ROAD – RAIL TRANSPORT CORRIDORS ALONG EUROPE AND ASIA

The Transport and ICT Global Practice
Smart Connections for All

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Presentation Outline

1. Development Impact of Corridors

2. Demand and Supply: The Financing Story

3. The Bank’s Investment Support to Transport Corridors

4. Planning and Prioritization

5. Ensuring the Sustainability of the Development Benefits
Development Impact of Corridors
Corridors support Economic Development

Corridors constitute the backbone of a country’s transport network, providing efficient and low cost transport of goods and people in areas with high density areas. Beyond simply facilitating cheaper and more efficient movements of goods, people, and ideas across places, corridors may impact the distribution of economic activity and development across regions and promote poverty reduction and inclusive growth.

This is so because:

- Corridors facilitate more efficient trade, which generates economic growth and expands market access.
- Corridors may expand factor mobility and access to education, health care and other services.
- Ultimately corridors may expand a poor household’s consumption possibility frontier
Corridors contribute to Inclusive Growth

Moving forward it will be important to assess the project’s distributional outcomes and understand the causal change linking corridor development with Poverty Reduction.

Immediate Outcomes: Construction of Transit Corridor
- Reduction in vehicle operating costs
- Reduction in travel time

Short-term Outcomes: Improved access to markets and social infrastructure
- Increased vehicular activity – More inter-regional trips

Medium-term Outcomes: Increased investment and employment
- Increased production, mobility and transactions (trade and migration)

Long-term Outcomes: Increased household income and consumption
- Reduced rural poverty through sustainable increase in economic performance of the agricultural sector
- Reduced urban poverty through agglomeration economies

Euro-Asian Transport Corridors
Development Impacts: The Evidence

Ample evidence of links between well-conceived transport infrastructure and economic growth.

but

Less evidence of the impact of large corridor projects on job creation, on reducing poverty and on the broader sharing of prosperity.
A Good Example!
Kazakhstan’s West China West Europe Corridor

- World Bank finance $3.3 billion to upgrade trade route linking China to Russia and Western Europe

Short term Impact
- 35,000 direct jobs

Medium and long-term Impact
- improved trade links, jobs, income growth and enhanced access to social infrastructure are to be quantified
Another Good Example!
Georgia - East West Highway

- Georgia is upgrading 350 kilometers of principal highway between the Black Sea and Azerbaijan
- World Bank financed $500 million of the total amount $2.3 billion (14% of Georgia’s 2014 GDP)

Expected Long-term Impact
- Georgia’s real GDP would be 4.2 percent higher
- household income gains ranging from 2.6 percent to 4.4 percent
Demand and Supply: The Financing Story
Huge Financing Needs!

- ADB estimates $800 billion for annual infrastructure needs, (about $200 billion in transport)

- Mckinsey’s analysis indicates a global demand of $57 trillion for the period 2013-2030.

- WBG estimates up to $1.3 trillion annually for the next 5-6 years for infrastructure needs in developing countries.

- OECD estimates a gap of $400-500 billion with a total current spent of about $800-$900 billion annually.
Financing Possibilities

- China, India and other Middle Income Countries’ share of Global GDP was about 17% in 2000 and is expected to reach 50% by 2050.
- China’s launch of the One Belt, One Road Initiative and the $40 billion Silk Road Fund in February,
- The launch of the BRICS bank
- The launch of the AIIB with an initial capital of $100 billion
- International private capital flows grew from $100 billion in 2000 to $1.2 trillion in 2013, (although the flows are volatile)
Mobilizing Private Finance is necessary but requires more work to secure

- Strengthen the policy, regulatory and institutional frameworks for public private participation to ensure competition, openness and fairness.
- Strengthen the capacity of public institutions to manage the PPP process and to prepare bankable projects for private sector participation.
- Securing funding for project preparation.
- Being selective in identifying projects for PPP.
- MDBs offer a variety of products including loan, grant and partial guarantee products to leverage private resources.
- The **WBG’s IFC** can contribute through its loan or equity participation; and **MIGA** can provide guarantees to help leverage private funding.
The Bank’s Investment Support to Transport Corridors
WB’s contribution to corridor development is about $14 billion to projects under implementation and 8 billion for projects under preparation.

About $7 billion in corridor projects under supervision in Europe and Central Asia and that is slightly over 90% of our transport lending in the region.

About 4.2 billion in projects under preparation (about 80% of our total)
The objective is to facilitate sustainable economic development and ensure that the country capitalizes on its geographical position to continue its development as a key transit country on the Trans-European Network. The project is expected to help stimulate domestic demand and create employment.

