

STATUS REPORT ON

TRANSPORT SECTOR

Senior Officials' Meeting on Central Asia Regional Economic Cooperation
26–27 April 2005
Manila, Philippines

TRANSPORT SECTOR REPORT UPDATE

I. Progress of Cooperation Since the 3rd Ministerial Conference

A. Transport Sector Coordinating Committee

1. The 3rd Meeting of the Transport Sector Coordinating Committee (TSCC) was convened on 1–2 March 2005 in Bishkek, Kyrgyz Republic. Delegations from CAREC member countries participated in the Meeting. Representatives of multilateral institutions (MIs) including the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IDB), United Nations Development Programme (UNDP), and the World Bank also attended. The Meeting was chaired by the Kyrgyz Republic and co-chaired by ADB. The Summary of Discussion adopted at the Meeting is in Appendix 1.

2. The Meeting reviewed the progress since the 2nd TSCC meeting in Almaty in September 2004, and noted that TSCC had made important progress in coordinating on activities of regional transport cooperation among CAREC member countries. The meeting participants reaffirmed the importance of regional transport cooperation in promoting sustainable growth and poverty reduction in CAREC member countries. They agreed to continue working together to develop an integrated, efficient transport system in the region so as to facilitate the movement of passengers and freight.

3. The Meeting endorsed (i) the TSCC 2005 Work Program, (ii) the Regional Transport Sector Roadmap (Appendix 2), and (iii) the proposals, prepared by the Secretariat, of harmonizing and simplifying cross-border transport procedures and documentation, and of harmonizing transport regulations among CAREC member countries. The Meeting reaffirmed their commitment to coordinate closely with other regional organizations including the Central Asia Cooperation Organization (CACO) and the Shanghai Cooperation (SCO) to ensure the synergy of regional cooperation efforts.

4. TSCC's major activities in 2005 include:

- Finalizing the Regional Transport Sector Roadmap to formulate strategic priorities for regional cooperation in transport.
- Preparing and submitting specific recommendations on harmonizing and simplifying cross-border transport procedures and documentation in CAREC member countries to the Senior Officials' Meeting for consideration.
- Preparing and submitting specific recommendations on harmonizing transport regulations in CAREC member countries to the Senior Officials' Meeting for consideration.
- Coordinating closely with other regional organizations including CACO and SCO through timely sharing of information and regular consultations.
- Preparing and submitting the TSCC Work Report to the Senior Officials' Meeting.

5. The Regional Transport Sector Roadmap, which will guide future activities of regional cooperation in transport among CAREC member countries, identifies five strategic priorities:

- Harmonization and simplification of cross-border transport procedures and documentation to facilitate the movement of passengers and freight.
- Harmonization of transport regulations to create a level playing field for transport operators.
- Development and improvement of regional and international transport corridors to link production centers and markets within the CAREC member countries and to enhance CAREC member countries' access to neighboring regions and markets.
- Restructuring and modernization of railways to provide quality and efficient services through private sector participation and improved corporate governance.
- Improvement of sector funding and management to ensure that the regional transport network is developed, operated, and maintained properly.

6. With the guidance and support from CAREC member countries, the TSCC is developing as effective mechanisms for coordination and implementation of cooperation activities among CAREC member countries in the transport sector.

B. Investments and Other Activities for Regional Transport Cooperation

7. Accomplishments were achieved in improving the regional transport network and addressing sector policy issues. Lending and non-lending assistance provided by MIs is in Appendix 3. Major investments approved since January 2004 or processed included (i) MON: Regional Road Development Project, cofinanced by ADB and the Governments of the PRC and the Republic of Korea; (ii) KGZ: Southern Transport Corridor Road (Osh-SaryTash-Irkeshtam) Rehabilitation Project, cofinanced by ADB and the PRC Government; (iii) AZE: Silk Road Project financed by EBRD; (iv) AZE: Reconstruction of the Yevlax-Ganja and Qazax-Georgian border sections of the east-west road corridor, cofinanced by ADB and IDB (IDB approved the \$10.4 million loan in February 2005, while the ADB loan is expected to be considered by its Board within 2005); and (v) AZE: Rehabilitation and upgrading of the Sumgait-Zarat section of the Baku-Russian border road financed by EBRD. ADB also approved a technical assistance (TA) grant for Tajikistan to help prepare an investment project for Dushanbe-Kyrgyz Border Road Rehabilitation (phase II).

8. In addition to investments, with support from development partners the CAREC members have intensified their efforts to jointly address transport sector issues. Following the approval of the establishment of the Transport Consortium by the heads of CACO in October 2004, preparatory work is now underway. The SCO member states have begun negotiating the draft Intergovernmental Agreement on Facilitation of International Road Transport. The SCO member governments are committed to conclude negotiations over the draft Framework Agreement within the first half of 2005. In this connection, ADB approved a TA grant in December 2004 to help develop the Intergovernmental Agreement on Facilitation of International Road Transport. ADB also approved two TA grants for the Kyrgyz Republic to improve road maintenance and to enhance public awareness and prevention of HIV/AIDS and human trafficking. The World Bank completed a study on Trade and Transport Facilitation in Central Asia; a workshop was held on 3–4 March in Bishkek (following the 3rd TSCC Meeting) to disseminate the findings of the study. In addition, ADB convened the 2nd Ministerial Conference on Transport and Trade in Central and South Asia at ADB headquarters in Manila on 3–4 March 2005.

