

**Minutes of the
CAREC Corridors Performance Measurement and Monitoring Workshop
23-24 February 2009 Guangzhou, PRC**

Introduction

1. The CAREC Transport and Trade Facilitation Strategy and its Action Plan focus on six transport and transit corridors through the Central Asia region. These corridors will link the major and rapidly growing markets within the CAREC region and with the rest of the global economy, thus optimizing for CAREC member countries the benefits from being transit countries, stimulate increased economic activities and generate higher incomes for the people in the region.
2. Efficiency and efficacy considerations demand that conditions along these six corridors be measured and monitored regularly to identify the bottlenecks to efficient trade, travel and transport along the routes and help determine the courses of action that need to be taken to address such bottlenecks. It is for this reason that CAREC, with assistance from the Asian Development Bank (ADB), is implementing the CAREC Corridor Performance Measurement and Monitoring (CPMM) program.
3. From November 2008, ADB trade and transport facilitation experts went around the region and consulted with both public and private sector on the methodologies to be used in gathering data for the CPMM. They also helped identify possible partner freight forwarders and transport carrier associations who will take charge of gathering data for the CPMM, developed drivers' forms and revised templates.
4. **Mr. Ying Qian**, ADB, provided an overview of the 2-day workshop and the objectives of the PMM Workshop: (i) to discuss in more detail the technical issues in implementing the Time Cost Distance (TCD) methodology and recent updates; (ii) validate the appropriateness of selected CAREC corridors; and (iii) finalize project schedule, partnership arrangements and data consolidation procedures.

Summary of Presentations and Issues Raised

5. **Mr. Max Ee, Consultant**, introduced the TCD methodology and explained in detail the drivers' form and the important points to be noted; the use of the TCD Excel templates and the graphs that are automatically generated by filling up the forms. He also discussed briefly the basic analysis involved in interpreting the graphs.
6. The Association of International Road carriers of **Azerbaijan (ABADA)** gave an overview of the associations' objectives, structure, bilateral agreement with international road services and international conventions to which Azerbaijan is party to.
7. **Kyrgyz Carriers Association (KCA)** presented results of data gathered using the TCD methodology including initial findings along corridors 1c, 2a, 2b, and 5. Common problems encountered along the three routes include: (i) delays are mainly caused by too many controlling authorities along the corridors including road police; and (ii) customs procedures such as use of convoys and early closure of offices at border crossing points (BCPs) cause considerable delays and unnecessary costs. KCA also pointed out the advantages of the TCD methodology: (i) comparability of data because of use of common indicators; (ii) graphs are automatically generated and clearly shows bottleneck points; and (iii) the methodology provides opportunity to create a database at country and regional level for more sophisticated and historical analyses. The disadvantage of the methodology cited was the need for intensive training for the drivers to properly fill up the forms.

8. One interesting observation by KCA is it appears that Chinese drivers are forced to pay sometimes 10 times more the unofficial payments as compared to Kyrgyz drivers. TIR truckers also draw a lot more attention from the road police.

9. **China International Freight Forwarders Association (CIFA)** presented their analysis of information gathered on international rail transshipment from Tianjin (PRC) to Dostyk (Kazakhstan). Mr. Lin Zhong enumerated the major challenges to the CPMM implementation in PRC: data to be collected include confidential business information and companies are reluctant to participate, the data gathering covers several countries and will require good cooperation between these countries, and the restrictions imposed by some countries will not allow the drivers or association personnel to complete data collection from point of origin to final destination.

10. **Inner Mongolia Autonomous Region Logistics Association** presented the numerous problems encountered by transport and logistics associations at the Erenhot BCP including lack of basic support services to handle large cargo particularly timber, lack of equipment and trained personnel to handle hazardous materials, large stockpiles of goods in rail wagons due to regulations that allow private sectors to abuse free use of such wagons and unreasonably high control fees and charges.

11. **Economtransconsulting of Kazakhstan** presented good prospects for the development of the main rail corridors in Kazakhstan and a need to address the problems in Dostyk BCP which has been identified as one of the major constraint to the rail development efforts. The CPMM will hopefully help identify the major causes of these constraints.

12. **Xinjiang Uygur Autonomous Region Logistics Association** only managed to receive one filled up driver's form because of global economic slowdown and the holiday season; most trucks are either still idle or are yet to come back from their first trip this year.

13. **Afghanistan Association of Freight Forwarding Companies (AAFFCO)** presented the challenges faced by the transport companies in Afghanistan and offered recommendations on how to address and overcome the difficulties that hinder and constrain the flow of trade particularly the provision of logistics services and capacity building for the customs authorities.

14. The **Association of Road Carriers of Uzbekistan (AIRCUZ)** briefed the participants on the transport situation in Uzbekistan and plans to improve road transport infrastructure and support facilities to facilitate trade.

