

TRANSPORT POLICY OF AZERBAIJAN – PROSPECTS FOR DEVELOPMENT OF INFRASTRUCTURE AND INVESTMENT PROJECTS

Let me first, greet all the participants of the 18th session of SPECA Project Working Group on Transport and Border Crossing and thank the organizers for generous reception, warm welcome and for excellent arrangements made to ensure successful work of the meeting.

By developing the transport sector and trade cooperation in the region we primarily facilitate friendly relations and create conditions for enhancement of trade and economic cooperation. Implementation of the large-scale projects create necessary base for effective use of economic potential of countries in the region. At this point development of our countries depends very much on harmonic functioning of the transport sector.

Azerbaijan has a transport sector of high national and regional strategic importance, relatively rich in assets and potential. Moreover, Azerbaijan occupies a key international position and is a critical link to important international Transport Corridors, such as TRACECA Corridor linking Europe with the Caucasus and Central Asian markets; also the North-South Transport Corridor linking the Baltic Sea and the Northeast Europe to the Persian Gulf and Southeast Asian markets.

To develop this potential and to profit from other socio-economic advantages, which Azerbaijan can exploit, the Government has recognised the importance of aligning its transport sector with modern administrative and technical practices. Country's geopolitical situation, democratic institutions existing there, stable public and political stability and transition to market economy create great opportunities to cooperate with countries of the region.

However, a favourable geographical location alone does not yet mean that country can automatically turn into a regional centre. It is infrastructure projects, namely the funds invested in the transport sector in recent years and the ongoing work that have transformed Azerbaijan into a regional transport hub.

The country's economy has the fast growing tendency in recent years. At the background of economic development of the country, the international trade volume also increased, what consequently contributed to the improvement of all fields of economy, as well as created favourable conditions for investing in the development and modernization of transport sector.

As the result of involvement of Government recourses and loans from World Bank, European Bank for Reconstruction and Development, Islamic Development Bank, Asian Development Bank and other international financial institutions transport infrastructure, as well as the infrastructure of international transport corridors is developed and modernized, transport fleet is renewed.

In 2008 financial resources in the amount of 2 billion USD was invested in the transport sector, which composes the 19% of investment in all other fields of economy. The figure was 2.2 billion USD in 2009 and figured up to 23,8% of all investment volume.

In 2010, 22.1 percent or 1.7 billion manats of the total investment in amount of 7.7 billion manats used in the all spheres of economy were directed to the transport sector.

Infrastructure development along the international transport corridors passing through the territory of the country, enhancement of relations with the countries of the region and the improvement of transport safety are of core importance.

In order to modernize the transport system and increase transit potential of the country a number of projects are implemented.

As a participant of Baku-Tbilisi-Jeyhan and Baku-Tbilisi-Erzurum gas pipeline projects, Azerbaijan is realizing Baku-Tbilisi-Kars new railway connection project. In recent years, thanks to the joint efforts of the three countries involved, certain steps towards implementing the project have been taken. Azerbaijan, for its part, has attracted financial resources to the project. Today, the construction of the Baku-Tbilisi-Kars railway is successfully under way and at the end of this year project will be given into the operation. Most importantly, this project will significantly enhance Azerbaijan's transport capacities, further strengthen our role as a regional transportation hub, link Europe with Asia by means of a reliable and high quality railway.

The project aims the construction of 101 kilometres railway connection linking Trans European and Trans-Asian railway networks and the rehabilitation of 160 kilometres existing railway infrastructure in Georgia.

Along with aforementioned, reconstruction of 503 kilometres long Baku-Georgian border railway route as the part of Baku-Tbilisi-Kars in the territory of Azerbaijan, construction of New International Sea Trade Port Complex in a settlement of Baku, as well as the construction of a tunnel in Bosphorus will contribute to boosting the competitiveness of TRACECA corridor, increasing the speed of trains, shortening the delivery time of passenger and goods, assuring profitable and safe use of railways, and create appropriate conditions for delivery of goods from China and Far East and inversely, passing through Central Asia and Caucasus.

It must especially be stated that, Baku-Tbilisi-Kars New Railway Link Project was included into Master Plan of Trans-European (TER) railway project at the 67th session of the Inland Transport Committee of the United Nations Economic Commission for Europe, held at 15-17 February 2005. This new railway route will be the main factor linking Trans-European and Trans-Asian railway routes, thus contributing to increase of transportation and development of integrated international transport system in the region.

Since 2003 Baku-Iranian Border, Baku-Georgian border, Baku-Russian Federation border highways are constructed and reconstructed with application of modern technologies.

The overall length of motorways of the country is 18 946 kilometres. 1915 kilometres has international, 2716 kilometres has republic significance. The 14 315 kilometres of the rest is of local importance.

In the last 6 years, 4.5 thousand kilometres of highways was constructed and renewed. The construction and reconstruction works are implemented from both budget resources and loans of international financial institutions. Overall estimation of loan agreements is USD 2.8 billion. USD 1.93 billion of this amount is provided by international financial institutions, the rest, USD 878.5 by Azerbaijan Government.