II. Next Steps

9. The TSCC agreed to take the following steps:

- To present the endorsed TSCC 2005 Work Program and the Regional Transport Sector Roadmap to the Senior Officials' Meeting scheduled for April 2005 for approval.
- Harmonization of cross-border transport procedures and documentation:
 - (i) For road transport, the PRC and four Central Asian member countries, which are the SCO members, will accelerate negotiations over the draft Intergovernmental Agreement on Facilitation of International Road Transport. Once the SCO member countries conclude negotiations, other countries should be given the opportunity to join the Intergovernmental Agreement on Facilitation of International Road Transport, subject to the agreement among SCO member countries.
 - (ii) For railway transport, the CAREC member countries will review the existing cross-border agreements and prepare, if necessary, an action plan prior to the TSCC Meeting scheduled for August 2005. The August TSCC Meeting will review, and revise if necessary, the draft action plan and submit its time-bound recommendations to the Senior Officials' Meeting scheduled for September 2005 for consideration.
- Harmonization of transport regulations:
 - (i) This will be implemented in two phases. In Phase One, the CAREC member countries will review the concerned transport regulations, identify areas for harmonization, and prepare, if necessary, an action plan prior to the TSCC Meeting scheduled for August 2005. The August TSCC Meeting will review the draft action plan and submit its time-bound recommendations to the Senior Officials' Meeting in September 2005 for consideration.

10. MIs will continue providing financial and advisory assistance to the CAREC member countries in support of regional cooperation in transport. The MI's assistance pipelines for 2005–2006 are provided in Appendix 4. The assistance pipelines comprise 20 lending projects amounting to \$511.6 million and 14 nonlending projects amounting to \$6.6 million. The major lending projects likely to be supported in the road subsector are improvement of the east-west and north-south corridors in Azerbaijan, rehabilitation of the southern corridor in the Kyrgyz Republic, development of the Altai corridor linking the PRC and Russia through west Mongolia, and rehabilitation of the Dushanbe-Kyrgyz corridor in Tajikistan. The lending pipeline for the railway subsector includes a regional railways rehabilitation project to strengthen the access to Afghanistan via Uzbekistan, a north Tajik railway improvement project, and a Dostyk-Aktogai rail upgrading project. In addition, a regional traffic enhancement project is proposed. Nonlending projects will be provided during the same period to support the harmonization of transport regulations and cross-border procedures, regional transport studies, institutional strengthening and capacity building of transport agencies. MIs will continue working closely with other development parents to cofinance lending and nonlending projects for regional cooperation in transport among the CAREC member countries.

III. Proposed Questions for Discussion

11. The following questions are proposed for discussion at the Senior Officials' Meeting on 26–27 April 2005:

- What lessons can be learned from the experience of Central Asia regional cooperation in the transport sector over the past years?
- What steps should be taken to make the Transport Sector Coordinating Committee more effective in coordination on activities of regional transport cooperation among the CAREC member countries?
- How would MIs assist CAREC member countries to implement the endorsed regional transport roadmap effectively?

SUMMARY OF DISCUSSION
3RD TRANSPORT SECTOR COORDINATING COMMITTEE MEETING
1–2 March 2005, Bishkek, Kyrgyz Republic

Introduction

1. The 3rd Meeting of the Transport Sector Coordinating Committee (TSCC) under the Central Asia Regional Economic Cooperation (CAREC) Program was convened on 1–2 March 2005 in Bishkek, Kyrgyz Republic. Delegations from CAREC member countries — Azerbaijan, the People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan — participated in the Meeting. Representatives of multilateral institutions including the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IDB), United Nations Development Programme (UNDP), and the World Bank also attended. The Meeting was chaired by the Kyrgyz Republic and co-chaired by ADB.

2. The TSCC members reaffirmed the importance of regional transport cooperation in promoting sustainable growth and poverty reduction among CAREC member countries. They agreed to continue working together to develop an integrated and efficient transport system in the region so as to facilitate movement of passengers and freight.

Progress in Regional Transport Cooperation

3. The TSCC members reviewed the progress since the last TSCC Meeting in Almaty in September 2004. They appreciated the accomplishment in improving the regional transport network and addressing sector policy issues. Major new investment projects approved or processed included (i) KGZ: rehabilitation of the southern road corridor, cofinanced by ADB and the Governments of the Kyrgyz Republic and PRC; and (ii) AZE: reconstruction of Yevlax-Ganja and Qazax-Georgian border sections of the east-west road corridor, cofinanced by ADB, IDB, and the Government of Azerbaijan (IDB approved the \$10.4 million loan in February 2005, while the ADB loan is expected to be considered by its Board within 2005). EBRD has completed pre-feasibility of investments on improving the Baku-Russian border road in Azerbaijan.

4. In addition to investments, with support from development partners the CAREC members have intensified their efforts to jointly address transport sector issues. Following the approval of the establishment of the Transport Consortium by the heads of the Central Asia Cooperation Organization (CACO) in October 2004, preparatory work is now underway. The Shanghai Cooperation Organization (SCO) member countries have begun negotiating over the draft Intergovernmental Agreement on Facilitation of International Road Transport. The Governments of SCO member countries are committed to conclude negotiations over the draft framework agreement within the first half of 2005. In this connection, ADB approved a technical assistance grant in December 2004 to help develop the Intergovernmental Agreement on Facilitation of International Road Transport. The World Bank has completed a study on Trade and Transport Facilitation in Central Asia; a workshop is scheduled for 3–4 March in Bishkek (following the 3rd TSCC Meeting) to disseminate the findings of the study.

