



Kazakhstan: CAREC Corridors 1 and 6 Connector Road (Aktobe-Kandyagash) Reconstruction Project

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| Project Name | CAREC Corridors 1 and 6 Connector Road (Aktobe-Kandyagash) Reconstruction Project | | |
| Project Number | 52286-001 | | |
| Country | Kazakhstan | | |
| Project Status | Proposed | | |
| Project Type / Modality of Assistance | Loan | | |
| Source of Funding / Amount | Loan: CAREC Corridors 1 and 6 Connector Road (Aktobe-Kandyagash) Reconstruction Project | | |
| | Ordinary capital resources | | US\$ 176.30 million |
| Strategic Agendas | Inclusive economic growth Regional integration | | |
| Drivers of Change | Governance and capacity development Partnerships | | |
| Sector / Subsector | Transport - Road transport (non-urban) | | |
| Gender Equity and Mainstreaming | Some gender elements | | |
| Description | <p>The proposed project will reconstruct about 93 km of the Aktobe -Kandyagash road section which connects the capitals and administration centers of Aktobe and Artyrau Provinces and is also a key connector of international corridors. As the capital cities of Aktobe and Artyrau are economic hubs in their respective provinces, the project will promote regional trade and inclusive economic growth in the western part of the Kazakhstan. In addition to supporting national goals, a major part of the project's justification stems from Kazakhstan's strategic geographic location in the Central Asian region. The country serves as a land bridge in the growing trade between Asia and Europe and is already capturing a significant volume of transit traffic through roads and railways.</p> | | |

Project Rationale and Linkage to Country/Regional Strategy

Kazakhstan is the ninth-largest country and the world's largest landlocked country with a land area of about 2.7 million km². It has an estimated population of 18.4 million, with a population density of 7p/km², among the lowest in the world. Kazakhstan has resource-rich economy, with abundant natural resources unevenly spread over the country. As the population density is low, and the centers of industry and agriculture are spread out, the provision of adequate road transport service is critical for the efficient movement of people and goods. Kazakhstan has suffered most from high transport costs, which can be much higher than the tariffs on imported and exported goods. Strategically, Kazakhstan has large potential to link the fast-growing markets of PRC and East Asia with Russia and Western Europe by road and rail, and through ports on the land-locked Caspian Sea. Long distance travel results in significant travel time and cost to access regional and foreign markets. A World Bank study estimated that transport costs account for 8 -11 percent of the final cost of goods almost double the cost for most industrialized countries. Although Kazakhstan's economy is the largest and best performing in Central Asia, the country's potential remains largely untapped because of infrastructure constraints, which also impede Kazakhstan's trade competitiveness. As such, the development of transport infrastructure, together with sector efficiency improvements, can play a catalytic role in sustainable social and economic development of the country.

As Kazakhstan's economy is narrowly based economic activity and investment being concentrated in the hydrocarbon and mining sectors the Government is according high priority to greater economic diversification. In 2017, the share of mining and manufacturing in GDP was about 34%, while the agricultural sector contributed only about 5% to GDP. In contrast, minerals, oil and gas, accounted for about 70% of total exports. The Government's strategic objective is to foster economic growth through ensuring the sustainability of the transport sector and through increasing the competitiveness of the economy because of improved transport and trade logistics. Reckoning that the successful integration of Kazakhstan into the world economy relies on, among other investments, a well-developed national transport system, the government has, since 2007, been reconstructing and/or upgrading the 2,787-kilometer (km) Kazakhstan section of the Western Europe -Western China (WE -WC) international transit corridor.

Roads are mainly organized along extremely long corridors that cross a vast territory of Kazakhstan to and from dynamic growth poles such as Turkey, Russia, India, and China (accounting for more than half of world economic and trade growth). Improving that network of corridors to access other adjacent economies is critical for Kazakhstan's economic growth. Owing to the country's size and low population density, maintaining an integrated national transport infrastructure is costly. Travel distances within the country are substantial, e.g., the Center to West (Astana to Aktau) corridor is about 2,730 km, while the Center to South (Astana to Almaty) corridor is about 1,215 km. Kazakhstan still misses important regional links. Such distances and legacy result in significant travel times and high costs for accessing markets within the region and beyond. In addition, Kazakhstan's harsh continental climate accounts for high susceptibility of transport infrastructures (e.g. related to heavy snows, floods), which requires design characteristics that increase construction and maintenance costs.

