



Reference Document
For Session 1 of the Senior Officials' Meeting
November 2011

Transport Sector Progress Report and Work Plan (late 2011–2012)

**10th Ministerial Conference on
Central Asia Regional Economic Cooperation
22–24 November 2011
Baku, Azerbaijan**

CONTENT

	Page
I. OVERVIEW	2
II. KEY DEVELOPMENTS	2
A. Physical Investments	2
1. Corridor 1 (<i>Europe-East Asia</i>)	2
2. Corridor 2 (<i>Mediterranean-East Asia</i>).....	3
3. Corridor 3 (<i>Russian Federation–Middle East and South Asia</i>)	3
4. Corridor 4 (<i>Russian Federation–East Asia</i>).....	3
5. Corridor 5 (<i>East Asia–Middle East and South Asia</i>)	4
6. Corridor 6 (<i>Europe–Middle East and South Asia</i>).....	4
B. Nonphysical Investments.....	4
1. <i>Nonphysical Aspects</i>	4
2. <i>Progress on the Cross-Border Transport Agreement</i>	5
III. WORK PLAN (2011–2013)	6
IV. KEY ISSUES	6

I. OVERVIEW

1. The Transport and Trade Facilitation Strategy (TTFS) and Action Plan for 2008–2017 aims to upgrade six key transport corridors across the CAREC region and simplify and harmonize the regulations that govern cross-border trade in the region.

2. The Action Plan, comprising 70 physical and 52 nonphysical investments, is being implemented to construct or improve about 8,380 km of roads, 5,300 km of railway lines, 7 airports, 3 ports, and 7 logistics centers to implement 5 trade facilitation projects. Considerable progress has been made to date.

II. KEY DEVELOPMENTS

A. Physical Investments

3. By August 2011, about 4,000 km of road sections (49% of the total) have been completed, 3,950 km (47%) are ongoing, and the rest (4%) are planned for 2012 or beyond. For railways, about 2,240 km of railway lines (37% of the total) have been completed, 2,100 km (35%) are ongoing, and the rest (28%) are planned for 2012 or beyond.¹ Nineteen projects in other subsectors (5 aviation, 3 ports, 6 logistics centers, and 5 trade facilitation) are ongoing. The subsequent paragraphs provide a description of the progress along each of the six CAREC corridors.

1. Corridor 1 (Europe–East Asia)

4. Corridor 1, running down from the Russian Federation through Kazakhstan and the Kyrgyz Republic to the People's Republic of China (PRC), comprises 13,600 km of roads and 12,000 km of railways. Investments are needed to improve about 3,800 km of roads, 3,470 km of railways, 1 logistics center, and 3 airports.

5. By 2011:

- 1,650 km of roads (43% of the total) will be constructed or reconstructed.
- 1,560 km of railway lines (45% of the total) will be constructed, reconstructed, or electrified.
- PRC: Xinjiang Regional Road Improvement (Korla-Kuqa), New Road (Jinghe-Ala Shankou), and Lianyungang–Khorgas Expressway (Guozhigou and Qin Shui He) will be completed.
- PRC: Jinghe-Yining-Khorgas railway, Double Tracking (Wuxi-Jinghe Rail Line), and electrification of Hongliuhe–Ala Shankou railway line will be completed.
- PRC: Urumqi international airport and Kashi airport expansion will be completed. Implementation of the logistics center in Khorgos is ongoing.
- The total targeted length of roads was increased from 3,744 km to 3,803 km, because actual reported length for the Lianyungang–Khorgas Expressway (Guozhigou and Qin Shui He) in the PRC was increased.
- The total targeted length of railways was increased from 2,872 km to 3,473 km.

¹ A more accurate measurement of physical progress of the corridors was undertaken this year.

2. Corridor 2 (Mediterranean–East Asia)

6. Corridor 2, running from Istanbul through Azerbaijan, Kazakhstan, Uzbekistan, Tajikistan and the Kyrgyz Republic to the PRC, comprises 9,900 km of roads and 9,700 km of railways. Investments are needed to improve about 1,580 km of roads, 890 km of railways, 4 airports, and 3 ports.

