



Summary of Proceedings

2nd MEETING OF THE RAILWAY WORKING GROUP (RWG) UNDER THE TRANSPORT SECTOR COORDINATING COMMITTEE (TSCC) OF THE CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM (CAREC)

18-19 April 2016
Bangkok, Thailand

A. Introduction and welcome remarks

1. The CAREC Railway Working Group (RWG), constituted by decision of the 14th CAREC Transport Sector Coordinating Committee (TSCC) in April 2015, convened in Bangkok, Thailand its second meeting to discuss the draft CAREC Railway Strategy and immediate and medium term actions for the development of railways in the CAREC region.
2. The meeting was co-organized and sponsored by the United Nations Economic and Social Commission for Asia and Pacific (UNESCAP) and the Asian Development Bank (ADB). It was supported by the International Union of Railways (UIC), Transport Corridor Europe-Caucasus-Asia (TRACECA) program, ADB Institute, CAREC Institute, and Georgian Railway. The agenda is in **Attachment 1** and the list of participants is in **Attachment 2**.
3. The meeting was welcomed by representatives of UNESCAP and the Government of Pakistan, which is the current chair of the CAREC Transport Sector Coordination Committee (TSCC). Speakers emphasized the importance of sustainable transport development for the benefits of Asian and Pacific economies. They highlighted the advantages of railways as a more environment-friendly and efficient mode of long-distance freight transport. At the same time, missing railway links and different railway infrastructure and operational standards are seen as obstacles to tapping the full potential of railways. Director, Transport and Communications Division, Central and West Asia Department, ADB thanked UNESCAP for its kind hospitality and assistance in hosting the meeting, and all other organizations and individuals for their active participation. The central role for the RWG to guide the development of the Strategy was highlighted.

B. Country responses to draft CAREC Railway Strategy

4. Delegates and participants reflected on the proposed draft Strategy and indicated their country's priorities for improving railway infrastructure and operations, implementation of institutional reforms and improving customer service. All countries expressed their strong support for the proposed draft Strategy. It was emphasized that the Strategy is expected to provide a balanced approach encompassing both infrastructure investments and institutional and operational development. RWG participants reflected that the draft Strategy reflects their national priorities for railway development, too.
5. Afghanistan, as a country that has newly introduced railways, emphasized importance of professional development in the area of railway infrastructure development and operations. Kazakhstan proposed to increase attention to improving maintenance and rehabilitation of existing rail assets. Such investments can have lower capital expenditure, but offer higher returns. Furthermore, there was potential to expand non-sovereign financing of railway projects

through Public Private Participation (PPP) arrangements. These proposals will be duly reflected in the revised draft Strategy.

6. CAREC Designated Railway Corridors and Priorities for Infrastructure Development. Participants expressed overall support to the proposed CAREC Designated Railway Corridors (DRC)¹ and the preliminary list of investment projects for development of the CAREC railway network. Countries confirmed that the proposed DRCs are in line with their national priority plans. The Pakistan delegation proposed a list of minor changes in corridor alignment, which were included in their country presentation. These proposals will be reflected in the revised draft Strategy.

7. It was noted that prioritization of investment projects requires good quality information and appropriate models which assess the political, economic and social sustainability of proposed infrastructure investments. It was noted that the availability and quality of data for investment analysis is an issue. Multifactor models for complex investment decisions are also available. To support use of relevant models, CAREC needs to establish a robust system of data collection.

8. Improving the readiness of priority project investments. Countries agreed to consider forming sub-working groups to further research and improve the investment readiness of selected corridor investment projects:

- PRC-Kazakhstan-Azerbaijan*-Georgia
- Kazakhstan*-Turkmenistan-Iran
- Turkmenistan-Afghanistan*-Tajikistan
- PRC-Kyrgyzstan*-Uzbekistan
- Turkmenistan-Afghanistan*-Pakistan
- Tajikistan-Afghanistan-Pakistan*

(* denotes country nominated for lead role)

9. Countries will conduct further consultations on the side of the RWG and prepare proposals how to establish such sub-working groups.

10. Countries agreed to expedite working on a bilateral basis for developing four proposed rail links:

- Pakistan-Afghanistan
- Pakistan- PRC
- Azerbaijan-Iran
- Afghanistan-Iran

11. Commercial, institutional and operational development of CAREC railways. The concepts presented to address the soft components that could make rail transport more attractive were considered very informative and inspiring. These included ideas for possible common freight forwarding arrangements, possible joint operators, joint rolling stock and locomotive supply, bulk/logistics terminals, corridor management units and joint transport service design, transitional support for railway reform and institutional development, tariff

¹ These are based on the six multimodal corridors identified under CAREC Transport and Trade Facilitation Strategy 2020.

reform, cost accounting modifications, use of IT including for information exchange and freight tracking, customs/border control improvements, and developing new channels for investment financing including tapping financial markets and private investment.

12. These ideas were preliminary in nature and will require further work but countries expressed interest in further studying these as part of the Strategy. It was noted that the overall approach to soft components should follow a phased approach, including obtaining further data and feasibility assessments at the initial stage and identifying components that can offer early prospects for progress as well as components that may require work over a longer period.

13. It was also noted that in many cases it may initially be too ambitious to expect all CAREC countries to jointly work on soft components and it will be more realistic to work as smaller clusters of countries that can later be expanded as appropriate. A further point noted was that soft components may, where possible, draw upon the existing private sector companies involved in the sector (e.g. freight forwarders, logistics firms) rather than setting up new CAREC entities.

14. Further cooperation and integration of CAREC railway activities requires an intensive sharing of information between countries with respect to standards and regulations. A continuous dialogue and the establishment of some kind of information database will enable CAREC railways to gradually align their efforts to provide adequate freight transport that responds to customer needs. Besides, to become customer-responsive a lot of marketing efforts are needed, including to ensure return cargo to improve profitability.

15. Kazakhstan and Mongolia shared information on the advantage of preliminary shipment information. Preliminary information on cross-border railway transport consignments would enable advance processing of customs cargo manifests and improve operational readiness of partner railways to accept and handle cross-border cargo. CAREC Secretariat encouraged other countries to follow good practice of preliminary cargo information sharing for customs risk assessment.

16. **Strengthening CAREC railway cooperation.** Delegates emphasized the importance of making a strong collective regional effort to advance CAREC railways and proposed strengthening of cooperation mechanisms between/among CAREC railways. A suitable facilitation mechanism may be put in place for implementation of bilateral and multilateral cross-border rail transport agreements within the framework of the CAREC RWG.

C. Looking forward: Endorsing the CAREC Railway Strategy 2030

17. In summary, the delegates approved the overall direction proposed in the draft Strategy, with a view to the CAREC Secretariat making final refinements to incorporate their comments in the Strategy and Results Framework, for subsequent review and submission for endorsement by the 15th TSCC. To complete the Strategy, delegates further agreed on the following:

- CAREC Railway Strategy 2030 is to be approved by the CAREC Senior Officials Meeting, which will be held in Islamabad, Pakistan in October 2016;
- Comments raised by the delegates and development partners will be integrated in the revised draft Strategy by the CAREC Secretariat and circulated to countries by end May 2016;

- Countries will provide additional comments on the draft Strategy by mid June 2016;
- The sub-working groups and bilateral groups to improve priority corridor investment readiness will be established by end May 2016.

D. Additional items

18. The meeting expressed its gratitude to the organizers for the excellent arrangements in hosting the workshop. The Secretariat conveyed its thanks to all participating country delegates and development partners for their strong support in successfully executing the meeting.