

**Outcome of CAREC National Joint Transport and Trade Facilitation Committee Workshop
on Preparation of CAREC Regional Improvement of Border Services Project
Venue: UN Conference Center, Bangkok,
Date: 27-28 January 2011**

A. Introduction

1. The 8th CAREC Ministerial Conference (MC) in October 2009 in Ulaanbaatar, Mongolia, endorsed a plan to address physical infrastructure needs at border crossing points (BCPs) along each of the six priority CAREC corridors and establish network of national single window (SW) facilities through a regional investment project for Improvement of Border Services (RIBS). At the 9th CAREC MC held in Cebu City, Philippines 31 October to 1 November 2010, the CAREC Ministers reconfirmed the proposed project and acknowledged the need to strengthen national joint transport and trade facilitation committees (NJC), which will support the preparation and implementation of the proposed project. In January 2011, the ADB Board of Executive Directors approved the technical assistance project to prepare the RIBS. A consulting firm will be engaged by ADB to perform due diligence on these BCPs to determine their economic, technical and financial feasibility. The objectives of the workshop were to review potential investment proposals from delegates related to BCPs and single windows (SWs) and discuss the coordination mechanism for the project, particularly regarding the NJCs.

B. Regional Investment Project for Improvement of Border Services

2. ADB's Team Leader for the proposed RIBS project briefed NJC representatives on the results of the 9th CAREC MC and provided the background, rationale, objectives and timeline for the preparation of the proposed project. He emphasized the regional public goods feature of the project and the greater likelihood of achieving sufficient improvement if countries work together. In describing project components, he noted that improvement on one side of a BCP without corresponding improvements in administration, facilities, and traffic patterns on the other side will not produce maximum benefit. Likewise, a national single window will not achieve optimal results if there is no interoperability or inter-connectivity enabling data exchange between NSWs. He also called attention to the very tight timeline for the project preparation, noting the expectation by CAREC ministers that some loan agreements be signed at the 10th CAREC MC in November 2011.

3. ADB Project Team members¹ provided the following additional information:

- (i) Project preparation technical assistance (R-PPTA) has been approved by the ADB Management. The preparation of technical, economic and financial feasibility studies will be done by a consulting firm to be hired in accordance with ADB guidelines. The request for proposals has been issued; consultants are expected to be fielded by mid-April 2011.

¹ The ADB Team was comprised of Messrs. Ying Qian, Team Leader and Lead Regional Cooperation Specialist,, Yuebin Zhang, Senior Regional Cooperation Specialist, and Mr. Jeff Procak, Regional Cooperation Specialist, of EARD, Sunil Mitra, Senior Transport Specialist, Nurlan Djenchuraev, Environment Specialist, and Wang Hong, Principal CAREC Coordinator, of CWRD, and Cheong Ann Png, Counsel, OGC.

- (ii) The proposed project will have two distinct but closely linked components: BCP infrastructure improvements and single window development and trade facilitation. Two task teams and a coordination unit have been created to manage project preparation. Task Team 1 BCP Infrastructure Investment is headed by Mr. Sunil Mitra and Task Team 2 on Single Window Development and Trade Facilitation is headed by Mr. Yuebin Zhang. A coordination unit based in Almaty will be headed by Mr. Wang Hong.
- (iii) BCP Infrastructure Investment component may include: a) Modern office and communication equipments; b) Installation of non-intrusive inspection equipment at BCPs; c) Development of essential infrastructure to support trade logistic facilities adjacent to the BCPs; d) Development of good BCP infrastructure, optimal lay-out, and adequate equipment; e) Construction of good access roads and parking areas for differentiated vehicles and cargo; f) Construction of multimodal transport facilities; g) Construction of facilities for value added processing and cold storage and temperature controlled warehouses; and h) Provision for safe and secured facilities for parking, refueling, truck repair, driver meals and rest, including washing rooms for men and women.
- (iv) Criteria for selection of BCP projects are: a) strong country ownership and willingness of both sides to make complementary investments on a given BCP; b) accession to cross-border transit agreements; c) readiness of project proposal, readiness for implementation and well defined priorities; d) technical and economic viability; e) positive due diligence results and results of safeguard assessments; and f) effective functioning of NJCs which is very critical as consultants will be fielded only for a short time.
- (v) The SW development component may include: a) assistance in developing NSWs, including hardware and software; b) feasibility of creating a platform for interoperability and interconnectivity of NSWs;
- (vi) Criteria for selection of SW development projects are: a) strong country ownership; b) enabling legal and policy environment (laws and resolutions for SW development); c) readiness (ICT status and capacity, SW master plan and implementation action plan, etc.); d) technical and economic viability, and e) positive due diligence results.

C. Project Proposals from Respective Countries

4. Responding to the issues raised and objectives presented, NJC representatives updated workshop participants on their progress in facilitating trade and the parameters of their possible participation in the proposed project.

