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Almaty – Issyk-Kul alternative road project

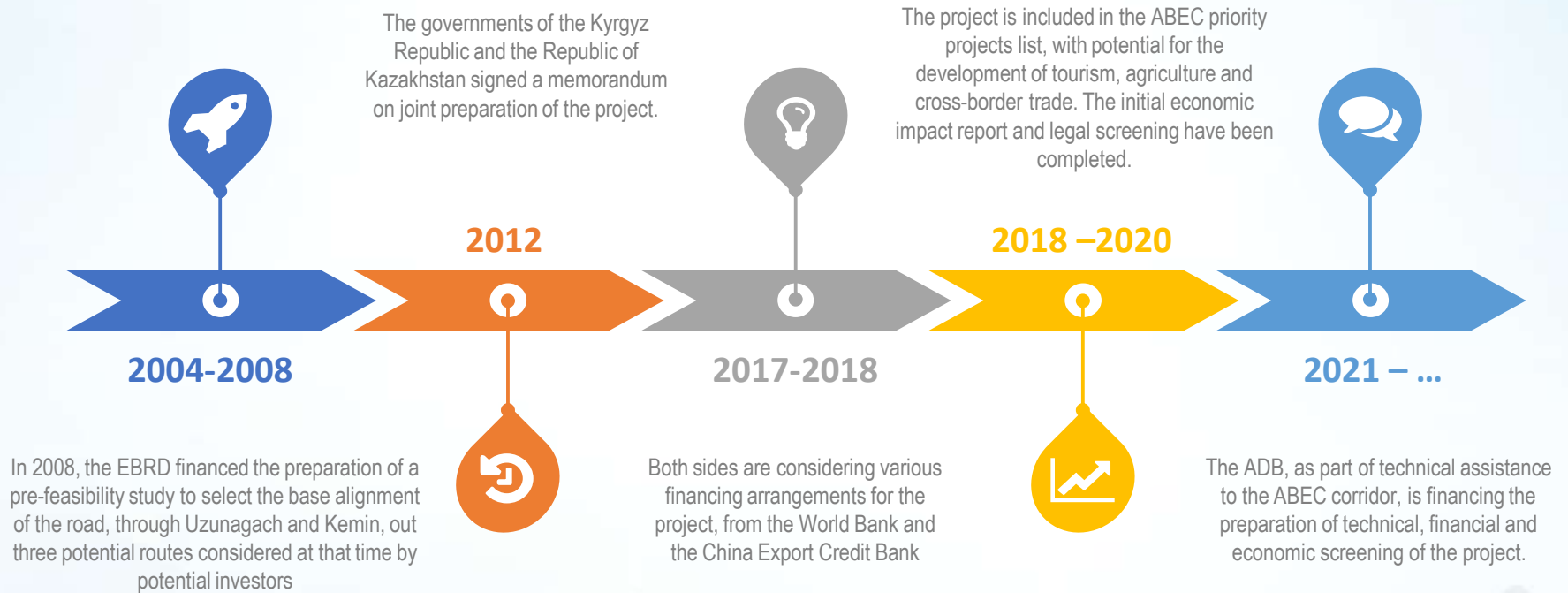
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ADB