You can find a diagram describing the financial resources provided by international financial institutions separately.

806.1 kilometres long highway construction and reconstruction is done. 460.5 kilometres of these highways is constructed by the loans of international financial institutions, 345.6 kilometres by own resources of the country.

Currently work is done on 870 kilometres long highway. 746 kilometres of this is implemented by the loans of international banks.

Baku-Russian Federation border highway is constructed with concrete encasement and the 134 kilometres part of this highway is ready for use.

It is anticipated to finish the construction works along TRACECA and North-South corridors in 2011.

To ensure the better quality of transport services, lately, 4 modern international airports were given for operation and international bus terminal was built to provide the passengers with necessary services.

Number of projects is implemented for assuring future development and sustainability of country's transport system, increasing competitiveness of international transport corridors, ensuring safety in transport, improving transport services and overcoming physical obstacles.

Construction of New Baku International Sea Trade Port Complex.

Master Plan and Working Project was completed for the construction of the New Baku International Sea Trade Port Complex. Implementation of the project is started from January, 2011. There are convenient road links in the northern, southern and western directions from this part of Baku. An important role in choosing this place has also been played by the presence of the railway. The project will be implemented in 3 stages and complies the creation of intellectual management system of carriage, load and unload and cargo handling processes. It is anticipated that new port will have 20 mln. Through put in 2015.

The main objective in establishing a seaport here is to address the issues of transport safety in Azerbaijan, turn Baku into a modern and large transport and logistical centre in the Caspian basin, expand cooperation among littoral countries and eventually create conditions for the functioning of the North-South and East-West transport corridors.

Construction of a Logistics Centre in the New Port area. The location of the port on the cross point of main transit cargo transportations creates available condition for a logistics centre in this area.

The Logistics Centre is proposed to be constructed by financial assistance of European Union in the territory of New Baku Sea Trade Port Complex that is currently under construction. The proposed Logistics Centre will be situated in a strategic area, on the cross point of highway and railway routes along East-West and North-South transport corridors. The financing of the project was subject to negotiations at first TRACECA Investment Forum held in Brussels 10th of October 2010 and a number of investors have made suggestions for financing the project. Currently the negotiations are continuing.

Major investment will be made in the railway transport in Azerbaijan, a special State Programs has been adopted.

Reconstruction of 506 kilometres Baku-Georgian border railway. The project implies:

- Reconstruction of surface structure of the road;
- Shift of electric supply system to varying power supply;
- Improvement of signalling, communication and auto blocking systems;

- Renewal of locomotive fleet;
- Establishment of centralized dispatching control system;
- Increase of existing train speed.

“State Programme on the Development of Railway Transport System in the Republic of Azerbaijan in 2010-2014” affirmed by the decree of the President of the Republic of Azerbaijan was adopted on 6 July 2010.

The Programme has the aim to contribute to the development of railway transport system, fulfil the demands of people and economy in rail transport, safety of transportation, modernization of railway infrastructure, increase of competence of transport corridors passing through the territory of Azerbaijan, increase of transit transportation volume, preparation of railway personnel.

According to the Programme, the reconstruction works of Baku-Boyuk Kasik with length of 317 km have already started. After the reconstruction is finished, the speed of trains going from Baku to Georgian border will reach 120 km/h. It is also planned to buy 50 electric locomotives, 300 tank-cars for carriage oil and oil products, 25 passengers vans, 10 ADM type repair trains and modernize communication and signalling facilities of this railway route. The mentioned project demands 1.2 billion AZN and the main part of this amount will be covered by loans of World Bank and Czech Export Bank, the rest by resources of the Government of Azerbaijan and Azerbaijan Railways.

In near-term future, it is considered to implement large-scale projects based on Public-Private Partnership (PPT) and BOT principles.

As we may know achieving practical trade or transport facilitation reform has become a key development priority in recent years. Together with traditional efforts to facilitate trade focusing on supporting transport infrastructure investments and modernizing customs using information technologies, at the same time the focus needs the coordination and simplification border crossing processes.

In order to facilitate border-crossing procedures and reduce the waiting time on border-crossing points, which contributes to the shortness of delivery time, “Single Window” principle is applied since the beginning of 2010 in Azerbaijan.

The realization of East-West and North-South transportation projects that cross Azerbaijan requires further effective intergovernmental collaboration, infrastructure building, foreign direct investments, and the resolution of some obstacles.

Dear participants of the meeting!

Emphasizing importance of the below mentioned issues I hope that constructive decisions and clear targets for near future made at the meeting will create conditions for steady development of transport system in the region and we do believe that the vast transport projects being implemented on Azerbaijan’s initiative today are not only for favour for Azerbaijan. They represent a great value also in terms of regional cooperation too.

Once more, I wish all the participants of the meeting successful and efficient work.

Thank you for attention.