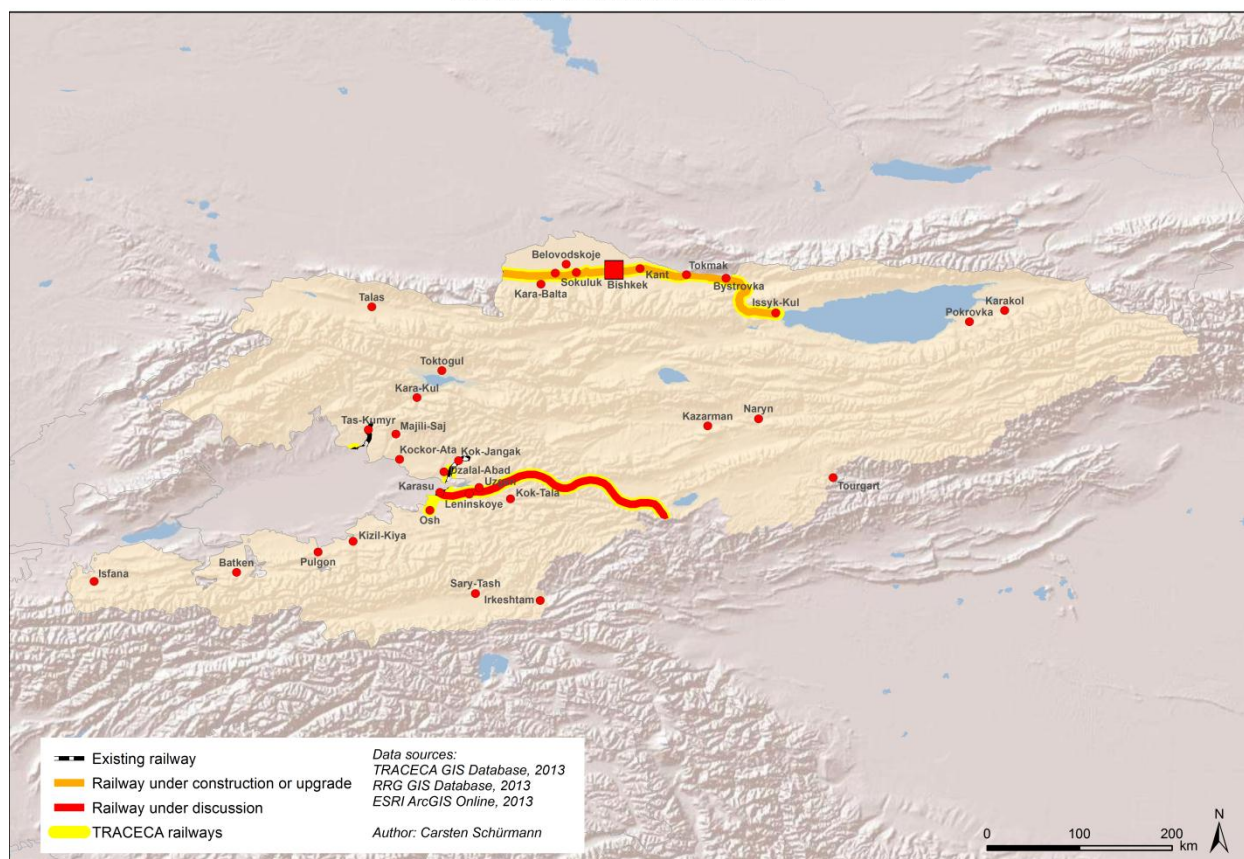
Others logistics centres are planned in Balakchy and Sary-Tash but issues of investment and operation are currently unsettled.

The objective of the project is to support international trade and foster the traffic of goods within the TRACECA corridor on the basis of the expansion of logistical opportunities, the interaction of networks and multimodal transportation facilities.