15. **Mongolia National Chamber of Commerce and Industry (MNCCI)** gave an overview of the status of the transport network of Mongolia and preliminary results of the TCD survey. Paved roads are fairly new in Mongolia and most of them are not fit for transport of large cargo thus most of the cargo are transported by rail. It was also noted that cost of transport of goods imported from China is much lower than cost of transport for export goods. It will not be difficult for Mongolia to collect rail data but might experience difficulties in getting road transport data given the road conditions in the country.

16. **Association of International Automobile Carriers of Tajikistan (ABBAT)** informed the participants that 83% of transport in the country is by road. Therefore future plans to improve transport and trade sectors should focus on road infrastructure improvement and the harmonization of border control procedures, reduction of trade barriers, and improving safety standards. ABBAT has personnel in all border crossing points that collect data on all vehicles entering and exiting Tajikistan and the association assured the workshop participants of their full cooperation in implementing the CPMM.

17. **Association of Afghanistan Freight Forwarders Companies (AAFFCO)** presented an overview of the country and highlighted the weak physical infrastructure that is a significant impediment to trade. There is also a lack of logistics facilities and ADB will support developments in these critical areas. The delegate then advised on the distances between the key cities in Corridor 3, 5 and 6. Torkham is the key BCP linking Afghanistan to Peshawar in Pakistan, where the port of Karachi is used frequently for imports.

18. Mr. Igor Rounov, Permanent Delegate to the CIS Region, **International Road Transport Union (IRU)** gave a presentation on the objectives of IRU and an overview of the New Europe Land Transport Initiative (NELTI) project which started in 2008. The NELTI project's objectives complement the goals of the CPMM and collaboration between the two projects is deemed beneficial for both parties. Mr. Rounov cited the preliminary findings of the NELTI project. It has demonstrated the commercial viability and efficiency of long-haulage; confirmed the efficiency of 3 routes: (i) Northern Corridor: Kazakhstan to Russian Federation, (ii) Central Corridor: the old Silk Road through the Caucasus and (iii) Southern Corridor: Iran to Turkey. The NELTI participating countries gave good political support to the NELTI implementation. It will not only re-establish the link between Asia and Europe but also strengthen economic linkages among Central Asian countries. The NELTI project has so far demonstrated the security and safety in using the road routes as evidenced by 100 roundtrips with no attack on drivers. The NELTI project has also demonstrated that there have been steady demands for road transport despite the recent reduction in transport volume due to the global financial crisis partly because small businesses continue to use road transport. He believes this will eventually lead to a re-thinking of global supply chain routes as road transport becomes more efficient and the economic situation improves in the future

Focused Discussion on Specific Transport Corridors

19. Group discussion on CAREC Corridor 1 focused whether extension of the corridor would be covered by CPMM, e.g., from Lianyungang or Tianjin port to Alashankou, or only measure the segment within Xinjiang to Alashankou. Participants felt it would be beneficial to monitor long haul extension of Corridor 1 for rail and multi-modal transport. There was also a question on whether the TCD methodology can accommodate both road and rail transport monitoring. The consultants confirmed that the TCD methodology was robust enough to include rail monitoring.

20. Regarding Corridor 2, it was earlier decided by the CAREC Ministerial Conference that the more appropriate route to be covered by CPMM is 2a as there is no partner association in Turkmenistan that has been identified to monitor corridor 2b. The discussions concluded that the majority of traffic currently pass through 2b so monitoring will be done on 2b by Azerbaijan, Kazakhstan and Uzbekistan partner associations, 2a will also be covered as much as possible by the above partner associations. ADB will try to establish partnership(s) with logistics or transport association(s) in Turkmenistan, if needed. PRC will monitor road transport instead of rail transport from Urumqi to Kashi instead from Turpan to Kashi since volume of trade from Urumqi is much larger than from Turpan. Uzbekistan partner association will carry out road transport monitoring first and will decide how to monitor rail transport later with the assistance of ADB experts.

21. Similar to Corridors 1 and 2, the monitoring activities on Corridors 3 and 4 will cover both 3a and 3b for both for road and rail transport, while only one route in 4b will be covered. It was noted that 3a is a major cotton export route for Uzbekistan. Kazakhstan partner association confirmed their readiness to monitor both road and rail transport. In Afghanistan, certain segments of 3b are still under construction, so monitoring activities will be concentrated on Mazar-i-Sharif, Hairatan and Termez segments.

22. Regarding Corridor 5, the consultants informed the participants of an alternative competing route which however passes through Kashmir and thus, it is foreseen that corridor 5 will become more significant in the future. Tajikistan and Kyrgyzstan both confirmed that they will be able to cover Corridor 5. Afghanistan expressed strong sentiment to open a direct border crossing point with PRC. However, current road conditions (high attitude and cold weather) and security issues do not support such initiative at the moment. Neighboring countries offered concrete suggestions on how Afghanistan can optimize trade flow into their country using Corridor 5 by linking up with the transport and logistics associations in the CAREC countries including PRC. Uzbekistan indicated that Samarkand to Termez is a major transit route and should be included.