TSCC 2005 Work Program

5. The TSCC members reviewed the draft TSCC 2005 Work Program prepared by the Secretariat and provided useful comments. They endorsed the revised TSCC 2005 Work

Program and agreed to present it to the Senior Officials' Meeting scheduled for April 2005. Major activities of TSCC in 2005 include:

- Finalizing the Regional Transport Sector Roadmap to formulate strategic priorities for regional cooperation in transport.
- Preparing and submitting specific recommendations on harmonizing and simplifying cross-border transport procedures and documentation in CAREC member countries to the Senior Officials' Meeting for consideration.
- Preparing and submitting specific recommendations on harmonizing transport regulations in CAREC member countries to the Senior Officials' Meeting for consideration.
- Coordinating closely with other regional organizations including CACO and SCO through timely sharing of information and regular consultations.
- Preparing and submitting the TSCC Work Report to the Senior Officials' Meeting.

Regional Transport Sector Roadmap

6. The TSCC members reviewed the refined draft of the Regional Transport Sector Roadmap prepared by the Secretariat and provided constructive comments. They endorsed the Regional Transport Sector Roadmap and agreed to present it to the Senior Officials' Meeting scheduled for April 2005. The Regional Transport Sector Roadmap, once approved by the Senior Officials' Meeting and Ministerial Conference, will guide future activities of regional cooperation in transport among CAREC member countries. The goal of regional cooperation in transport is to develop an integrated and efficient transport system so as to promote sustainable economic growth and poverty reduction in the CAREC member countries. In achieving this goal, regional cooperation in transport among CAREC member countries has five strategic priorities:

- Harmonization and simplification of cross-border transport procedures and documentation to facilitate the efficient movement of passengers and freight.
- Harmonization of transport regulations to create a level playing field for transport operators.
- Development and improvement of regional and international transport corridors to link production centers and markets within the CAREC member countries and to enhance CAREC member countries' access to neighboring regions and markets.
- Restructuring and modernization of railways to provide quality and efficient services through private sector participation and improved corporate governance.
- Improvement of sector funding and management to ensure that the regional transport network is developed and maintained properly.

7. The TSCC members reviewed the proposals, prepared by the Secretariat, of harmonizing and simplifying cross-border transport procedures and documentation, and of harmonizing transport regulations among CAREC member countries. In principle, they endorsed these two proposals. It was agreed that harmonizing transport regulations will be implemented in two phases. Phase One will focus on the regulations on (i) vehicle emission requirements; (ii) axle load control; (iii) tariffs, road user charges, and transit fees; (iv) traffic safety; and (v) provision of transport services. Phase Two will focus on the regulations on (i) environmental assessments of transport projects; (ii) social assessments of transport projects; (iii) design standards of transport infrastructure; and (iv) maintenance of transport infrastructure.

Coordination with Other Regional Organizations

8. The TSCC members were briefed on the establishment of the Transport Consortium of CACO and on the negotiations of SCO member states over the draft Intergovernmental Agreement on Facilitation of International Road Transport. They reaffirmed their commitment to coordinate closely with other regional organizations including CACO and SCO to ensure the synergy of regional cooperation efforts.

9. The briefing on CACO Transport Consortium also included proposal on coordinating the efforts of CACO and CAREC for mutual benefit. The delegates discussed the current status on establishing the Consortium and the next steps required to move ahead. The delegates were unanimous in seeking ADB assistance to guide them in finalizing the draft intergovernmental agreement and draft charter, and advice on functioning of the consortium. ADB agreed and suggested that the member countries need to clearly outline the specific areas where ADB assistance will be helpful. In this context it was agreed that Tajikistan as the current chair will coordinate with other member countries in identifying the areas of ADB assistance and will send a formal request to ADB.

10. Country delegations expressed their appreciation to ADB for helping the SCO member countries develop the draft Intergovernmental Agreement on Facilitation of International Road Transport. The PRC Delegation extended a warm welcome to other SCO member countries for the Second Negotiating Meeting on the draft Intergovernmental Agreement on Facilitation of International Road Transport, which is scheduled for 9–12 March 2005 in Beijing.

Next Steps

11. The TSCC members agreed to take the following steps:

- To present the endorsed TSCC 2005 Work Program and the Regional Transport Sector Roadmap to the Senior Officials' Meeting scheduled for April 2005
- Harmonization of cross-border transport procedures and documentation:
 - (i) For road transport, the PRC and four Central Asian member countries will accelerate negotiations over the draft Intergovernmental Agreement on Facilitation of International Road Transport. Once the SCO member countries conclude negotiations, other countries should be given the opportunity to join the Intergovernmental Agreement on Facilitation of International Road Transport, subject to the agreement among SCO member countries.
 - (ii) For railway transport, the CAREC member countries will review the existing cross-border agreements and prepare, if necessary, an action plan prior to the TSCC Meeting scheduled for August 2005. The August TSCC Meeting will review, and revise if necessary, the draft action plan and submit its time-bound recommendations to the Senior Officials' Meeting scheduled for September 2005 for consideration.¹
- Harmonization of transport regulations:

¹ The PRC Delegation mentioned that this process would require the participation of the Ministry of Railways.

