

## SECTOR ASSESSMENT (SUMMARY): TRANSPORT<sup>1</sup>

### Sector Road Map

#### 1. Sector Performance, Problems, and Opportunities

1. The Kyrgyz Republic is a mountainous, landlocked country bordering the People's Republic of China (PRC) in the east, Kazakhstan in the north, Tajikistan in the south, and Uzbekistan in the west. The country's 2015 gross domestic product per capita (\$1,094) was one of the lowest among Central Asian countries. Regional trade depends heavily on road transport, which dominates the Kyrgyz Republic's transport system and accounted for approximately 95% of cargo and 96% of passenger traffic in 2015.<sup>2</sup> The country's transport network comprises approximately 35,000 kilometers (km) of roads, 420 km of railway tracks, four international airports, and seven domestic airports.<sup>3</sup> From 2002 to 2015, vehicle registration more than quadrupled from 285,000 vehicles to about 1.2 million vehicles. From 2002 to 2014, freight traffic almost doubled, from 1.270 million ton-km to 2.496 million ton-km; and passenger traffic increased by 120%, from 4.900 million passenger-km to 10.767 million passenger-km.

2. The Ministry of Transport and Roads (MOTR) is the leading agency in the country in charge of transport policy, regulation, planning, and development. The MOTR is responsible for maintaining 4,163 km of international roads, 5,678 km of national roads, and 8,969 km of provincial roads through its approximately 60 road maintenance, repairs, and construction units. Local government agencies are responsible for developing and maintaining secondary rural and urban road networks. The Customs Service manages airport, road, rail freight, and terminal customs station inspections, with a total of eight regularly operating border checkpoints. The Kyrgyz Railway, a state-owned enterprise, is responsible for track maintenance and train stations, depots, workshops, and freight handling yards. Various public and private entities manage and operate other public and freight transport modes.

3. **Inadequate road infrastructure and maintenance.** About one third of international and national roads are in poor condition and require rehabilitation or reconstruction, while two thirds, having been rehabilitated mainly under development partners' investment programs, are in sustainable condition, requiring only routine or periodic maintenance. The 2015 budget allocation of Som1.8 billion for the MOTR's maintenance work covers about half of the estimated maintenance costs of all roads in the country (Table 2). The regional corridors are prioritized, especially the Bishkek–Osh and Bishkek–Torugart roads due to their strategic importance. The Government of the Kyrgyz Republic has been running separate road corridor management departments for these two roads and allocating sufficient budgets for their maintenance (around \$7,000 per km for the Bishkek–Osh road and \$5,000 per km for the Bishkek–Torugart road).<sup>4</sup> The effects of climate change—including increased temperatures and precipitation, decreasing glaciers, and increased discharge from rivers—have routinely affected road infrastructure.<sup>5</sup> This trend is likely to continue, requiring further investments in the rehabilitation and maintenance of the road infrastructure.

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<sup>1</sup> The summary is based on the Transport Sector Master Plan and other ADB project-related documents, as well as government strategies and programs, as referred to below.

<sup>2</sup> National Statistical Committee of the Kyrgyz Republic. 2015. *Statistics*. Bishkek.

<sup>3</sup> The four international airports are Bishkek Manas, Issyk-Kul Tamchy, Karakol, and Osh. The seven national airports are Batken, Isfana, Jalal-Abad, Kazarman, Kerben, Naryn, and Talas.

<sup>4</sup> MOTR data for the road maintenance budget in 2015.

<sup>5</sup> ADB. 2015. *Climate Change Adaptation Report. CAREC Corridor 3 (Bishkek–Osh Road) Improvement Project Phase 4*. Manila.

**Table 2: Budgetary Allocation to the Road Sector, 2005–2015**  
(Som'000)

Item	2005	2007	2009	2011	2012	2013	2014	2015
Capital investments	209,350	319,430	361,500	176,938	181,490	197,737	317,700	1,694,958
Road maintenance	221,674	1,058,758	1,293,500	1,344,374	1,684,695	1,846,792	1,730,735	1,792,843
Administration	40,790	78,700	246,903	127,386	124,568	113,133	102,408	102,476
<b>Total</b>	<b>473,819</b>	<b>1,458,895</b>	<b>1,901,903</b>	<b>1,648,698</b>	<b>1,990,753</b>	<b>2,157,662</b>	<b>2,150,843</b>	<b>3,590,277</b>

Note: Numbers may not sum precisely because of rounding.

Source: Ministry of Transport and Roads of the Kyrgyz Republic.

4. **Poor road safety.** The road accident mortality rate in the Kyrgyz Republic remains one of the highest in the region with about 1,000 deaths per year (about 17 deaths per 100,000 people) in recent years. Poor road conditions and weak regulations and enforcement are part of the problem. The Road Safety Secretariat, which collects and analyzes road accident data and coordinates prevention initiatives with the relevant government agencies, often lacks funding and expertise to operate the road safety program and improve road safety management.