6.2.2 Inland Transport Mode: Railways⁴

Figure 7: Kyrgyzstan Railway Map

Railway network of Kyrgyzstan
(main railway lines and TRACECA routes)



Source: TRACECA (2013)

Kyrgyzstan does not possess a unified railway network but rather a series of dead-end lines inherited from the Soviet Union. The total length of the network is 467 km with a Russian-style track gauge of 1,520 mm. Separate railway branches connect regions of Kyrgyzstan with Kazakhstan in the North and Uzbekistan in the South. The Northern line goes from Issyk-Kul to Kazakhstan passing through the capital city, Bishkek, whereas the four dead-end lines at Tas-Kumyr, Zhalal-Abad, Osh and Kizil-Kiya in the South-Western part of the country connect the large populated and industrial centres with the Fergana railway ring in Uzbekistan.

Table 8: Features of Kyrgyzstan Railway Network

Total route length (km)	Gauge (mm)
467	1,520
Electrified lines (km)	Electrification system
0	-

⁴ More detailed information on the railway sector of Kyrgyzstan, figures and state of projects can be found in the separate [railway report of the LOGMOS Master Plan](#)



The unique railway operator is the National Company «Railways of Kyrgyzstan» (Kyrgyz Temir Zholy - KTJ). It provides cargo and passenger services. KTJ is subordinated to the Ministry of Transport, which has just begun to form its structure after many changes of management. In early 2012, the foreign liability of KTJ in relation to Russian Railways and Kazakh KTZ amounted to 19.04 M USD.

In 2009, 5% of freight transport was ensured by train, which corresponds to 1.3 M tonnes of goods. All containers arriving by rail come from Kazakhstan and are handled at the Lugovaya rail container terminal situated outside Bishkek. In 2012, it handled about 17,000 TEU (showing an increase of 10% in comparison with 2011)

The structure of the Kyrgyzstan railway network and the absence of direct links with international markets increase the costs of the country's exports. This is the reason why Kyrgyzstan is determined to develop the railway infrastructure despite the fact that the nation is, for its most part, a mountainous country.

A major project, which has been on the agenda of official Chinese-Kyrgyz meetings over the last 15 years, is the construction of the railway line China–Kyrgyzstan–Uzbekistan. This transcontinental railroad would link China with Uzbekistan and further to Central Asia and the Persian Gulf, passing through Kyrgyzstan.

This rail link is also part of the UNESCAP Asian Railway Network and CAREC corridor II.

However, its implementation has, at the time of writing, not started due to disagreements between both sides. The diverse dead-end railways fail to meet the existing domestic transportation demand. Thus, developing the Southern corridor of the Eurasian Transcontinental Trunk Railway that will pass Kyrgyzstan along its path from the Pacific ports to the Persian Gulf and the Mediterranean is the core issue of the further development of the country's railway network.

In 2002, the Government of the PRC provided the Government of the Kyrgyz Republic with a CNY 20,000,000 technical grant for the development of the Preliminary Feasibility Study for the China-Kyrgyzstan-Uzbekistan Trunk Railway within the country.

The study, developed by the First Design Survey Institute of the PRC's Ministry of Railways, contained conclusions about the feasibility of the construction of the new trunk railway, its advantages in comparison with the existing transportation corridors and a conclusion on the viability of the project, its technical and economic feasibility and environmental safety.

It was on the basis of this study that the Kyrgyz/Chinese expert group reached final agreement on the route option, which is competitive in terms of almost all the technical and economic indicators.

The route starts in the Chinese city of Kashgar, crosses the Kyrgyzstan/China state border near Torugart Pass and then proceeds via Tuzbel Pass, goes down via Arpa River valley, crosses Fergana Ridge in a long tunnel, goes south of the city of Uzgen, and finally reaches the border city of Kara-Suu, near Osh.

The railway is 268.4 km long. It will be necessary to build 48 tunnels with the total length of 48.9 km. In addition, 95 bridges with the total length of 20.9 km will have to be built with the largest bridges to be built across the Kara-Darya (214 m), Kurshab (157 m) and Yassy (157 m) rivers.