- (i) In Phase One, the CAREC member countries will review the concerned transport regulations, identify areas for harmonization, and prepare, if necessary, an action plan prior to the TSCC Meeting scheduled for August 2005. The August TSCC Meeting will review the draft action plan and submit its time-bound recommendations to the Senior Officials' Meeting in September 2005 for consideration.

Concluding Remarks

12. The TSCC members noted that TSCC has made important progress in coordinating on issues and activities of regional cooperation in transport among the CAREC member countries.

13. The TSCC members expressed their appreciation to the Government of the Kyrgyz Republic and ADB for hosting the 3rd TSCC Meeting and for their excellent arrangements and warm hospitality.

14. It was agreed that the 4th TSCC Meeting would be held in August 2005 in Kyrgyz Republic.

CENTRAL ASIA REGIONAL ECONOMIC COOPERATION (CAREC) PROGRAM**REGIONAL TRANSPORT SECTOR ROADMAP**

(Endorsed at the 3rd Transport Sector Coordinating Committee Meeting
on 1–2 March 2005 in Bishkek, Kyrgyz Republic)

I. Background

1. Central Asia is a historical land bridge between east and west (East Asia and Europe), as well as north and south (Indian Ocean and Persian Gulf to Russia and Baltics). It has also a potential of becoming important transit routes between Asia and Europe. The transport network in the seven member countries of the Central Asia Regional Economic Cooperation (CAREC) Program—Azerbaijan, People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan—comprises about 464,890 km of roads and 27,400 km of railways. Railways carry the majority of freight traffic, while roads are the dominant mode of transport for passenger traffic. Air transport plays a key role in providing international access and linking major local cities to the capitals in these countries. In addition, there is a waterway transport link on the Caspian Sea between Baku of Azerbaijan and Aktau of Kazakhstan. A regional map and key transport sector indicators in the CAREC member countries are shown in Appendices 1 and 2, respectively.

2. During the initial years after the breakup of the former Soviet Union in 1991, the CAREC member countries (except for the PRC) suffered severe economic difficulties and, as a result, traffic declined sharply and transport infrastructure deteriorated significantly. Since late 1990s, however, these countries have experienced economic recovery, which has resulted in the increase in volume of freight and passenger traffic. Railway traffic increased because of strong growth of trade activities. Road traffic rose due to the increase in vehicle ownership and improvement of the national and regional road networks. Air traffic grew as a result of rapid increases in external trade, tourists, and transit traffic between Asia and Europe.

3. The medium-term outlook for the transport sector in the CAREC member countries is promising. Given projected continued economic growth in the region and positive prospects for major developed markets, the demand for freight and passenger traffic is projected to grow over the medium term. Annual growth rate is projected at 2–3% for railway freight traffic (although continued decline is expected for long-distance passengers) and 4–7% for road traffic. Nevertheless, bottlenecks are expected to occur over the short term at certain border stations on the railway network in the CAREC member countries, such as at Druzhba of Kazakhstan and Serakhs of Uzbekistan, where traffic is already growing at over 20% per year. The Caspian Sea ports are also expected to see increased traffic mainly due to transit transport.

II. Key Sector Issues

4. The transport sector in the CAREC member countries faces the following key issues on regional transport:

- (i) Inefficient cross-border and transit movement of people and goods due to excessive bureaucratic procedures and poorly equipped border posts. The cross-border procedures, formalities, and documentation (e.g., customs, immigration, and quarantines) at borders are not entirely based on international conventions

or best practice, and are time-consuming, complicated, and expensive. The dislocations caused by the breakup of the railways into national units in Central Asia have also created numerous cross-border obstacles, such as a lack of track-sharing agreements, frequent changes in locomotives and time-consuming train re-marshaling at borders, and inter-railway payment delays.

- (ii) Lack of unified transport regulations among CAREC member countries. This includes lack of compatible standards based on international best practices (e.g. technical aspects, road clearance, axle load control, vehicle emission control, tariff, and traffic safety); road permit quotas for foreign vehicles that restrict competition; skewed rules for transport services; road user charges not related to costs of road use; discretionary tariff setting for railways; discriminatory transit fees; and limited private sector participation.
- (iii) Inadequate regional transport network. The transport links in Central Asia and Mongolia need to meet the requirements of reoriented economic and trade ties with all countries in the region. There is a lack of the adoption of an integrated and regionally oriented multimodal transport approach in the planning and operation for transport infrastructure development. Roads connecting some production centers, markets, and ports are lacking. A large proportion of the existing transport infrastructure (roads, railway track, and rolling stock) is poor and deteriorating due to insufficient funding for proper maintenance.
- (iv) Lack of competition in railways due to the monolithic and monopolistic nature of the organizations. This has resulted in inefficient railway service, lack of commercial management of operations and investment, obsolete track and rolling stock, outdated internal telecommunications technology, excessive tariffs for international traffic, tariffs that do not separate movement and terminal costs, and lack of convenient billing systems and consignment information for shippers.
- (v) Limited institutional and human resource capacities in the transport sector. This is reflected by weak planning for public investment, inadequate design standards for transport investment projects, weak financial and project implementation management, and lack of effective monitoring and evaluation.