Historical Context

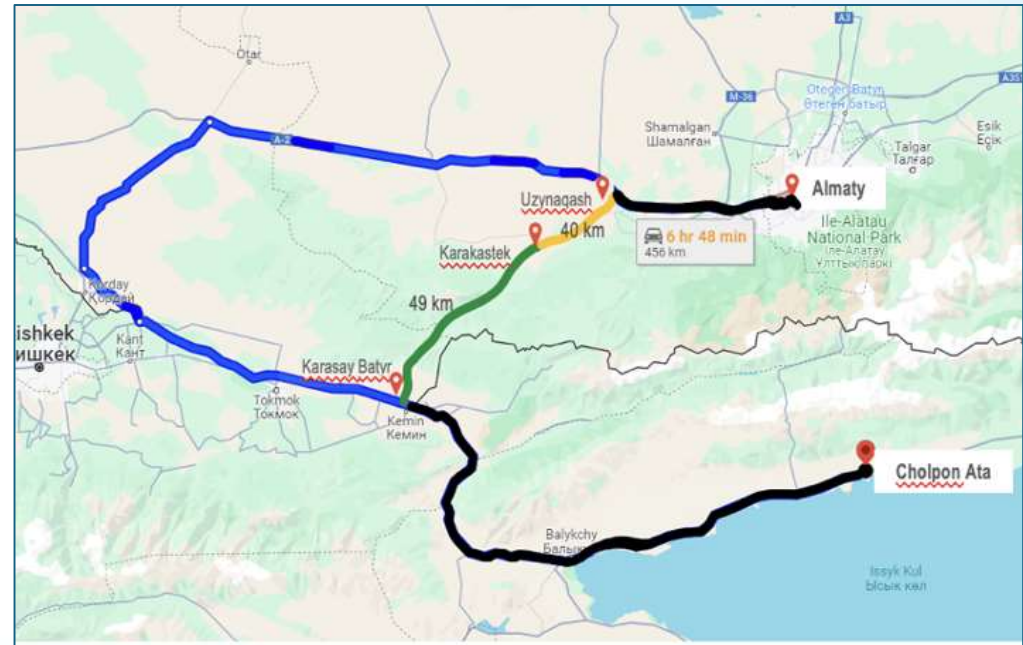






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GENERAL INFORMATION

Distance to Cholpon-Ata:	≈ 260 km (actual 460 km)
Time reduction:	> 2 hours 30 minutes (200 km)
Total length:	88.4 km
- Existing road	39.4 km (repairs/detours)
- New road	49.0 km
Road category:	II - III
Design speed:	100 km/h; 80 km/h; 50 km/h
Axial load	<10 t (new construction)
Operational period:	May – October
Estimated traffic:	From 2,250 to 4,000 vehicles per day



-  - Existing road
-  - New road



2020: ECONOMIC IMPACT ANALYSIS

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The report prepared under the ABEC in 2020 provides an analysis of the project's impact on the economies of both countries based on several potential alignments with a price range of US\$80 million to US\$600 million.

Additional GDP growth:

In the Republic of Kazakhstan - \$31 - \$ 95 million a year
In the Kyrgyz Republic - \$ 53 - \$ 194 million a year

“An important aspect of the economic development provided by the alternative road is the impact on employment. About half of the additional jobs in the Kyrgyz Republic and 25%–33% in Kazakhstan are in the hotel industry.”

60% GDP growth due to direct benefits:

- Additional tourists (international and regional) who can be attracted to Almaty and Issyk-Kul regions and as additional consumers. Additional investments in the tourism industry are driven by revenue growth.

40% GDP growth due to indirect benefits:

- Businesses are expected to buy more goods and services as their revenue increases. Due to a more integrated economy in the region: the tourism business in Issyk-Kul buys more goods from Kazakhstan, Almaty and the Almaty region will buy more agricultural goods from Kyrgyzstan.



LEGAL FRAMEWORK

- The Almaty-Issyk Kul alternative highway project is a cross-border project.
- The parties agreed that, in the event if the governments of the Republic of Kazakhstan and the Kyrgyz Republic decide to implement the project, it will be prepared and taken to the market in accordance with the requirements of the legal framework of the Republic of Kazakhstan.
- This decision was made taking into account the issues relating to the land alienation, more than 95% of the alternative road is located on the territory of the Republic of Kazakhstan, as well as the successful experience existing in Kazakhstan in the implementation highway projects using the public-private partnership (PPP) scheme, such as the Big Almaty Ring Road (BAKAD) which costed \$543 million during the construction period.
- Thus, the project will require the approval of the Jogorku Kenesh (Parliament) of the Kyrgyz Republic in accordance with the requirements of the existing legal framework of the Kyrgyz Republic.



TECHNICAL SCREENING

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The technical consultant estimated the indicative cost of construction options US dollars in 2025. The operation of sections of 88.4 km and 49 km in the base scenario - from A-2 to the border - will be transferred to be managed by the concessionaire, in order to maintain the entire section in proper condition and attract a sufficient volume of traffic.

Section alignment	highway A-2 – Uzynagash	Uzynagash	Uzynagash – Karakastek	Karakastek – Suranshy Batyr bypass	Suranshy Batyr bypass	Suranshy Batyr – Kastek	bypass Castek	Kastek – Karasai Batyr	Karasai Batyr	Karasai Batyr – KGZ border	pipes	bridge - 80%	Tiotal cost	Cost per km
IN - 1 (II - cat)	7.46	12.88	42.91	16.34	4.45	4.50	6.76	107.91	7.46	9.30	6.9	2.3	229.2	2.59
IN - 2 (III - cat)	2.45	10.96	14.09	13.90	3.79	3.83	5.75	91.81	6.35	7.92	6.9	2.3	170.1	1.92
IN - 3 (III - cat)	0.58	10.96	3.33	13.90	3.79	3.83	5.75	91.81	6.35	7.92	6.9	2.3	157.4	1.78
IN - 4 (III - cat)	0.58	10.96	3.33	13.90	3.79	3.83	5.75	105.41	6.35	7.92	6.9	2.3	171.0	1.93
IN - 5 (III - cat)			3.33	13.90	3.79	3.83	5.75	85.43	6.35	7.92	6.9	2.3	139.5	1.74