The preliminary cost of the project amounts to USD 2 bn. More accurate calculations and indicators as well as the modality of payment still need to be agreed on.

According to the latest forecasts, cargo traffic on the railway could go up to 15,000,000 tonnes per year, while the number of passengers could go up to 250,000 people per year. The payback period is about 10 years.



The issue of the gauge width of the future railroad has not been solved yet. An option is the building of a 70-80 km long narrow gauge track from the Chinese border into Kyrgyzstan with a transshipment station for the bogie exchange to the broad Russian gauge of 1,520 mm.

However, leaving technical and financial unsolved issues aside, the implementation of the project has not started yet due to political disagreement between the two parties. The last failed attempt occurred during the state visit of Chinese leader Xi Jinping in Bishkek on September 13th 2013. Although no official reason was stated, it is most likely that Kyrgyzstan postponed the start date as it has not been convinced about the advantages of the project.

Kyrgyzstan's main problem is a divided rail network, to which the China-Kyrgyzstan-Uzbekistan does constitute a solution. The unification of the network could be effective with the construction of a North-South railway line; a project under discussion. The route Balykch–Kochkor–Kara Keche–Arpa–Kara–Suu would create an intra-state railway network offering reliable transportation links and favour economic integration between the relatively poor South and the richer North.

The North-South route could eventually also be lengthened to the Tajik border at Achilqania and be part of the Russian–Kazakhstan–Kyrgyzstan–Tajikistan railway line, an initiative brought up by Kyrgyzstan at an informal presidential meeting of the Collective Security Treaty Organization (CSTO) in Bishkek on May 23rd 2013. The technical and financial feasibility of this project is currently being elaborated.

Other railway projects included:

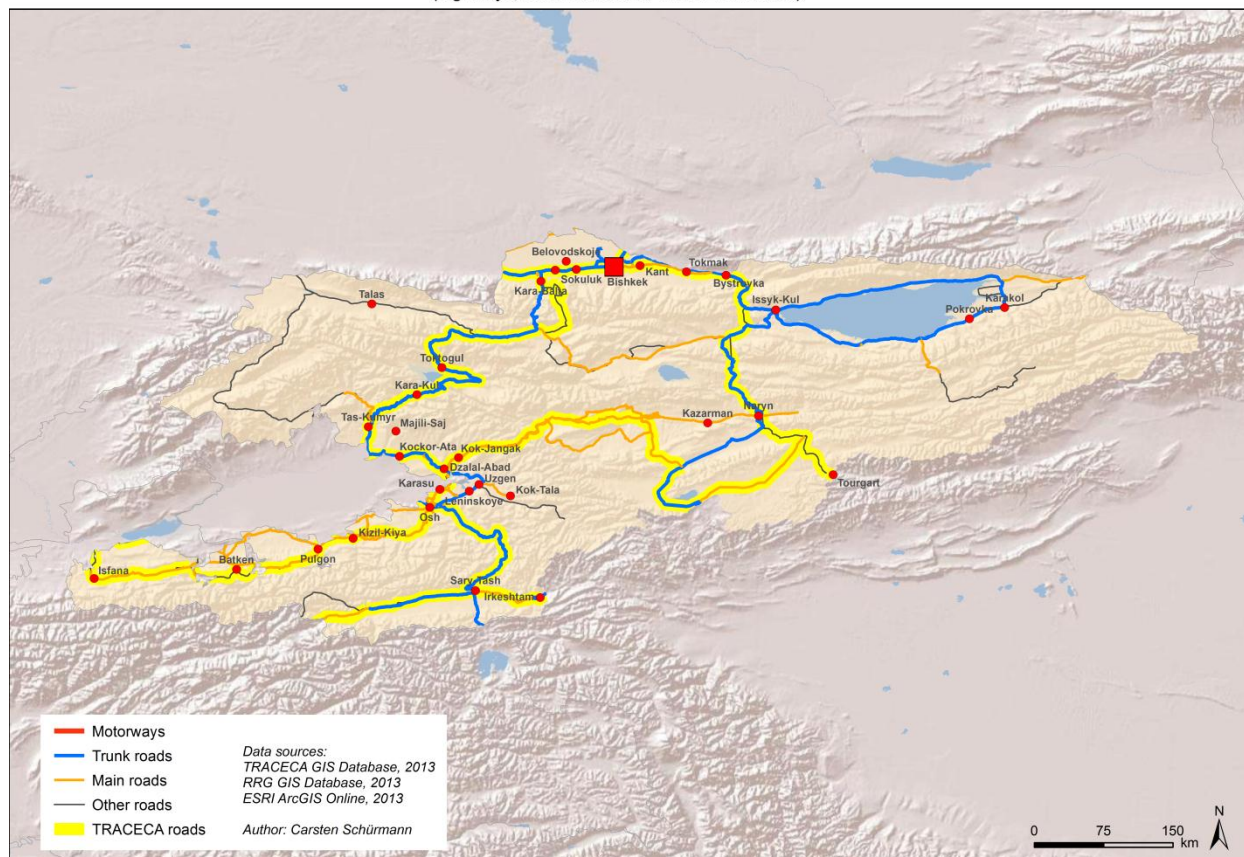
- Electrification of Lugovaya–Bishkek railway section (CAREC KYR IP 4 Project programmed for 2011–2016). The country does not produce diesel fuel, but has a large hydraulic energy potential. For this reason, the issue of the conversion of railway sections to the electric traction is quite topical. The electrification of the above section (157 km) will make it possible to not only tackle economic issues, but also substantially improve the environmental situation in the country.
- Railway rehabilitation project Balykchi–Chaldovar–Lugovaya, programmed for 2011–2015 (CAREC KYR IP 5 Project).
- Equipment purchase for waggon repair/maintenance facility (CAREC KYR IP 6 Project programmed for 2011–2012).