III. Role of Regional Cooperation

5. Regional cooperation in transport among the CAREC member countries plays an important role in promoting sustainable economic growth, which is crucial to poverty reduction. Three factors account for this. First, there exists a regionally integrated transport system inherited from the past in Central Asia, which requires a regional approach to rehabilitation and development of the system in contrast to the national solutions and self-sufficiency. Second, regional cooperation can help develop a regional transport network to minimize location disadvantages and improve access to large neighboring and major developed markets. Third, regional cooperation can help reduce barriers to intraregional and transit traffic, lower transport costs, and improve transport services to overcome disadvantages of small national markets, thereby making the region more attractive for foreign and domestic investors as well as in support of new trade opportunities. Thus, regional cooperation in transport among the CAREC member countries is a necessity, not an option.

IV. Progress of Regional Cooperation in Transport

6. The Governments of the CAREC member countries have recognized the importance of regional cooperation in transport and, with support from development partners this has resulted in a number of initiatives and regional organizations. Kazakhstan and the Kyrgyz Republic signed a cross-border agreement to facilitate road transport across the Akzhol-Chu border in May 2001. The Central Asia Cooperation Organization (CACO)¹ in October 2004 decided to establish a transport consortium to harmonize transport legislation, policies, and regulations among its member countries; develop transport network and forwarding services; ensure security and environmental protection; and strengthen institutional capacity of transport agencies. The Shanghai Cooperation Organization (SCO) member countries,² five of which are CAREC members, are negotiating a draft Intergovernmental Agreement on Facilitation of International Road Transport.³ The Governments of the SCO member countries are committed to conclude negotiations on the draft agreement within the first half of 2005. The agreement could be subsequently expanded to all CAREC member countries and other countries in the region. Investments have also been made to improve several regional transport corridors. However, overall progress of these initiatives has been modest. Continued efforts are necessary to help achieve results quickly and maintain momentum for cooperation.

V. Strategy for Regional Cooperation in Transport

7. The goal of regional cooperation in transport is to develop an integrated and efficient transport system among the CAREC member countries to help achieve sustainable economic growth and poverty reduction. The new transport system should be based on an integrated multimodal transport infrastructure network, and will provide links within the CAREC member countries, enhance their access to outside large markets, reduce transport costs, improve transport services, and facilitate cross-border and transit traffic in the region.

8. In achieving this goal, regional cooperation in transport among the CAREC member countries has five strategic priorities:

- (i) Harmonization and simplification of cross-border transport procedures and documentation among the CAREC member countries to facilitate the movement of passengers and freight across borders.
- (ii) Harmonization of transport regulations among the CAREC member countries to create a level playing field for transport operators and promote efficiency and better services.
- (iii) Development and improvement of regional and international transport corridors to link production centers and markets within the CAREC member countries, and to enhance CAREC member countries' access to neighboring regions and markets.

¹ The Central Asia Cooperation Organization comprises Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan.

² The Shanghai Cooperation Organization consists of Kazakhstan, Kyrgyz Republic, the PRC, Russian Federation, Tajikistan, and Uzbekistan.

³ The first negotiating meeting on the draft agreement was held in Urumqi on 3–7 August 2004 and the second meeting was held in Beijing on 9–12 March 2005.

- (iv) Restructuring and modernization of railways to provide quality and efficient services through private sector participation and improved corporate governance.
- (v) Improvement of sector funding and management to ensure that the regional transport network is developed, operated, and maintained properly.

VI. Multilateral Institutions' Assistance Program for Regional Cooperation in Transport (2005–2006)

9. Multilateral institutions (MIs)⁴ will continue providing financial and advisory assistance to the CAREC member countries in support of its strategy for regional cooperation in transport. The MI's assistance program for 2005–2006 comprises 20 lending projects amounting to \$511.6 million and 14 nonlending projects amounting to about \$6.6 million. A consolidated assistance program of multilateral institutions for lending and non-lending products in 2005–2006 is shown in Tables 1 and 2, respectively, of Appendix 3. The major lending projects likely to be supported in the road subsector are the east-west and north-south corridors in Azerbaijan, the southern corridor in the Kyrgyz Republic, the Altai corridor linking the PRC and Russia through west Mongolia, and the Dushanbe-Kyrgyz corridor in Tajikistan. The lending pipeline for the railway subsector includes a regional railways rehabilitation project to strengthen the access to Afghanistan via Uzbekistan, a north Tajik railway improvement project, and a Dostyk-Aktogai rail upgrading project. In addition, a regional traffic enhancement project is proposed. Nonlending projects will be provided during the same period to support the harmonization of transport regulations and cross-border procedures, regional transport studies, institutional strengthening and capacity building of transport agencies. MIs will continue working closely with other development parents to cofinance lending and nonlending projects for regional cooperation in transport in the CAREC member countries.

VII. Performance Monitoring

10. Benchmarks to monitor transport sector performance are shown in the following table.

⁴ Multilateral institutions comprise the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IsDB), United Nations Development Programme (UNDP), and the World Bank (WB).

