



Summary of Proceedings

Fourth Meeting of the CAREC Railway Working Group

22-23 April 2019, Tashkent, Uzbekistan

Introduction

1. At the 15th CAREC Ministerial Conference in Islamabad in October 2016, the CAREC member countries endorsed the CAREC Railway Strategy, titled “*Unlocking the Potential of Railways: A Railway Strategy for CAREC 2017-2030*” (the Strategy). The Strategy was developed to serve as a guiding document for the long-term development of CAREC railways. The CAREC strategic vision for rail transport is “*to be a mode of choice for trade: quick, efficient, accessible for customers, and easy to use throughout the region by 2030*”.

2. The Strategy was formulated by the Railway Working Group (RWG), which was set up by the decision of the 14th Transport Sector Coordinating Committee (TSCC) in Ulaanbaatar in April 2015. The RWG consists of representatives of railway agencies from CAREC member countries, supported by expert organizations such as the Organization for Cooperation of Railways (OSJD) and International Union Railways (UIC), as well as CAREC development partners. The RWG has met three times—in Tokyo in November 2015, in Bangkok in April 2016, and in Tbilisi in May 2017. The RWG is responsible for the implementation of the Strategy, and the monitoring and reporting of progress toward this implementation.

3. CAREC member countries are now working to implement the Strategy. At the 17th TSCC meeting in Istanbul, Turkey in April 2018, CAREC member countries sought further assistance to accelerate implementation.¹ Based on this request, ADB has now mobilized a new technical assistance (TA) project with the generous financial support of the People's Republic of China Poverty Reduction and Regional Cooperation Fund (PRCF), and the United Kingdom Fund for Asia Regional Trade and Connectivity (ARTCF).

Meeting Objectives

4. The Fourth Meeting of the RWG (the Meeting) was held in Tashkent, Uzbekistan on 22-23 April 2019, to agree on practical measures for implementation of the Strategy in the first three years of its implementation. In conjunction, the RWG meeting reviewed the proposed approach to the new TA project, and in particular sector assessments, a subregional rail traffic model, project preparation, and capacity development.

¹ The summary of proceedings of the 17th TSCC is available at <https://www.carecprogram.org/uploads/2018-17th-TSCC-Meeting-Summary.pdf>.

5. The Meeting was chaired by the Government of Uzbekistan in its role as the chair to the CAREC program in 2019. The Meeting was attended by representatives from CAREC member countries, and was supported by development partners including Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), European Bank for Reconstruction and Development (EBRD), International Union of Railways (UIC), Japan International Cooperation Agency (JICA), Shanghai Cooperation Organization (SCO), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the World Bank. The Meeting agenda and list of participants are in Appendices 1 and 2.

Session 1: Recalling the vision and priorities of the CAREC Railway Strategy

6. Countries recalled the contents of the Strategy, which formulates a number of priorities for the following three primary efforts: develop effective rail infrastructure, develop robust commercial capabilities, and improve legal and regulatory frameworks.

7. Through a presentation by Udo Sauerbrey, CAREC countries recalled the importance of “soft” elements of railway sector improvement to improve reliability, efficiency, sustainability and the market orientation as the major elements for the implementation of the Strategy. The provision of freight services, especially in internationally coordinated supply chains requires improved reliability regarding timing of deliveries, which can be provided by optimizing capacity allocation by the infrastructure manager, enabled by information technology. Market orientation can and should be achieved with further information to customers and easier access to services. EBRD noted that data provision is important to monitor the internal performance of railways (KPI). Georgian Railway noted that logistics chains should also include last mile activities, supported by IT systems. UIC mentioned that an electronic seal could support border crossing procedures.

Session 2: Introduction to the CAREC Railway Sector Development Technical Assistance 2019-2021

8. The Secretariat introduced the TA project which has been introduced under the explicit request of the 17th TSCC, and in support to the RWG in the implementation of the Strategy through (i) railway transport market research, (ii) project identification and preparation, (iii) knowledge sharing, and (iv) capacity development.