5. **Lack of an integrated transport system.** The Kyrgyz railway network is split geographically into two sections (north and south). For historical reasons, technical standards and track gauges are based on the Russian system. These are compatible with the railway networks of Kazakhstan, Uzbekistan, and the Russian Federation, but not with that of the PRC. Effective transshipment facilities are therefore needed to facilitate international traffic through the Kyrgyz Republic. International and regional airports are limited to major population centers within the country. These hub airports provide connectivity to smaller domestic services serving secondary towns and remote areas. As local airlines are not permitted to fly within the European Union due to safety concerns, international carriers provide international services.

6. **Weak institutional commitment and capacity.** The government has been slow to reform the transport sector by implementing an adequate institutional structure for the road maintenance system, setting up an adequate financial mechanism for road maintenance, and attracting private involvement in road maintenance operations, including performance-based maintenance contracts. Weak government capacity has been visible in many activities, including the prompt provision of counterpart funds and coordination of donor assistance.

## 2. Government's Sector Strategy

7. In the *National Sustainable Development Strategy for the Kyrgyz Republic* (2013–2017),<sup>6</sup> the Government of the Kyrgyz Republic emphasized the importance of international transport corridors and focused particularly on ensuring the country's transport independence by constructing bypass roads to avoid unnecessary transit through neighboring states. The government also recognized that the Kyrgyz rail network does not meet the needs of regional traffic as (i) the network's two sections do not connect, and (ii) the wagon fleet and locomotives are more than 35 years old and do not meet international standards. There is also an urgent need to modernize airport facilities and air navigation equipment to meet increasing traffic demand and attract international tourists.

8. To ensure regional connectivity, access to regional markets for goods and services, and the development of transit capacity and transport independence, the government has been rehabilitating the following six corridors: (i) Osh–Sarytash–Ikeshtam, (ii) Bishkek–Naryn–

<sup>6</sup> Government of the Kyrgyz Republic. 2013. *National Council for Sustainable Development of the Kyrgyz Republic, National Sustainable Development Strategy for the Kyrgyz Republic, 2013–2017*. Bishkek.

Torugart, (iii) Osh–Batken–Isfana, (iv) Taraz–Talas–Suusamyr, (v) the North–South Alternate Road, and (vi) the Issyk-Kul Circle or Ring. Some assistance from the Government of Japan to improve air navigation equipment is envisaged, and discussions with the PRC with regard to the construction of a major PRC–Kyrgyz Republic–Uzbekistan railway are in their final stages. The government hopes to introduce public–private partnerships to infrastructure projects to lessen the burden of financing, maintaining, and rehabilitating roads.

9. A master plan for the systematic and planned development of the transportation network was developed for the road, rail, and aviation subsectors.<sup>7</sup> This plan became the guiding document for the short-, medium-, and long-term priority investment program through 2025. The government also adopted the Railway Development Program 2014–2020,<sup>8</sup> the Aviation Development Program 2015–2020,<sup>9</sup> and the Road Sector Development Strategy up to 2025.<sup>10</sup> Although the National Sustainable Development Strategy does not specifically address road maintenance, the Road Sector Development Strategy examines the inherent problems of the international, national, and secondary road networks managed by the MOTR.

### 3. ADB Sector Experience

10. Since 1996, ADB financed 12 road rehabilitation projects and 5 advisory technical assistance projects. A total of \$470 million in loans and grants was spent on road projects, while technical assistance projects totaling \$3.3 million focused on capacity development and institutional support. ADB assistance has rehabilitated and improved approximately 915 km of roads in key regional corridors, such as the Bishkek–Osh road. When ADB rehabilitated 483 km of this road’s 670 km (ADB provided \$140 million in financing and the Japan Bank for International Cooperation \$62 million), 3,000 roadside households benefited from increased road-related trade activities, average travel time decreased from 20 hours to 9 hours, and average daily traffic volumes increased from 800 vehicles before rehabilitation to 8,500.<sup>11</sup>

11. ADB prioritizes its assistance to the transport sector and is the lead multilateral donor agency to this sector. Other development partners include the Arab Coordination Group,<sup>12</sup> the European Bank for Reconstruction and Development, the European Commission, the Eurasian Development Bank, the Islamic Development Bank, the Japan International Cooperation Agency, the China Exim Bank, and the World Bank. The Central Asia Regional Economic Cooperation (CAREC) Transport and Trade Facilitation Strategy 2020<sup>13</sup> prioritizes the enabling of cross-border and transit transport and easing of border crossing formalities at CAREC corridor border-crossing points, issues that are highly relevant to the Kyrgyz Republic. ADB’s road rehabilitation work has had positive social and economic impacts in the Kyrgyz Republic and the region by increasing access to product and labor markets and services.<sup>14</sup>

<sup>7</sup> The transport master plan is supported by ADB Grant 0123-KGZ: CAREC Transport Corridor 1 (Bishkek–Torugart Road), Project 1.