At the time of writing this report, none of these projects had started yet.

6.2.3 Inland Transport Mode: Roads⁵

Figure 8: Kyrgyzstan Road Map

Road network of Kyrgyzstan
(highways, main roads and TRACECA routes)



Source: TRACECA (2013)

Road is the main transport mode in Kyrgyzstan. The road network of Kyrgyzstan is composed of 34,000 km of roads, which include 18,800 km of public roads and 15,190 km of private-industrial routes with restrictive access roads. Public roads are composed of:

- 4,160 km of international roads
- 5,680 km of republican roads
- 8,970 km of local roads

38% of all roads are asphalt and black gravel pavement, 53% are gravel pavement and 9% are earth roads. The condition of the roads is a major challenge for the development of the country. The maintenance of roads is the subject of the great majority of IFIs financed transport project in the country.

In 2009, out of 35.8 M tonnes transported, 34.5 M tonnes of freight were carried by road, representing a share of 95%. The total truck fleet comprised 52,000 trucks in 2011. Two thirds of the 4,300 km of the roads surveyed in 2005 were in a poor condition. One fifth of the surveyed

⁵ More detailed information on the road sector of Kyrgyzstan, figures and state of projects can be found in the separate [road report of the LOGMOS Master Plan](#)



roads attained the stage of destruction, at which it is almost impossible to restore asphalt pavement.

There was stagnation in the country's road sector from the time it became independent up till 2005. Any road repairs were minor in terms of the scale due to low financing and the quality of roads deteriorated significantly each year. Manual labour started prevailing instead of the mechanical operations required to address the complete wear and tear of road construction. The volume of non-performed road repairs increased every year. As a result, 200 km of solidly paved roads are lost every year.