9. RWG Members and development partners expressed support for the main TA outcomes, outputs, work streams and activities outlined in TA Report and TA Approach Paper. The TA outcome is that railway investments in CAREC Member Countries are prioritized to match market opportunities and backed by sector reforms. The two outcome targets are that (i) a prioritized CAREC railway investment plan is adopted, and (ii) sector commercialization and reform measures are submitted for government consideration in at least five Member Countries. These outcomes will be delivered by four outputs: (i) railway transport model prepared, (ii) CAREC railway project preparation facility established and at least three prefeasibility studies prepared, (iii) agency-specific actions/measures for commercialization and reform prepared and disseminated, and (iv) at least three knowledge products on commercialization and reform

published or presented. These outputs and outcomes will be accomplished by implementing five inter-connected work streams: (i) railway transport modelling, (ii) preparing country railway sector assessments, (iii) developing the project preparation facility, (iv) support for capacity development, and (v) support for knowledge products and events. Members agreed to make available relevant data to realize the full potential of the TA, particularly for the modelling and sector assessments. They also recognized that successful implementation of the TA could lead to the CAREC railway project preparation facility and other features of the TA being retained over the medium term as a tool to help further accelerate CAREC railway development.

10. Participants welcomed relevant initiatives by development partners including World Bank, EBRD, UNESCAP and UIC. Development partners agreed to use the RWG to coordinate among and draw upon such initiatives. UNESCAP in particular expressed their desire to support the RWG on (a) developing railway subsector country assessments for CAREC countries, (b) developing traffic forecasting model as well as standardizing it and providing required intergovernmental support as may be needed by railways.

Session 3: Country rail subsector assessments

11. Through an interactive session, participants recognized that railways in the CAREC region are complex, dynamic and interdependent among each other. Participants noted that sector assessments can serve as a diagnosis of the railway system in a particular country and collectively as a region, identify problems and their underlying causes, and thereby lead to the development of concrete solutions to overcome them. All CAREC countries expressed interest in either undertaking new sector assessments, or updating existing ones, both with the support of the TA. Countries interested in fast-tracked support for such sector assessments were invited to approach the CAREC Secretariat, so that such support can be offered at the earliest possible instance.

12. A presentation by UNESCAP indicated the various initiatives being taken by the countries to promote international railway transport including eventual development of railway corridors into economic corridors - an example of the Kazakhstan-Turkmenistan-Iran (KTI) railway corridor was provided in this regard. Working with KTI countries ESCAP is currently working to commercialize the corridor through development of a corridor management mechanism and developing a marketing plan for the corridor. For further strengthening of international railway transport the presentation alluded to the need for electronic information exchange between railways and other stakeholders as well as harmonization of customs transit formalities.

Session 4: Railway project preparation facility

13. The pre-feasibility facility offered through the TA will help the RWG to conduct two or three pre-feasibility studies to provide a relatively fast solution to assess technical project option, cost estimates, potential economic benefits and project risks (financial, technical, political, environmental, social, etc.). The main conclusion of pre-feasibility study will be whether a full due

diligence is recommendable, assuming commitment of countries to borrow for actual project implementation.

14. RWG Members endorsed the process of screening and prioritizing proposed railway investment projects and knowledge products/events for support under the TA. This will be based on (i) countries submitting proposals to the ADB secretariat; (ii) ADB screening and prioritizing the proposals with assistance from the TA consultants, and recommending proposals to receive support from the TA; and (iii) the next RWG meeting reviewing the screened and prioritized proposals and endorsing the recommendations. Members also expressed support for the selection criteria and asked the TA consultants to quickly provide countries with a template for submitting proposals, with a view to all countries submitting initial proposals for consideration by the next RWG meeting. Countries noted that they could submit further proposals at their convenience later in the TA implementation period.