Table: Central Asia Regional Transport Sector Roadmap

Item	Indicators/Targets		
	2003	2010	
A. Sector Outcomes			
External Trade (US\$ billion)	85.1	119.8	
Volume of Freight Traffic (billion ton-km)	375.6	528.5	
Volume of Passenger Traffic (billion passenger-km)	187.0	263.2	
B. Sector Outputs			
Length of Road Network (km)	464,890	498,400	
Of which, length of category I highway (km)	n.a.		
Length of Railway Network (km)	27,400	29,000	
Of which, length of electrified railway lines (km)	7,688	8,000	
Road Network Density (km/100 km ²)	6.2	6.6	
Railway Network Density (km/100 km ²)	0.4	0.4	
Road Accident (total number/ fatalities)	n.a.	To be reduced by 5% per annum	
Regional Road Transport Agreement	No	In place	
Share of public investment in transport to GDP (%)	2.1	3.0	
Share of funding for road maintenance to GDP (%)	0.2 ^a	0.3	
C. Key Sector Issues			
<ul style="list-style-type: none">• Inefficient cross-border and transit movement of passengers and freight due to excessive bureaucratic procedures and poorly equipped border posts.• Lack of unified transport regulations in the CAREC member countries.• Inadequate regional transport network, particularly lack of transport connections to production centers, markets, and land access to ports, as well as poor transport infrastructure due to insufficient funding for proper maintenance.• Lack of competition in railways due to the monopolistic nature of the organizations, and limited private sector participation.• Limited institutional and human resource capacities in the transport sector.			
D. Actions, Milestones, and Investments	Schedule	By Agency	
		Multilateral Institutions	CAREC Governments
Harmonization and simplification of cross-border transport procedures and documentation	2005-2010	ADB, EBRD, WB	X
Harmonization of transport regulations	2005-2010	ADB, EBRD, WB	X
Development and improvement of regional and international transport corridors	2005-2010	ADB, EBRD, IsDB, WB	X
Railway restructuring and modernization	2005-2010	ADB, EBRD, IsDB	X
Improvement of sector funding and management	2005-2010	ADB, EBRD, IsDB, WB	X
MLs' assistance program: \$511.6 million (lending) and \$6.0 million (nonlending)	2005-2006		X

^a Excluding the PRC and Uzbekistan due to the unavailability of the data.

ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, IsDB = Islamic Development Bank, km = kilometer, WB = World Bank.

Key Transport Sector Indicators in the CAREC Member Countries
(2003)

Item	Azerbaijan	Kazakhstan	Kyrgyz Republic	Mongolia	PRC		Tajikistan	Uzbekistan
					National ^b	Of which, XUAR		
Length of Road Networks (km)	25,021	89,000	34,000	49,250	1,765,222	59,910	26,000	181,712
Of which, Category I Highways (km)	n.a.	n.a.	n.a.	0	52,598	n.a.	n.a.	n.a.
Road Network Density (km/100 km ²)	27.9	3.3	17.0	3.3	18.3	3.6	18.2	40.6
Length of Railway Networks (km)	2,944	14,510	425	1,815	71,898	2,775	950	3,993
Of which, Electrified Railway Lines (km)	1,270	5,800	0	0	17,409	0	0	618
Railway Network Density (km/100 km ²)	3.4	0.5	0.2	0.1	0.2	0.2	0.7	0.9
Freight Traffic (million ton-km)	22,165	259,090	1,479	7,504	5,054,300	83,704	1,664	28,595
Of which, Roads (million ton-km)	6,241	40,158	875	242	678,250	32,500	571	9,600
Railways (million ton-km)	7,719	147,672	561	7,253	1,551,560	47,500	1,086	18,900
Civil Aviation (million ton-km)	204	94	43	8	5,155	64	8	95
Passenger Traffic (million passenger-km)	12,601	94,806	5,493	2,246	1,412,570	34,200	2,683	34,971
Of which, Roads (million passenger-km)	9,861	81,464	5,033	557	780,580	19,500	1,727	28,949
Railways (million passenger-km)	654	10,686	50	1,039	496,940	10,610	50	2,065
Civil Aviation (million passenger-km)	1,113	2,654	410	650	126,870	4,090	906	3,957
Road Accidents (number)	2,311	14,013	1,555	5,278	773,137	10,095	1,378	n.a.
Road Accidents (fatalities) ^a	724	2,754	n.a.	391	109,381	2,563	421	n.a.
Registered Vehicles ('000 units) ^a	480	1,460	264	138	205,317	468	187	240
Public Investment in Transport (million in local currency)	1,693,468	52,900	522	20,300	n.a.	n.a.	26.4	163,700
Share of Public Investment in Transport to GDP (%)	9.0	1.2	0.6	1.5	n.a.	n.a.	0.6	1.7
Funding for Road Maintenance (million in local currency)	70,000	2,200	298	1,834	n.a.	n.a.	5.3	n.a.
Share of Funding for Road Maintenance to GDP (%)	0.2	0.1	0.4	0.1	n.a.	n.a.	0.1	n.a.

^a 2002 figures for XUAR in the PRC.

^b 2002 figures for the PRC due to the non-availability of the 2003 figures.

CAREC = Central Asia Regional Economic Cooperation, GDP = gross domestic product, km = kilometer, PRC = People's Republic of China, XUAR = Xinjiang Uygur Autonomous Region in the PRC.

Sources: Governments of CAREC member countries.