The priority for the Government is the integration of the national road infrastructure into the regional and international network. Kyrgyzstan is crossed by:

- CAREC corridors Ic, IIa, IIb, IIIb and V
- 4 Asian highways (see Table 9)

More than 1,600 km (out of 4,160 km) of international roads are a part of the sub-regional transportation system of Asian and European roads (ESCATO, TRACECA) and CIS interstate roads. While the international roads account for about 22% of public roads, they handle more than 50% of road traffic.

International road transport started developing in the country in 1993. The Kyrgyz Republic International Road Transport Operators (AIRTO-KR) was established in 1999 and became a member of the International Road Transport Union (IRU) in order to integrate Kyrgyz road carriers into the European transportation market and use advanced technologies for customs and transportation clearance of the routes. Being granted permission for AIRTO-KR to join the TIR system in November 2000 was an important result of the interaction with the IRU. The country's international traffic growth can be illustrated by the number of the issued TIR permits: from 425 in 2002 to 18,000 in 2011.

The following roads are the major international road (transit) corridors used by the Kyrgyz carriers:

- Bishkek–ZhalalAbad–Osh, known as the North-South road
- Bishkek–Naryn–Torugart–Kashgar (China)
- Osh–Sary–Tash–Irkeshtam–Kashgar (China)
- Osh–Kok–Tala–Pulgon–Batken–Isfana
- Bishkek–Taraz (Kazakhstan) –Shymkent (Kazakhstan) –Tashkent (Uzbekistan)
- Osh–ZhalalAbad–Andizhan (Uzbekistan)
- Bishkek–Almaty (Kazakhstan) –Ust–Kamenogorsk (Kazakhstan) –Russia
- Bishkek–Almaty (Kazakhstan)–Karaganda (Kazakhstan)–Astana (Kazakhstan)–Kostanay (Kazakhstan) –Russia
- Bishkek–Korday (Kazakhstan)–Karaganda (Kazakhstan)–Astana (Kazakhstan)–Petrovsk (Kazakhstan) - Russia
- Bishkek–Shymkent (Kazakhstan)–Kzyl-Orda (Kazakhstan)–Aktobe (Kazakhstan)–Russia.

Kyrgyzstan's logistics sector is represented by a number of cargo forwarders, such as the Kyrgyz Republic Forwarders Association based in Bishkek. Forwarding and transportation companies in Kyrgyzstan are mainly represented by small carriers that tend to use old Soviet or



imported second-hand lorries. They break down often and are also problematic in terms of safety and their environmental impact.

Table 9: Asian Highway Routes in Kyrgyzstan

AH No.	Route	Kilometre
AH 5	Chaldovar–Georgiyevka	126
AH 61	Tourugart–Bishkek	539
AH 65	Sary–Tash–Komsomopabad	142
	Osh–Sary–Tash–Irkeshtam	262
AH 7	Karabalta–Osh	626

Source: UNESCAP, 2003, Asian Highway Handbook

Issues with development of the domestic transportation and communication in Kyrgyzstan have exacerbated the trend towards the regionalisation in the North (with the domination of Bishkek) and the South (with the domination of Osh). The two regions are separated by sparsely populated mountainous terrain.

Hardly any attention has been paid to the repair of the domestic network of motor roads providing access to the transport corridors and linking oblasts, cities and villages since the start of the rehabilitation in major international transport corridors. In 2006-2007, midlife repairs were carried out on 1,300 km, or 18% of the total length, of paved roads; major repair was carried out on 45 km, or 0.6%; 8 new bridges were built and 17 bridges underwent major repair⁶.

A number of restoration projects on international corridors, with the assistance of IFIs, have been completed and initiated over the last several last years. The most important projects rehabilitated the following roads: Bishkek–Osh; Bishkek–Almaty; Osh–Sary–Tash–Irkeshtam (255 km, completed in 2012); and Irkeshtam–Sary–Tash–Karamyk (172 km). The following road sections are currently undergoing rehabilitation work: Taraz–Talas–Suusamur (199 km); Bishkek–Naryn–Torugart (497 km, works are expected to be completed in 2014); Bishkek–Balykchy and Osh–Batken–Isfana.