Loan amount: US$388 million
**KAZAKHSTAN**

*Investment Lending Under Implementation*

- South-West Road Project (US$2,125 m lending)
- East West Road Project (US$1,068 m lending)

*Investment Lending Proposed*

- Center West Regional Development Corridor, Astana – Almaty (US$1,000 m lending)
- Center South Road Corridor Project, Astana - Caspian Sea (US$2.2 billion lending)
SWRP and EWRP (Ongoing)

WESTERN EUROPE - WESTERN CHINA (the proposed scheme of financing)

KAZAKHSTAN

Reference designation:
- Blue: realized by 2007
- Red: reconstruction is realizing
- Yellow: project design works

Map showing the proposed scheme of financing for the Western Europe - Western China corridor, including various sections with details on length, cost, and financing sources.
ACHIEVEMENTS TO DATE – SWRP

• 1,062 km planned with $2,125m IBRD financing
• Approximately 80% disbursed
• Savings – financing for Kyzylorda Bypass (80km)
• Further savings towards 85km (Togyz - Kurty) Nth of Almaty (TBC)

• Value engineering brings more advanced technologies - revised bridge and overpass designs and first KZ tunnel.
ACHIEVEMENTS TO DATE – EWRP

- Between Almaty and Khorgos
- Originally 305 km and $1,068m financing by IBRD
- Approximately 23% disbursed
- Closes 30 June 2017. May be extended for new Works
- BUT needs GoK financed new Border Crossing at Khorgos
- Anticipated Savings – to finance Otar – Uzynagash (~92km) west of Almaty (TBC)
TWO PROPOSED NEW PROJECTS – CSP and CWP

Two different projects, two different challenges

- CSP – Centre South Road Corridor Project between Astana and Almaty
- CWP – Centre West Regional Development Project between Astana and Beyne
CENTRAL ASIA ROAD LINKS – KYRGYZ REPUBLIC

• Approved by WB Board in April 2014
• Financing US$ 54 m
• Part of a regional, multiphase program.

• Rehabilitate roads in Osh and Batken oblasts in Kyrgyz Republic, connecting to Tajikistan.
• Improve in road operation and maintenance practices
2nd Phase - CENTRAL ASIA ROAD LINKS – TAJIKISTAN

• Approved by WB Board in Feb 2015
• Financing US$54 m
• Part of a regional, multiphase program.

• Rehabilitate ~ 70 kilometers of road sections in Sugd Oblast in Tajikistan and connecting to Kyrgyz Republic.
• Improve road operation and maintenance practices
UZBEKISTAN

Investment Lending Under Implementation

- Pap-Angren Project  (US$ 195 m lending)
  (new railway line to the Ferghana valley)

230km, mountainous terrain
19km tunnel (Kamshick pass)
PAP – ANGREN RAIL

Overview:
• USD1,600 m overall investment.
• USD195 m contribution from the WB (electrification and signaling)
• Institutional support - logistics, financial and accounting, asset management and marketing.

Project Schedule
• Approved by WB Board in January 2015.
• Civil works ongoing. First run of train in 2016.
UZ Regional Roads Development Program

• Improving the conditions of regional roads is a high priority in the Government agenda.
• The proposed Project will provide support to the GoU to develop a technically and economically viable regional road rehabilitation program.
• The proposed Project (RRDP) is expected to be the start of a program to mobilize about US$1.0 billion over the course of the next decade with support from various development partners.
• First project ($200m) will cover 4 Oblasts (300 km) out of 13 (1000 km), approved by the board on June 2015
Georgia

- Second Secondary and Local Roads Project (*US*$70 million)
- Fourth East West Highway Improvement Project (*US*$75 million)
- East-West Highway Improvement 3 (*US*$190 million)
- East-West Highway Corridor Improvement (*pipeline *US*$140 million)

Ukraine

- Second Road And Safety Improvement Project (*US*$450 million)
- Road Sector Development Project (*pipeline *US*$561.4 million)

Belarus

- Transit Corridor Improvement Project (*US*$250 million)
Planning and Prioritization
Why the additional emphasis

- Large financing gap
- Fiscal space issues
- Necessary to attract private sector financing
Some Guiding Principles

- Multimodal planning seeking modal complementarity
- Coordinated planning!
- Wider economic benefits and costs
- Environmental and social costs and benefits
- Climate resilience, build in redundancy in network design.
- Role of ICT
- Address non-physical barriers!! Typically much higher returns than the infrastructure investment.
- Are the regional priorities also national priorities? How are the asymmetries in costs and benefits addressed?
Examples of good planning practices

ITF’s global multimodal freight modal

• A global freight transport network model (main roads, rail stations and networks, sea ports/routes, airports and commercial flights).
• A model of production and consumption centers around the globe.
• A model for modal choice for freight that includes multimodal nature of most freight, trade agreements between trading partners, land borders between trading partners.

The TEN-T network lessons used in SEETO

• Comprehensive network, Core network, Core Network Corridor
Regional Integration and Cooperation through Transport Connectivity

Challenges
• Large financing needs.
• Asymmetry in costs and benefits among neighboring countries investing in common infrastructure
• Landlocked countries are economically disadvantaged by lack of access to ports
• Diverging standards (e.g. on axle load of trucks) or weak transit regimes can lead to forced cargo transfer at borders, costly guarantee schemes, empty backhaul.

WBG Response
• Corridor approaches critical to integrating economies (infrastructure, and services).
• Work with international and regional organizations for harmonization of technical standards, regulatory framework, more efficient utilization of infrastructure and access to markets.
• Develop regional markets for services, including trucking and transport logistics.
• Financing integrated infrastructure investments on both sides of the border
• Tracking and reporting on corridor performance (e.g. average transit speed)
Ensuring the Sustainability of the Development Benefits
• Economic sustainability
• Financial sustainability
• Environmental sustainability
• Social sustainability
Thank You!