Session 5: CAREC transport model development

15. At the Third RWG, Members expressed interest in developing a multimodal CAREC transport model as a tool for identifying investments and other improvements to make railways more competitive and attract more traffic. Development of the model will require substantial work by ADB and Member Countries. The main focus will be freight traffic but passenger traffic will also be included as it uses the same infrastructure as freight, affecting infrastructure capacity utilization, speeds and transport operating costs. In addition to examining traffic movements along corridors, the relationship between the corridors and the wider transport network will also be considered.

16. Model development will be undertaken in three stages: (i) collating of data for zones and networks, (ii) preparation of the model, and (iii) using the model to assess the long list of possible interventions suggested by Member Countries, preparing corridor demand projections with and without the interventions, and providing inputs for preliminary estimation of expected economic and financial returns. Together with information obtained from the country rail sector assessments, the analysis of the long list of interventions will provide an input for preparing a prioritized list of investments based on rail traffic flow analysis and for selection of promising interventions for prefeasibility study preparation through the project preparation facility.

17. Besides inventory data for the transport network infrastructure, two critical data requirements concern the availability of (i) defined geographical traffic zones in each Member Country, together with supporting socio-economic data, that can be adopted as the basis for defining traffic origins and destinations; and (ii) origin-destination surveys to enable preparation of a reliable baseline trip distribution.² These are often prepared when conducting national transport studies and transport models, and will need to be made available to the TA consultants.

18. Each Member Country agreed to work with the TA consultants to provide (i) detailed inventory data for all their country's major transport infrastructure including plans for infrastructure

² In the case of the earlier GMS transport model, existing traffic zones and origin-destination surveys were provided by GMS member countries.

upgrading; (ii) information on critical bottlenecks on corridors; (iii) socio-economic data for incorporation into the traffic zone database (e.g. population, employment by category and regional gross development product); (iv) any available projections of socio-economic data; (iv) any movement count data on infrastructure links such as ton movement by category, as well as classified traffic counts; (v) customs data including nborder tariffs and border clearance times by both rail and road mode; and (vi) transport operating cost data (e.g. cost of movement of a ton of freight by various modes, fuel costs and road toll costs). Videoconference/skype meetings with Member Country representatives will be used to make quick progress on this work.

19. The TA consultants will also seek to draw upon subregional models and data prepared by other international organizations (e.g. TRACECA, UIC, OSJD, and UNESCAP).

20. The RWG agreed that the model will be developed using Cube, a leading transport modeling software.³ The shape format of Cube network file outputs is compatible with standard GIS software.

Session 6: Capacity development and knowledge support

21. To support the policy-side of the spectrum of sector actions, the KSTA will support CAREC countries by means of knowledge products and events in common areas of interest in sector reform and commercialization. At the Technical Meeting in May 2019, RWG participants will be asked to express preferred topics, based on criteria proposed by TA consultants.

22. As an example of an area in which knowledge support and capacity building may be of value, a presentation was given on the establishment of Public Service Contracts (PSOs). Passenger transport as important element of railway services needs and will need financial support. The funding of such services should include a “performance regime” that connects the support to the quality of the service. For that purpose the contracting of funding in so called “Public Service Obligation Contracts” is seen as a useful development. To agree with governments and authorities on such contracts, a sophisticated knowledge regarding the overall services costs and revenues needs to be installed and reported on regular basis. The session was also used to highlight the importance of “cost monitoring” as crucial element to increase the railway performance.

Session 6: CAREC railway TA planning

23. Countries acknowledged that the TA will one of the vehicles to support the RWG to accelerate the implementation of the CAREC Railway Strategy.