Future road projects for Kyrgyzstan, included in the CAREC Mid-Term Priority Projects list (but not started as of August 2013) are the rehabilitation of the Bishkek–Osh road (Phase 4: Bishkek–Karabalta, 127 km), for which a feasibility study has recently been terminated; the construction of the Bazar–Korgon–Kyzyl–Unkur–Sargata road (80 km); and the construction of the Northern bypass road Bishkek–Karabalta (60 km). Feasibility studies for the two last projects have not been published yet.

Furthermore, the establishment of an alternative route to the North-South Road constitutes a main priority for the Kyrgyz Government as it will improve the link between the two major regions of Bishkek and Osh, and will create an additional transit corridor from Tajikistan to Russia via Kyrgyzstan and Kazakhstan. The proposed route will link Zhalal–Abad to Balykchi via Kazarman and Aral, at a length of 435 km. To finance the project, which is estimated at USD 850 M, Kyrgyzstan has approached Kazakhstan and Russia. It also signed, in September 2013, an agreement with China's Exim Bank for USD 400 M of credit, which needs to be ratified by the Kyrgyz Parliament.

⁶ Source: 2009–2011 Kyrgyzstan Development Strategy.



6.3 Trade and Transit Facilitation

6.3.1 General Presentation

- **Procedures and formalities** are among the **main barriers** that hamper the development of Motorways of the Sea:
 - Several **border points** must be crossed, mostly at ports but also on land routes e.g. along the central land corridors: there is a minimum of 2 points in a single/one sea service, up to 5 points in inter-seas services linking western Black Sea Countries and Eastern Caspian Sea Countries, and possibly more in the case of longer multicountry transit and transshipments trades.
 - Several physical mode transfers, handling movements and intermediate storage operations take place along the sea-based transport chains: commonly 3 transfers and a minimum of 6 handling, plus 2 storages in the case of a single sea leg, and several more handling operations in the inter-seas services.
 - Previous and ongoing experiences of Motorways of the Sea in other regions, as well as the global worldwide transport system of containers, have demonstrated that the resolution of difficulties in this field is an essential factor for success.
 - The procedural process in ports and at other border crossing point, are **dominantly related to Trade Laws and Regulations**, but actors of the transport and transit chain are responsible for their fulfilment. A significant part of their activities is to deal with these complex issues and draw the corresponding revenues out of their capacities. Relationships between institutions on one side, Customs first, but also other Ministries and inspection bodies, and operators and users on the other side, are affected by these functions that mix with the physical transit and transport operations.
- The **impacts of administrative and regulatory barriers** are generally more important when there is a sea leg since:
 - maritime transport and port transits require more formalities than land transport modes, including specific exchange of information, paper documentation etc., which are rightly perceived as a factor of complexity;
 - this adds to the weakness of intermodal sea based transport, particularly when compared to the most simple unimodal road transport;
 - transit times are increased if and when formalities and operations are mismatching, e.g. when the transport means of one mode is not coordinated with those of the next mode, which is a frequent situation between the maritime and railways legs in the TRACECA Region;
 - costs are not only direct but also indirect, not only formal but also informal, and unofficial transit levies and other transaction costs add to the sum of official tariffs, taxes and dues.
- **Common weaknesses/barriers** have been identified in all LOGMOS project Countries to various extents and at different degrees. This diagnosis has been shared under the key word "Facilitation" by Country stakeholders and at bilateral and regional levels. Barriers in this field are referred to in the "W" (Weaknesses) list of the various SWOT analyses summarised in the following project documents:
 - Country profiles, as synthesised hereafter
 - Presentations for workshops and meetings



- Among the **solutions** discussed in the diagnosis phase, the following is a series of common **recommendations and targets** that are partly implemented, planned, or contemplated for future LOGMOS projects and, more generally, for the development of intermodal transport including port/border crossing points:
 - I.T. systems and solutions electronic solutions/EDI for:
 - information (for users and operators)
 - declarations
 - pre-alert (for Customs and other)
 - duties, taxes and fees
 - One stop shop scheme and extension to Single Window System (SWS)
 - Risk management system and methods
 - IT interchange solutions between MoS port/communities
 - Tracking and Tracing (in coordination with operators)
 - Upgrading/Redesigning border point layouts
 - Training (management, IT organisation etc.)

