



Central Asia Regional Economic Cooperation Program

**Summary Proceedings**  
**Joint CAREC Transport Sector Coordinating and Customs Cooperation Committees Meeting**

19–20 September 2013, Astana, Kazakhstan

**Introduction**

1. The Joint CAREC Transport Sector Coordinating and Customs Cooperation Committees Meeting was held on 19–20 September 2013, Astana, Kazakhstan. Delegations from all ten CAREC member countries<sup>1</sup> and representatives of the Asian Development Bank (ADB), CAREC Federation of Carrier and Forwarder Associations, European Bank for Reconstruction and Development, Islamic Development Bank, United Nations Development Programme, World Bank, and the World Customs Organization participated in the meeting. The Ministry of Transport and Communications of Kazakhstan and ADB co-chaired the Meeting. The Meeting agenda and list of the participants are presented in Appendices 1 and 2.

**Session 1: Midterm Review of the CAREC Transport and Trade Facilitation Strategy and Implementation Action Plan (2008-2017)**

2. The TSCC Secretariat presented lessons learned from the Midterm Review (MTR) and Stock Take report. Key lessons learned which served to guide the drafting of the Refined Strategy included: (i) recognition that soft sector projects are more difficult than hard sector physical infrastructure projects, as evident from experiences with customs reforms, integrated trade facilitation, and enhancing private-sector participation; (ii) linear network link projects such as roads and railways are easier to implement than non-linear network node projects such as border crossing points (BCPs), logistics centers, or ports; and (iii) there is significant need for greater operational priority to be given to road maintenance, results monitoring and associated data collection, and further reducing the financing gap.

3. The global and regional context for CAREC has changed since the original strategy was drafted in 2007, particularly with the continued economic development of the PRC and its increased share of the global economy, and the formation of the Customs Union. This implies a need for rebalancing to date emphasis on east-west corridors with an increased focus on north-south corridors; a relative adjustment, which is also consistent with the inclusion of Pakistan and Turkmenistan into CAREC and extension of corridors through these two countries. Additionally, based on the performance indicators, there is also a need to: (i) promote intermodal transport connections and enhanced logistics supporting creation of value chains; (ii) continue improving border management; and (iii) sustain efforts to develop economic corridors.

4. The TSCC-CCC Secretariat outlined the MTR consultation process with the member countries through missions, video conferences, and presentations at 12<sup>th</sup> TSCC and SOM earlier in the year. The newly proposed extensions of the existing six CAREC corridors, including the

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<sup>1</sup> Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

rationale and criteria used in selection process, were also presented. The countries were broadly supportive of the lessons and implications from the stock take exercise and the proposed corridor extensions. Afghanistan noted that extension of CAREC corridors should be based on the principle of not undermining any of the existing corridors. Afghanistan also stated that they need to consult with higher authorities within the government regarding the new proposed extensions. Tajikistan encouraged alternative routings, although no economic analysis was available to support these changes in the proposed routes. Pakistan noted that further consultations with internal stakeholders were required related to extension of corridors to their border with India. Uzbekistan and PRC reiterated their commitment to the UZB-KGZ-PRC railway.

## **Session 2: Refined CAREC Transport and Trade Facilitation Strategy (Draft)**

5. The Refined Strategy was presented illustrating that the three original core goals of (i) establishing competitive corridors, (ii) facilitating the efficient movement of goods and people across borders, and (iii) development of a safe and sustainable network, remained as program outcomes.

6. Based on the lessons learned and changes in the global and regional environment, three operational priorities have been defined in the Refined Strategy. Operational Priority 1 is the development of multimodal corridor networks through infrastructure investments in roads, railways, logistics centers, and BCPs. Operational Priority 2 is to improve trade and border crossing services through customs reforms and modernization, coordinated border management, development of national single windows, and beyond-the-border trade facilitation. Operational Priority 3 is to improve operational and institutional effectiveness through focus on improvements in road maintenance, road safety, introduction of designated rail corridors, and capacity building with respect to policies and institutions.

7. The justification for developing multimodal corridor networks was explained based on the demand for mode alternatives due to differences in the types of cargoes and respective tradeoffs in monetary cost, time, and reliability. It was also explained that the increased focus on multimodality would serve to increase PSP/PPP initiatives and opportunities. With multimodal networks also comes the need and role of logistics hubs which generates economic activity through operators, service providers, manufacturers, and investors.