<sup>8</sup> Government of the Kyrgyz Republic. 2014. *Main Directions of Rail Transport Development for 2014–2020*. Bishkek.

<sup>9</sup> Government of the Kyrgyz Republic. 2015. *Civil Aviation Development Program for 2015–2020*. Bishkek.

<sup>10</sup> Government of the Kyrgyz Republic. 2016. *Road Sector Development Strategy up to 2025*. Bishkek. It is supported by ADB Loan 2755-KGZ: CAREC Transport Corridor 1 (Bishkek–Torugart Road), Project 3.

<sup>11</sup> ADB, Independent Evaluation Department. 2010. *Project Performance Evaluation Report: Road Rehabilitation Project, Second Road Rehabilitation Project, and Third Road Rehabilitation Project (Kyrgyz Republic) (Loans 1444-KGZ, 1630-KGZ, and 1853-KGZ)*. Manila.

<sup>12</sup> The Arab Coordination Group comprises the Saudi Development Fund, Kuwait Fund for Arab Economic Development, Organization of the Petroleum Exporting Countries, and Abu Dhabi Fund.

<sup>13</sup> ADB. 2014. *CAREC Transport and Trade Facilitation Strategy 2020*. Manila.

<sup>14</sup> ADB. 2015. *Completion Report–Kyrgyz Republic: Project Completion Report. CAREC Transport Corridor 1 (Bishkek–Naryn–Torugart Road) Project 2*. Manila.

12. Technical assistance to the country has been piecemeal, resulting in weaknesses in such areas as institutional reform, road asset management, and road safety. ADB should take a more comprehensive approach to reforming the transport sector, including capacity strengthening, setting up a robust maintenance regime, and implementing a road safety action plan.

13. In light of a growing demand for transport and with regard to ADB's experience in this sector, experience cooperating with the government, and priorities, ADB will continue to assist the government in the following areas:

(i) **Connectivity.** ADB will continue to focus on strengthening the road network. Roads are the most cost-effective and dependable mode of transport given the country's large geographic area, low population density, extreme climate, and mountainous topography. Upgrading the rail system to serve the entire country would require significant resources and long-term planning and commitment from the government, and these investments may not be economically and financially feasible at this time. In line with the strategic objectives of expanded trade and CAREC's improved competitiveness, ADB will continue to promote regional connectivity by supporting the completion of the CAREC transport corridors. ADB will also help the government (i) improve connectivity between domestic market centers and regional corridors; (ii) enhance the economic value of the regional corridors; and (iii) upgrade village feeder roads to provide access to health facilities and income-earning opportunities, a priority concern for many rural women. ADB will help CAREC countries facilitate the cross-border movement of goods and people along the corridors, and will support the integration of climate-proofing measures in the construction, operation, and maintenance of road projects.

(ii) **Maintenance.** The sustainability of road assets is a critically important issue requiring immediate attention. Therefore, ADB, together with other development partners, will help the government implement road maintenance system institutional reforms and develop its long-term road asset management system to ensure the allocation of sufficient funds to maintain the existing network. To improve the efficiency and quality of road maintenance and increase private sector commitment and accountability in the road maintenance sector, ADB will help the MOTR pilot performance-based maintenance contracts under the ADB-funded project in 2016. ADB will continue to coordinate with other donor partners with experience in road asset management in the Kyrgyz Republic, such as the European Bank for Reconstruction and Development, Japan International Cooperation Agency, and World Bank, to support road sector reform and increase the quality of and resources allocated for road maintenance.

(iii) **Road safety.** In light of the high accident and mortality rates in the Kyrgyz Republic, and the CAREC goals of reducing these rates, road safety is an essential complement of strengthening the road network. ADB will actively continue to help the government improve road safety management by (i) developing a national road infrastructure safety strategy and road safety checklist and guidelines; (ii) developing a road safety action plan for all road sections, including road safety audits, capacity building, and public awareness programs; and (iii) addressing the needs of women and children (e.g., safe crossings and well-lit transport stops).

(iv) **Knowledge support.** Through technical assistance projects and by building capacity within projects, ADB will assist the government in policy reform, institutional strengthening, project implementation, and safeguards compliance. ADB will also ensure that (i) the priorities of both women and men are heard, recorded, and acted upon in transport planning; and (ii) women are included in consultations throughout the process.