6.3.2 SWOT Analysis

The following table summarises the key findings for national SWOT analysis in trade and transit facilitation procedures that have been adopted in Kyrgyzstan.

Table 10: SWOT Analysis in Trade and Transit Facilitation Procedures

STRENGTHS	<ul style="list-style-type: none"> • WTO membership since 1998. • Member of various regional and international organisations (CIS, OEC, OSJD, UNECE, UN ESCATO). • The implementation of the CAREC Transportation and Trade Promotion Strategy (Simplification and Harmonisation of Customs Procedures in the CAREC Region). • The law "On Public/Private Partnership". • The availability of bilateral transportation and customs relations with LOGMOS beneficiary countries. • The implementation of the single-counter principle and prior e-notification at international checkpoints. The implementation of the pilot project at Ak-Zhol checkpoint; the e-registration implemented in Dostuk and Chaldybar checkpoints. • The ICT upgrade programme for customs services; the development of a single automated information system. • AIRRO-KY has been officially appointed as the organisation in charge of the Carnet TIR issue and guarantee organisation for Kyrgyzstan.
WEAKNESSES (BARRIERS)	<ul style="list-style-type: none"> • No law on transit.



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	<ul style="list-style-type: none"> • Limited intra-regional and transit trade. • The imports/exports and transit via Kyrgyzstan are characterised by lots of red tape, a large number of documents, and widespread corruption. • There is no efficient control over imports and exports. This situation results in the lack of reliable and detailed data on imports/exports and the volumes of transit across the country. • The border checkpoints in Kyrgyzstan are not properly equipped with the required IT infrastructure and control equipment. • The insufficient interaction among various state authorities. It results in considerable time losses and high costs for importers and exporters in border checkpoints. • Non-constructive border trade policy pursued by Uzbekistan; • Lack of the opportunity for the preliminary submission of electronic import and export declarations.
OPPORTUNITIES	<ul style="list-style-type: none"> • Adoption of the law on transit. • The planned construction of infrastructure projects such as the China–Kyrgyzstan–Uzbekistan trunk railway or the North-South railway and the rehabilitation of 6 roads representing international corridors. • The implementation of IT solutions for the preliminary import and export declaration, and the electronic information exchange. • The accession to the Customs Union and, later, the EurAsEC. • The implementation of the Osh logistical centre pilot project capable of servicing the entire Fergana Valley, subject to political support.
THREATS	<ul style="list-style-type: none"> • The disintegrated road and railroad network; the deterioration of transportation infrastructure. • The political turbulence in Kyrgyzstan; the lack of opportunities for the focused implementation of reforms. • The lack of stability in relations with Uzbekistan.



7 PILOT PROJECTS SELECTED FOR MOS I AND ILC PROJECTS

To address the existing challenges for MOS and ILC promotion, two TRACECA projects ran a pre-screening for potential pilot projects. The pre-screening was based on the multi-criteria analysis of the proposed pilot, which helped to narrow down the pilot projects list.

The list of retained pilots included the following projects:

Table 11: Selected Pilot Projects in Kyrgyzstan

Pilot project	Service proposed	Countries involved directly	Concerned TRACECA project
Osh ILC	Cargo Facilities, warehousing, Customs terminal and other logistics related investment	Kyrgyzstan	ILC project

As a result of the first phase of MOS I and ILC implementation, a feasibility study was elaborated for this pilot project. A short summary of this project can be found [here](#).