Kazakhstan has a total road network of about 100,000 km including 23,680 km republican roads managed centrally by the Committee of Roads under the Ministry of Investment and Development (MID) and remaining are local roads managed locally by akimats. Much of the road network was constructed during the Soviet era with lower technical standards and has deteriorated due to lack of adequate and sustainable funding. In 2009, almost a third of the republican road network and a half of the local road network was in unsatisfactory condition.

Poor condition of roads is also a contributory factor in road crashes. The cost of road crashes in Kazakhstan is estimated between US\$2 4 billion per annum. The social impacts are devastating about 3,000 persons were killed between 2003 and 2012 and over 140,000 persons were injured in road crashes many of which suffered permanent disability. The fatality rate for Kazakhstan is about 25.0 per 100,000 population, which is five times higher than the average fatality rate in Western Europe.

The Government of Kazakhstan has recognized the challenges and has started an ambitious reform and program to improve the country's key infrastructure. In the road sector, the focus was on the republican road network, which comprises six international corridors with a total length of about 8,250 km that serve as international transit routes between China, Kyrgyzstan, Uzbekistan, Turkmenistan, and Russia, onwards to Europe. They are also part of international agreements, such as Central Asia Regional Economic Cooperation (CAREC), Transport Corridor Europe-Caucasus-Asia (TRACECA). As a result, the share of republican roads in unsatisfactory condition has reduced from 23% in 2010 to 19% in 2015 and a significant portion of some corridors has reached 4 lane international standards. Still two-thirds of the republican network remain currently Class III with two lanes.

The President, in his address to the nation on 11 November 2014, announced Kazakhstan's Infrastructure Development State Program (IDSP)--- Nurly Zhol ---for 2015 -2019. To enable a favorable environment for business-driven regional economic integration, among others, the IDSP prioritizes domestic transport links of strategic importance and regional impact, and connects the national capital, Astana, with other _urban agglomerations_ and/or _second-tier cities_ in the eastern, western, and southern parts of the country. Accordingly, the government, aided by development partners, is accelerating the development of the Center South (Astana- Almaty), Center East (Astana -Ust' -Kamenogorsk), and Center West (Astana- Aktau) corridors. The program will be implemented from 2016 to 2020. The overall IDSP is expected to generate a significant number of new jobs and incomes through public investments.

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| Impact | A modernized transport system (Transport Strategy 2020) |
| Outcome | Efficient, reliable and safe movement of people and goods in the western region of Kazakhstan increased |
| Outputs | 93 km highway between Aktobe and Kandyagash reconstructed to category I standard and operational Institutional capacity of KazAvtoZhol strengthened |
| Geographical Location | Aktobe, Kandyagash |

| Safeguard Categories | |
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| Environment | B |
| Involuntary Resettlement | B |
| Indigenous Peoples | C |

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

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| Responsible ADB Officer | Ning, Jiangbo |
| Responsible ADB Department | Central and West Asia Department |
| Responsible ADB Division | Transport and Communications Division, CWRD |
| Executing Agencies | <i>JSC "NC "KazAvtoZhol" Berik Zheldikbaev, Deputy Chairman b.zheldikbaev@kazautozhol.kz 8 Amman Street, Business Center "Milano"</i> |

Timetable

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| Concept Clearance | 19 Oct 2018 |
| Fact Finding | 10 Sep 2018 to 21 Sep 2018 |
| MRM | 29 Oct 2018 |
| Approval | - |
| Last Review Mission | - |
| Last PDS Update | 29 Oct 2018 |

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| Project Page | https://www.adb.org/projects/52286-001/main |
| Request for Information | http://www.adb.org/forms/request-information-form?subject=52286-001 |
| Date Generated | 09 November 2018 |

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