23. The Tajik delegate shared that currently that the road in Karamik is being rehabilitated and therefore the border crossing point at Jhirkatal is more frequently used for corridor 5. This is acceptable for the TCD as the two points are relatively near and lie along corridor 5.

24. Regarding Corridor 6, it was pointed out that Afghanistan is the only CAREC member country who is also a member of the South Asia Association for Regional Cooperation (SAARC) and thus may serve as the gateway for other CAREC countries interested in trade with South Asia. Afghanistan inquired if PRC plans to open up and build the infrastructure of a border post directly linking PRC to Afghanistan. XUAR delegate answered that the local government currently does not have plans to open a BCP at the border with Afghanistan. Nevertheless, he noted bilateral trade between Afghanistan and PRC is increasing. He suggested that Afghan freight forwarders can setup representative office in Kashi to establish transport routes using Corridor 5.

Other Areas of Work

23. Uzbekistan and Kazakhstan have agreed to start two new projects - to set up a regional information logistics center and a regional network of warehouses - that will provide essential information to businesses on availability of logistics services along the six CAREC priority corridors. ADB expressed support for the projects and will explore the setting up of a common platform for logistics information that will be accessible to all CAREC participating countries. ADB also informed the participants of the Regional Transit Agreement sponsored by the Shanghai Cooperation Organization (SCO) that has recently been approved and protocols and annexes are now being drafted. Once finalized, the protocols and annexes are open to accession even by non-members of the SCO.

Conclusion and Work Plan

Data collection Process

23. The workshop participants have reached consensus regarding data collection for road transport on the following issues:

- The partner associations will conduct monitoring activities as much as possible on round trip basis as gathering data on return trips can provide the associations with opportunities to optimize and streamline their operations;
- Although 15 minutes is set as the minimum for each stop, stops for unofficial payments etc will be recorded on the driver's form under "Other" activities;
- Partner associations could opt to request their drivers to report infrastructure deficiencies in "Comments" section of driver's form;

- Partner associations may further simplify the drivers' forms in consultation with CAREC secretariat but should not alter the TCD template in order to ensure consistency of data collected by CAREC participating countries; and
- Other important information such as forced offloading of cargo during transportation due to overweight violations should be recorded even though the actual cost to carriers may not be recorded.

24. Since it's difficult to standardize rail operations across CAREC countries, participants reached a consensus regarding rail transport data collection that each partner association will make its own arrangement to transfer rail monitoring information directly into the standardized TCD template.

25. The number of observations per month would be set at 30 samples and each partner association will allocate at least half (15 observations) on designated sub-corridors 1b, 2a, 3b, 4b, 5, 6c, as approved by the CAREC Ministerial Conference of 2008, and associations can decide how to split between road and rail transport depending on the relative importance among corridors and between road and rail transports for certain segments of the corridors.

Submission, Analyses and Reporting

26. Partner associations will submit the data in TCD template form to the CAREC secretariat at ADB for consolidation and analysis. The CAREC secretariat at ADB will build a database to support data analysis and reporting.

27. Quarterly reports on CPMM providing summarized data analysis, and twice a year in-depth report will be submitted to CAREC senior officials meeting and the Ministerial conference.

28. Partner associations are encouraged to analyze the data as well and compare their results with that of CAREC secretariat. Analytical results by country prepared by the CAREC secretariat would be reviewed by partner associations and, if necessary, by member governments before its release to the general public. The analytical reports will be provided to respective national transport and trade facilitation coordination committees (NJC) and the CAREC Regional Transport and Trade Facilitation Coordination Committee (RJC) when necessary.

Processing and Scheduling

29. The CPMM is envisaged as a multiyear project. A Memorandum of Understanding (MOU) was signed between ADB, acting as the CAREC secretariat and each CAREC partner association. The MOUs define the roles and responsibilities of both parties and will cover 1 year of CPMM activities, with option to renew for another year. Upon signing of the MOU, partner associations will start the data collection process in March 2009.

30. An advance payment facility will be set up by ADB to compensate the operational costs of each partner association, and will be liquidated per actual expenses using the Statement of Expenditure method.

Extension of the CPMM Project

31. Successful implementation of the CPMM Project will allow CAREC member countries and its Secretariat (i.e., ADB) to gain a much higher level of understanding of the transport and trade facilitation issues in the region. This knowledge will help governments in the region and ADB to better plan investment and technical assistance projects to remove bottlenecks and upgrade institutional capabilities to provide trade related functions and

services.

32. This workshop has created an effective forum among freight forwarders associations and road carriers associations to meet and discuss common areas of interests and embark on innovative projects for their common good. ADB will support the continuation of such forum and serve as an intermediary to gather and resolve regional transport and trade logistics and facilitation issues under the overall umbrella framework of CAREC.