1. BCP Infrastructure Investment

5. Regarding BCP investment proposals, two countries provided concrete proposals. Mongolia proposed Bulgan (also known as Yarant) BCP, next to PRC's Takeshiken BCP, and Zamyn Uud, next to Erenhot. PRC indicated that 5 BCPs² in Xinjiang (2 bordering KAZ, 2 bordering KGZ, and 1 bordering MON) from among the 29 pairs of BCPs on CAREC corridors will participate in the RIBS project, for which the estimated investment needs amount to \$100 million (with approximately \$54M proposed from ADB OCR).

² Alataw Shankou, Takeshiken, Khorgos, Torugart, and Irkeshtan.

6. The second group of countries (Azerbaijan, Tajikistan, Kyrgyz Republic,³ and Uzbekistan)⁴ all indicated they will have BCPs to be proposed under the RIBS project. They did not present detailed plans or estimates of possible investments, but committed to submit this information to ADB prior to consultant mobilization (anticipated mid-April 2011). However, some of the BCPs (such as Beyuk Kesik of Azerbaijan, which connects with Georgia) might link to non-CAREC member countries; others, such as Kulma of Tajikistan, which connects to the PRC in the Pamir region,⁵ may not be situated on CAREC corridors. Noting that most of its BCPs lack logistics facilities, Tajikistan has adopted a resolution allocating land around or near BCPs for the development of logistics centers to be constructed under PPP.

7. Delegates from Afghanistan did not prepare their list of proposed BCPs and informed ADB Mission that they will submit soonest when they return to their country. They did express their intent to include BCPs with Pakistan for possible inclusion in the proposed project. Afghanistan's delegation informed the meeting of a recently signed Afghanistan Pakistan Trade Agreement; that Afghanistan is also now a member of TIR; and that Afghanistan intends to join the CAREC Cross-Border Transit Agreement (CBTA). To facilitate accession, Afghan participants requested a copy of the agreement.⁶

8. Kazakhstan, on the other hand, while acknowledging the project's importance, is not clear if it will participate in the RIBS project. However, all countries do understand the need to have coordinated improvement on both sides of border crossings, and those countries which might not participate in the RIBS project should initiate corresponding improvements by themselves on their side of the border crossing. ADB agreed therefore that the criterion requiring both countries sharing a BCP to make complementary investments should not exclude BCPs categorically if one of the countries does not join the project, but economic justification must be compelling. Inclusion in the project of a BCP proposing investments on just one side of the border may also be considered if the counterpart BCP will be (or has been) improved by the neighboring country using its own resources or those provided by other sources/donors. It is essential, however, to secure the cooperation of countries not participating in the project (such as Georgia, Pakistan, and Turkmenistan) to improve border control facilities and processes on their side of BCPs that may be included in the project.

2. SW Development

9. Regarding SW investment proposals, Mongolia, Tajikistan and Kyrgyz Republic have completed formulation of master plans and are ready to enter into the implementation stage. Mongolia indicated it will borrow under the RIBS for its SW,⁷ and Tajikistan – which has a target date of 2013 for a fully operational SW – informed the Mission that the European Union plans to provide Euro 2 million (the remaining portion would need to be financed under the RIBS

³ Possibly Torugart, Irkeshtan, and Chaldovar BCPs

⁴ Uzbekistan will choose from the following road BCPs – Alat (Bukhara oblast), Airatom (Surkhandariya oblast), Oibek, Yallama, Gisht-Kuprik (Tashkent oblast), Dustlik (Andizhan oblast), Dautota (Republic of Karakalpakstan); and rail BCPs – Khojidadavlet (Bukhara oblast), Uzbekistan (Tashkent oblast). Most BCPs have already been renovated, but equipment needs have yet to be addressed.

⁵ Tajikistan inquired from PRC on plans to make the counterpart BCP into an all-season BCP. PRC indicated it has plans to upgrade that BCP to be open year-round.

⁶ Both the Kyrgyz Republic and Tajikistan indicated no objection to sharing the CBTA document although it is still to be ratified. ADB may share the text of the CBTA with others, stipulating that ratification is pending. Tajikistan called attention to a need for BCP personnel to be trained on how properly to implement the CBTA.

⁷ Mongolia is refining its Implementation Master Plan and has benefited from the preparation of a feasibility study by KTNET. Mongolia plans to hold a donor conference in the first half of 2011 to secure funding for its SW.

project). Kyrgyz Republic's SW project has already obtained partial financing from ADB.⁸ Uzbekistan has established an inter-government commission for SW development and there is a possibility for ADB financing at a later stage.⁹ Likewise, Afghanistan is looking forward to development of its SW system, but the timing and readiness is not yet certain.¹⁰ Kazakhstan has obtained a loan from the World Bank which has an SW component, but implementation has lagged. Kazakhstan attributes this lag in part to World Bank procurement procedures and may finance the development of its single window from its own resources.¹¹

10. The current focus of most countries is on the development of national SWs. The need for better regional compatibility among national SWs will need to be addressed more effectively. RIBS will support the national SWs in which it invests in adopting harmonized data structure and related techniques to ensure future interconnectivity and interoperability of national SWs in the CAREC region. Azerbaijan introduced its SW in 2010 and is now discussing development of interconnectivity with other countries. Azerbaijan indicated a willingness to share its SW lessons learned with other CAREC countries

11. ADB clarified that the proposed project can assist in the development of national SWs and, where SW facilities are in place, determine additional investment needed to enable inter-connectivity and inter-operability. Incremental measures to harmonize the ICT systems of different trade-related ministries can also be considered. The project could support investments to integrate and interface such systems, paving the way for development of a true SW facility.