8. The concept of designated rail corridors (DRCs) was explained based on shippers demand for cost, time, reliability and the underlying principle of ensuring seamless transition between railways. Two DRCs was proposed for piloting through TA resources.

9. The concept of the Corridor Management Units (CMUs) was introduced and explained. The core function of the CMUs is to monitor corridor performance and provide feedback information to stakeholders so as to improve efficiency or otherwise maintain envisaged standards as per individual project or corridor design. The responsibilities of the CMUs include: planning, monitoring, developing key performance indicators, promoting use of the corridors, and collaborating with stakeholders. Market or commercial interest is the driver in establishing, operating, and sustaining CMUs.

## **Session 3: Implementation Action Plan for the Refined CAREC Transport and Trade Facilitation Strategy 2020**

10. The delegations reviewed and accepted the implementation action plan for the Refined Strategy, including the investment and technical assistance pipeline, financing plan, implementation arrangements, and monitoring and evaluation (M&E) measures.

11. The investment plan includes 101 projects for a total of \$38.7 billion, of which 38 are ongoing projects and 63 are new projects. In the new proposed investment plan, road sector projects continue to account for the majority of the pipeline (50%), followed by rail projects (41%), logistics and trade facilitation projects (5%), and others. The importance of trade facilitation projects, which tend to be less capital intensive, but may yield highly desired results in achieving outcomes, was recognized by the participants.

12. The TA pipeline includes 50 projects amounting to \$75 million, which will be primarily financed by the ADB, focused trade facilitation and innovations to support efficiency and sustainability gains in the railway and road sectors.

13. In terms of the financing plan for the investment projects, \$15.4 billion has been committed by CAREC governments, \$11 billion by ADB and other development partners, and \$2.4 billion is earmarked for private sector financing, including public and private partnerships. The remaining gap of approximately \$10 billion is proposed to be covered jointly by governments, development partners, and the private sector. Proactive resources mobilization will be needed. To facilitate the efforts in this regard, a CAREC regional project development facility was proposed.

14. The importance of a coordinated approach to strategy implementation was emphasized by all the delegations. The key implementation arrangements for the refined strategy, as agreed by the delegations, include: (i) establishing and/or strengthening National Joint Committees (NJC) in CAREC countries; (ii) organizing joint CCC and TSCC annual meetings; (iii) piloting establishment and operation of CMUs on selected corridors; and (iv) strengthening the role of the CAREC Institute in training, research, and knowledge creation and dissemination.

15. It was agreed that monitoring and evaluation (M&E) of strategy implementation would be further enhanced through joint efforts by CCC and TSCC. The revised Results-based Framework (RBF) retains the intent and structure of the RBF in the original Strategy, but has improved the output milestones and indicators to account for the enlargement of the program and to make their M&E more transparent and easier with respect to data collection.

16. The representative of the CFCFA presented their view of the private sector's perspective of the Refined Strategy. While welcoming the progress already achieved in transport and trade facilitation, the challenges still faced were highlighted including: (i) difficulties in cross-border trade, particularly where due to poor BCP infrastructure, (ii) complex procedures by customs and other border control, and (iii) difficulties in the timely processing of visa applications for businesses. CFCFA expressed their continued commitment to working with CAREC governments to minimize these perceived constraints.

17. Issues of special concern to some delegations included: (i) weakness of the private sector in certain countries may warrant special measures, including capacity building for enhancing private sector participation (such as in road maintenance) and utilizing PPP/PSP more widely; (ii) the perceived lengthiness of the procurement processes of the development partners has negative impacts on implementing the priority investment projects and should be addressed properly; (iii) harmonization of procedures, especially those for customs control, and standards, such as those for vehicles, should be a priority in trade and transport facilitation; and (iv) the value of CPMM was well recognized by participants, and greater CPMM effort for railways was requested.

## **Closing Session**

18. The Meeting participants endorsed the draft refined Transport and Trade Facilitation Strategy, and requested the Secretariat to incorporate the comments made at the Meeting. The participants agreed to present the revised draft Refined Strategy to the National Focal Point meeting scheduled to be held in Bangkok, Thailand on 27-28 September 2013.

19. The Meeting participants expressed their appreciation to the Ministry of Transport and Communications and the Customs Control Committee under the Ministry of Finance of the Republic of Kazakhstan for hosting the Joint CAREC TSCC and CCC Meeting. The Meeting participants also expressed appreciation to ADB and the Secretariat for providing logistical and administrative support.