24. The RWG expressed general satisfaction with the TA implementation arrangements outlined in the TA Approach Paper. The RWG will oversee TA implementation assisted by ADB and development partners. Meetings of the RWG will take place at regular intervals during 2019

³ CUBE is a proprietary software of the Citilabs Corporation of USA.

and 2020 (tentatively 4 meetings per annum). These will in most cases be held alongside other CAREC meetings and knowledge events that countries will already be attending. In 2019 it was planned to convene an additional technical meeting on 21–24 May at the time of the Railway Innovations Forum at ADB HQ, Manila; and the next RWG meeting in quarter 3 or 4 of 2019, either to coincide with the week of 14–18 October during the ADB-Austria Railway Asset Management training (location to be advised), or the UNESCAP-hosted events in December 2019.

25. Countries confirmed that the four country clusters will provide a useful starting point for engaging in technical discussions about possible cross-border railway investments and commercialization/reform measures. They appreciated that the composition of clusters can be adjusted as needed.

26. The Secretariat outlined the main TA work plan tasks during 2019–20. Timeframes for the work are still tentative. Development of the CAREC railway transport model is expected to take about 6–8 months, with the model to be ready for use in assessing proposed project interventions by the first quarter of 2020. This timeframe will depend on countries kindly making available necessary data and existing models requested by the TA consultants. Most of the country rail sector assessments will be prepared in 2019, starting with training workshops and two pilot assessments between June and August 2019. Based on initial screening and prioritization of countries' project and knowledge proposals, the first prefeasibility study will be prepared between November 2019 and March 2020, with at least two further such studies between June and September 2020; and knowledge products and events will be delivered regularly during the TA implementation period. Capacity gaps and reform needs will be identified as part of the country sector assessments and investment prefeasibility studies. The TA consultants will then help country railway organizations prepare commercialization and reform actions by the fourth quarter of 2020.

27. Countries agreed on several priority follow-up actions to be accomplished before the technical meeting in Manila in May 2019:

- (i) Each country and development partner shall update their focal point to the RWG. The updated focal point will also nominate additional staff to assist in this role, if necessary;
- (ii) TA consultants shall provide criteria and templates for countries to propose both investment projects and knowledge products and events, provide countries with details of data and models needed as inputs for the CAREC railway transport model, and prepare the TA inception report for consideration at the technical meeting in May 2019;
- (iii) ADB shall recruit national consultants to be available in time for initial data gathering and field visits beginning in June 2019; and
- (iv) Countries shall submit initial project proposals for both investments projects and knowledge products and events based on the criteria and templates provided, and provide data and models needed for the CAREC railway transport model.⁴

⁴ Proposals to be sent to jsluijter@adb.org with copies to ksakamoto@adb.org and tyrrell.duncan@gmail.com

Field visit on high-speed train to Samarkand

28. Generously facilitated by the Government of Uzbekistan and O'zbekiston Temir Yo'llari, participants undertook a field visit on the high-speed railway to Samarkand. Through this site visits, participants (i) observed how Uzbekistan as host country to CAREC in 2019 is undertaking investments in high-quality railway infrastructure to improve connectivity within its territory as well as serving to improve the quality of regional railway network, (ii) observed how such investments in railway infrastructure is linked to wider strategic objectives of the country in terms of diversification of the economy, tourism sector development, and climate-friendly growth, and (iii) recalled through the historical description of Samarkand, how regional connectivity has historically been central to the development of the region. The field visit provided a venue for meeting participants to discuss in a less-formal setting, matters of mutual interest with regards to regional connectivity and integration.

Conclusion and Appreciation

29. Participants expressed their satisfaction with the consensus reached during the Meeting, which will be presented to the 18th TSCC meeting on 25-26 April 2019. Participants endorsed the Approach Paper for the implementation of the new TA, subject to the refinements as recorded above (Appendix 3).

30. Participants thanked the Government of Uzbekistan and O'zbekiston Temir Yo'llari for its active role in chairing the meeting and for their generous hospitality. The delegates also expressed appreciation for the efforts of the CAREC Secretariat and the development partners for organizing and facilitating the meeting.