Multilateral Institutions' Assistance Pipeline for Regional Cooperation in the Transport Sector

Table 1: Assistance Pipeline for Lending Products, 2005–2006

Project Title		Country Involved	Lending Agency	Amount (US\$ million)
2005				
1.	East-West Road Corridor Improvement (Yevlax-Ganja Section and Qazax-Georgian Border Section)	AZE	ADB	50.0
2.	Reconstruction of Yevlax to Ganja Road	AZE	IsDB	10.4 (Approved on 7 February)
3.	Baku-Russian Border Road Reconstruction	AZE	EBRD	91.0 (€70.0)
4.	Locomotive and Track Renewal	AZE	EBRD	30.0 (€23.0)
5.	Shymkent-Samara Road	KAZ	WB	
6.	Osh-Irkeshtam Road Rehabilitation (phase I)	KGZ	IsDB	10.0
7.	Reconstruction of the Taraz-Talas-Suusamyr Road (phase I)	KGZ	IsDB	10.0
8.	Dushanbe-Kyrgyz Border Road Rehabilitation (phase II)	TAJ	ADB	30.0
9.	Shagon-Zigar Road Reconstruction (phase II)	TAJ	IsDB	13.8
10.	TSA Air Fleet Upgrade	TAJ	EBRD	4.9 (€3.8)
11.	Regional Railways Rehabilitation	UZB	ADB	20.0
Subtotal for 2005				272.6
2006				
1.	Regional Traffic Enhancement	Regional	ADB	50.0
2.	Baku-Astara Road Reconstruction	AZE	IsDB	10.0
3.	Dostyk-Aktogai Rail Upgrading	KAZ	EBRD	100.0
4.	Reconstruction of the Taraz-Talas-Suusamyr Road (phase II)	KGZ	IsDB	10.0
5.	Issyk-Kul Ring Road Reconstruction	KGZ	IsDB	10.0
6.	Kyrgyz Southern Transport Corridor Road (Osh-Sary Tash-Irkeshtam) Rehabilitation (phase II)	KGZ	ADB	20.0
7.	Tajik North Railway Modernization and Improvement	TAJ	ADB	20.0
8.	Anjirobi-Ponyoug Road Reconstruction	TAJ	IsDB	10.0
9.	Rehabilitation of Railway Network (Termez-Galaba Bridge)	UZB	IsDB	9.0
Subtotal for 2006				239.0
TOTAL (2005–2006)				511.6

Table 2: Assistance Pipeline for Non-Lending Products, 2005–2006

Project Title	Country Involved	Donor Agency	Amount (US\$'000)
2005			
1. Regional Traffic Enhancement	Regional	ADB	600.0
2. Transport and Trade Facilitation Workshop	Regional	WB	110.0
3. Transport Sector Development Strategy	AZE	ADB	350.0
4. Preparing a Southern Road Corridor Improvement Project (PPTA)	AZE	ADB	600.0
5. Kyrgyz Southern Transport Corridor Road (Osh-Sary Tash-Irkeshtam) Rehabilitation (phase II) (PPTA)	KGZ	ADB	300.0
6. Feasibility Study on Issyk-Kul Ring Road Reconstruction	KGZ	IsDB	250.0
7. Altai Transport Corridor Pre-feasibility Study	MON/PRC	ADB	150.0
8. Transport Sector Study	UZB	ADB	600.0
Subtotal for 2005			2,960.0
2006			
1. Regional Railway Development (phase I)	Regional	ADB	850.0
2. Harmonization of Cross-Border Initiatives for Transport	Regional	ADB	850.0
3. North-South Road Corridor Improvement (PPTA)	AZE	ADB	600.0
4. Altai Transport Corridor Development Feasibility Study (PPTA)	MON/PRC	ADB	700.0
5. Dushanbe-Kyrgyz Border Road Rehabilitation (phase III) (PPTA)	TAJ	ADB	400.0
6. Feasibility Study on Kafanigan-Yavan Railway Line	TAJ	IsDB	250.0
Subtotal for 2006			3,650.0
TOTAL (2005–2006)			6,610.0

ADB = Asian Development Bank, ADTA = advisory technical assistance, AZE = Azerbaijan, EBRD = European Bank for Reconstruction and Development, IsDB = Islamic Development Bank, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, MON = Mongolia, PPTA = project preparatory technical assistance, PRC = People's Republic of China, RETA = regional technical assistance, TAJ = Tajikistan, UZE = Uzbekistan, WB = World Bank.

Sources: Multilateral institutions.

Table: Lending and Non-Lending Projects Approved by Multilateral Institutions for Regional Cooperation in the Transport Sector
(From January 2004 – March 2005)

Project Title	Country	Amount (\$ million)	Approval Date	Brief Project Description
A. Lending				
Asian Development Bank				
Regional Road Development (Loan 2087)	MON	37.1	22 July 2004	To develop the remaining section (428 km) of the road to link the PRC and Russia via Mongolia.
Southern Transport Corridor Road Rehabilitation (Loan 2106)	KGZ	32.8	23 Nov 2004	To improve about 124 km of the Osh-Sopu Korgon road to link the Kyrgyz Republic, the PRC and Uzbekistan.
European Bank for Reconstruction and Development				
Silk Road	AZE	41.0	8 June 2004	To reconstruct the 85 km Hacıqabul-Kurdamir section of the road transport corridor between Baku and Georgia.
Islamic Development Bank				
Reconstruction of Yevlax to Ganja Road	AZE	10.4	7 Feb 2005	To improve the 50 km Yevlax-Ganja section of the road transport corridor between Baku and Georgia.
B. Nonlending				
Asian Development Bank				
Yevlax-Ganja Road Rehabilitation	AZE	0.15	12 Aug 2004	To update the feasibility of the investment project.
Dushanbe-Kyrgyz Border Road Rehabilitation (Phase II)	TAJ	0.5	31 Aug 2004	To help the Government prepare the investment project.
Improving Road Maintenance and Strengthening the Transport Corridor Management Department	KGZ	0.8	23 Nov 2004	To help establish and operate the management department of the Osh-SaryTash-Irkeshtam transport corridor.
Formulating and Implementing an Intergovernmental Agreement of the Shanghai Cooperation Organization (SCO) member States on Facilitation of International Road Transport	Regional	0.5	23 Dec 2004	To assist SCO member countries in negotiating the Intergovernmental Agreement on Facilitation of International Road Transport.
Awareness and Prevention of HIV/AIDS, Sexually Transmitted Infections, and Human Trafficking	KGZ	0.5	23 Nov 2004	To assist in awareness and prevention of HIV/AIDS, STIs, and human trafficking on the Osh-SaryTash-Irkeshtam transport corridor.
European Bank for Reconstruction and Development				
Prefeasibility Study on improving the Road between Baku and the Russian Border	AZE			To conduct pre-feasibility of the investment for improving the road between Baku and the Russian border.