3. Implementation Considerations

12. NJCs are ADB's key counterparts for project design, preparation, and implementation. To underscore the importance of developing NJC capacity, UNESCAP workshop participants emphasized the challenging tasks ahead for the trade facilitation efforts of the CAREC member countries. They highlighted the need for full cooperation of all players to ensure that these efforts yield positive results. They provided an overview of the trade facilitation and single window programs of UNESCAP and the services available to member countries. They also provided an overview of the transport facilitation programs of UNESCAP and the crucial role these programs play in helping countries to achieve development goals. A newly issued Transport Planning Model may be useful for preparation of the RIBS project. UNESCAP participants reviewed the various structures of NJCs, their potential roles in facilitating trade and contributing to economic development, and the relevance of NJCs in the preparation and implementation of the proposed RIBS project. UNECE participants emphasized that re-use of data is the objective of a single window, and that legal/organizational parameters for data exchange are key. UNECE has developed a SW High level planning tool which may be used by the R-PPTA consultants in designing the single window component.

⁸ The Kyrgyz delegation indicated they will prepare more detailed proposals for additional SW investments by the time PPTA consultants are fielded. The Kyrgyz SW committee is now headed by the Ministry of Economic Regulation but no final decision on a business model has been taken. The Customs Committee is a leading candidate to operate the SW.

⁹ Uzbekistan has identified large BCPs that process cargo as priorities for integration into a SW facility. While the database of the State Customs Committee may serve as the basis for a SW facility, a SW lead agency still needs to be identified. Investment cost estimates have yet to be calculated.

¹⁰ Afghanistan is studying plans to develop a single window based on the ASYCUDA system.

¹¹ As part of this process, the Customs Union and revised Customs Code have reduced to three the numbers of forms which traders presently need to complete. Kazakhstan is working to reconcile the development of a single window facility with its Customs Union with Russia and Belarus.

13. Workshop participants reported that Kazakhstan, Kyrgyz Republic and Tajikistan have properly established NJCs with adequate mandates. Mongolia has established a NJC, but it requires strengthening. Azerbaijan and Afghanistan have “PRO-Committees” previously supported by UNCTAD, but these committees are now dormant and need to be revitalized. Uzbekistan has an inter-ministerial working group on trade and SW issues, which can serve as the NJC. While PRC does not have a formally instituted NJC, delegates reported that PRC has an inter-ministerial coordinating mechanism which effectively performs the NJC functions.

14. Delegates inquired whether ADB can provide financial support to strengthen their respective NJCs. ADB staff explained that ADB is unable to fund NJC operations. However, NJCs may host project management offices. Managing loan implementation will be a good opportunity to strengthen NJCs.

15. ADB guidelines on environment, resettlement and gender issues were presented. Given the very tight deadline for project preparation, it was suggested that subprojects classified as “A” – those which entail resettlement – should be avoided.

16. A Coordination Unit will be set up in Almaty where the consultants will be based. Counterparts from the governments will need to be identified before the consultants are fielded – an overall focal point for the project and sectoral focal points who will be able to guide and direct the consultants on specific sectoral matters.

17. ADB financing for the project is approximately \$150 million: \$70 million from subregional ADF resources, \$30 million from ADF country allocations, and \$50 million from OCR (for Kazakhstan, Azerbaijan, and PRC).

C. Next Steps

18. Country delegates will report to their governments about the proposed RIBS and the timetable for the project preparation and the loan. They will also work with the proper agencies to identify the overall and sectoral focal points for the project.

19. ADB will send a letter to (1) enable the participants to bring up the inclusion of the project/loan to their central planning agencies and (2) encourage the governments to name focal points soonest possible. Given the tight schedule and complexity of government procedures to take on sovereign loans, the team will also consider alternative documents to bring to the MC in November. The project processing timeline will be considered at the time of the June 2011 SOM.

20. Delegates were requested to provide feedback on the legal requirement of each country to enter into a loan agreement and to also provide a list of issues or foreseen challenges that can be useful for the Task Teams.

21. A CAREC consultation mission will be visiting PAK and TRK shortly to discuss strategies for integration into CAREC programs.

22. ADB will field a mission to visit the CAREC countries to streamline the timetable prior to consultant mobilization.