FINANCIAL SCREENING

Technical specifics

Section length to be managed by concessionaire	88 km
Alignment option	option 5 (III - cat)
Traffic	From 2,250 to 4,000 vehilces/day
Operating season	May-October
Maintenance cost for 20 years	\$42.2 million

Tariff and indexation

Starting tariff	\$15/vehicle
Indexation, % per year	6%

Financing structure

Share of equity	20%
Share of borrowed capital	80%

Lending terms

Loan currency	US dollar
Concession term	20 years
Grace period	36 months

Private partner profitability indicators

Target IRR	15%
Cost of equity	10%

Main results of the financial model

Estimated cost:

\$ 139 million

Need for co-financing:

\$ 91 million

including:

- Cost of reconstruction of the existing road
Almaty - Uzunagach -
New Kastek :
- Financing gap:
- Cost of equity:

\$ 44 million

\$ 21 million

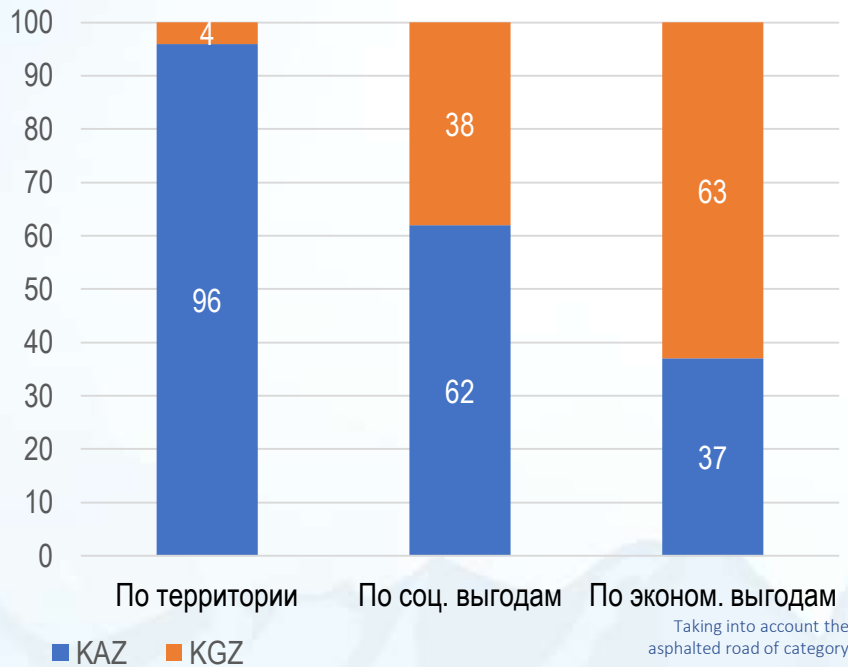
\$ 25 million



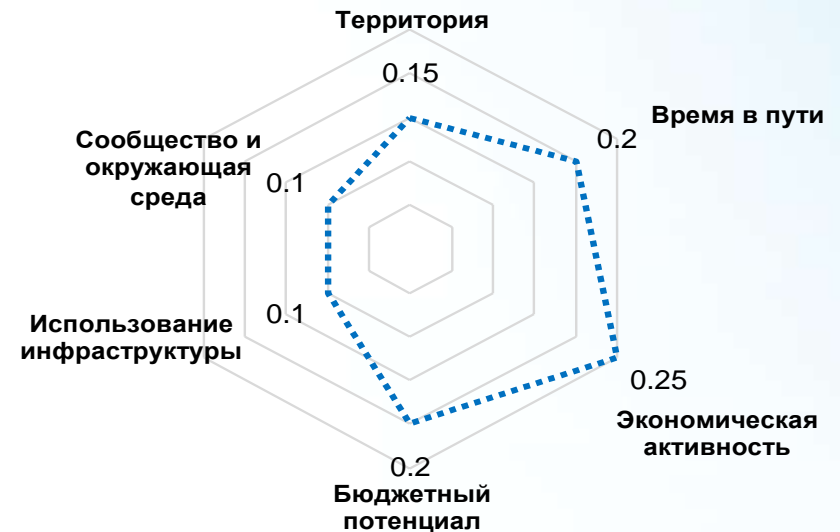
PROPOSED COST SHARING FOR PROJECT IMPLEMENTATION

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ADB Economic Impact Analysis – Key Project Benefits



Метод взвешенной оценки баллов



Preliminary analysis results:

Republic of Kazakhstan: 59.4%
Kyrgyz Republic: 40.6%



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Thank you for your attention!