AZE = Azerbaijan, KGZ = Kyrgyz Republic, MON= Mongolia, TAJ = Tajikistan.

Sources: Asian Development Bank, European Bank for Reconstruction and Development, and Islamic Development Bank.

Multilateral Institutions' Assistance Pipeline for Regional Cooperation in the Transport Sector
Table 1: Assistance Pipeline for Lending Products, 2005–2006

Project Title		Country Involved	Lending Agency	Amount (US\$ million)
2005				
1.	East-West Road Corridor Improvement (Yevlax-Ganja Section and Qazax-Georgian Border Section)	AZE	ADB	50.0
2.	Reconstruction of Yevlax to Ganja Road	AZE	IsDB	10.4 (Approved on 7 February)
3.	Baku-Russian Border Road Reconstruction	AZE	EBRD	91.0 (€70.0)
4.	Locomotive and Track Renewal	AZE	EBRD	30.0 (€23.0)
5.	Shymkent-Samara Road	KAZ	WB	
6.	Osh-Irkeshtam Road Rehabilitation (phase I)	KGZ	IsDB	10.0
7.	Reconstruction of the Taraz-Talas-Suusamyr Road (phase I)	KGZ	IsDB	10.0
8.	Dushanbe-Kyrgyz Border Road Rehabilitation (phase II)	TAJ	ADB	30.0
9.	Shagon-Zigar Road Reconstruction (phase II)	TAJ	IsDB	13.8
10.	TSA Air Fleet Upgrade	TAJ	EBRD	4.9 (€3.8)
11.	Regional Railways Rehabilitation	UZB	ADB	20.0
Subtotal for 2005				272.6
2006				
1.	Regional Traffic Enhancement	Regional	ADB	50.0
2.	Baku-Astara Road Reconstruction	AZE	IsDB	10.0
3.	Dostyk-Aktogai Rail Upgrading	KAZ	EBRD	100.0
4.	Reconstruction of the Taraz-Talas-Suusamyr Road (phase II)	KGZ	IsDB	10.0
5.	Issyk-Kul Ring Road Reconstruction	KGZ	IsDB	10.0
6.	Kyrgyz Southern Transport Corridor Road (Osh-Sary Tash-Irkeshtam) Rehabilitation (phase II)	KGZ	ADB	20.0
7.	Tajik North Railway Modernization and Improvement	TAJ	ADB	20.0
8.	Anjirobi-Ponyoug Road Reconstruction	TAJ	IsDB	10.0
9.	Rehabilitation of Railway Network (Termez-Galaba Bridge)	UZB	IsDB	9.0
Subtotal for 2006				239.0
TOTAL (2005–2006)				511.6

Table 2: Assistance Pipeline for Non-Lending Products, 2005–2006

Project Title	Country Involved	Donor Agency	Amount (US\$'000)
2005			
1. Regional Traffic Enhancement	Regional	ADB	600.0
2. Transport and Trade Facilitation Workshop	Regional	WB	110.0
3. Transport Sector Development Strategy	AZE	ADB	350.0
4. Preparing a Southern Road Corridor Improvement Project (PPTA)	AZE	ADB	600.0
5. Kyrgyz Southern Transport Corridor Road (Osh-SaryTash-Irkeshtam) Rehabilitation (phase II) (PPTA)	KGZ	ADB	300.0
6. Feasibility Study on Issyk-Kul Ring Road Reconstruction	KGZ	IsDB	250.0
7. Altai Transport Corridor Pre-feasibility Study	MON/PRC	ADB	150.0
8. Transport Sector Study	UZB	ADB	600.0
Subtotal for 2005			2,960.0
2006			
1. Regional Railway Development (phase I)	Regional	ADB	850.0
2. Harmonization of Cross-Border Initiatives for Transport	Regional	ADB	850.0
3. North-South Road Corridor Improvement (PPTA)	AZE	ADB	600.0
4. Altai Transport Corridor Development Feasibility Study (PPTA)	MON/PRC	ADB	700.0
5. Dushanbe-Kyrgyz Border Road Rehabilitation (phase III) (PPTA)	TAJ	ADB	400.0
6. Feasibility Study on Kafanigan-Yavan Railway Line	TAJ	IsDB	250.0
Subtotal for 2006			3,650.0
TOTAL (2005–2006)			6,610.0

ADB = Asian Development Bank, ADTA = advisory technical assistance, AZE = Azerbaijan, EBRD = European Bank for Reconstruction and Development, IsDB = Islamic Development Bank, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, MON = Mongolia, PPTA = project preparatory technical assistance, PRC = People's Republic of China, RETA = regional technical assistance, TAJ = Tajikistan, UZE = Uzbekistan, WB = World Bank.
Sources: Multilateral institutions.