7. By 2011:

- 940 km of roads (59% of the total) will be completed.
- 110 km of railway lines (13% of the total) will be completed.
- AZE: East-West Highway Improvement project will still be ongoing and construction of the Baku international sea-trade port complex will commence.
- KAZ: Rehabilitation of the Aktau–Beyneu road will commence and upgrading of the Aktau port and Caspian Sea shipping ferries will be still ongoing.
- KGZ: Reconstruction of the Osh international airport will commence.
- UZB: improvement of the Bukhara airport will be completed.
- The targeted total length of roads was increased from 1,062 km to 1,579 km, because actual reported length of the road project in Azerbaijan was increased.

3. Corridor 3 (Russian Federation–Middle East and South Asia)

8. Corridor 3 comprises 6,900 km of roads and 4,800 km of railways, running from west and south Siberian region of the Russian Federation through Afghanistan, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan to the Middle East and South Asia. Investments are needed to improve 1,555 km of roads, 1,022 km of railways, and 3 airports.

9. By 2011:

- 1,270 km of roads (81% of the total) will be completed.
- AFG: Three road projects (i.e., Qaisar–Bala Murghab road, Bala Murghab–Leman road, and Leman–Armalick road) will commence.
- KAZ: Rehabilitation of the Almaty–Kapshagai road will commence.
- KGZ: Three railway projects (i.e., electrification of the Lugovaya–Bishkek [Alamedin] railway, rehabilitation of the Balykchi–Chaldovar –Lugovaya railway, and purchase of equipment for wagon repair/maintenance facility) and two airport projects (i.e., ATC system capacity enhancement and reconstruction of the Osh international airport) will commence.
- TAJ: Rehabilitation of the Dushanbe-Kyrgyz border road (phase II) will be completed and rehabilitation of the Dushanbe–Kyrgyz border road (phase III) will commence.
- The total targeted length of roads was reduced from 1,594 km to 1,555 km, because actual reported length of the road project in Kazakhstan was reduced.

4. Corridor 4 (Russian Federation–East Asia)

10. Corridor 4, which comprises 2,400 km of roads and 1,100 km of railways, serves as a trade route from the Russian Federation through Mongolia to the PRC. Investments are needed to improve 1,980 km of roads, 250 km of railways, 2 airports, and 6 logistics centers.

11. By 2011:

- 690 km of roads (35% of the total) will be completed.
- 210 km of railways (82% of the total) will be completed.
- PRC: Construction of Jining-Zhangjiakou railway will be completed.
- The total targeted length of railways was increased from 209 km to 254 km.

5. Corridor 5 (East Asia–Middle East and South Asia)

12. Corridor 5, which comprises 3,700 km of roads and 2,000 km of railways, runs from the PRC through the Kyrgyz Republic, Tajikistan, and Afghanistan to the Middle East and South Asia. Investments are required to improve 970 km of roads, 46 km of railways, and 1 airport.

13. By 2011:

- 780 km roads (80% of the total) will be completed.
- TAJ: Rehabilitation of the Dushanbe-Kyrgyz border road (phase II) will be completed.
- The total targeted length of roads was increased from 936 km to 970 km, because actual reported length of the road project in Tajikistan was increased.

6. Corridor 6 (Europe–Middle East and South Asia)

14. Corridor 6 comprises 10,600 km of roads and 7,200 km of railways, running from the Russian Federation through Kazakhstan, Uzbekistan, Tajikistan, and Afghanistan to the Middle East and South Asia. Investments are needed improve 2,490 km of roads, 1,200 km of railways, and 2 airports.

15. By 2011:

- 1,500 km of roads (61% of the total) will be completed.
- 450 km of railways (37% of the total) will be completed.
- AFG: Four road projects (i.e., Qaisar–Bala Murghab road, Bala Murghab–Leman road, Leman–Armalick road, and Pul-e-Khumri–Doshi road) will commence.
- UZB: Three railway projects (i.e., construction of the Tashguzar–Boysun–Kumgurgan section, electrification of the Tukimakchi–Angren section, and construction of the double track electrified Yangier–Jizak section and single line electrified Yangier–Farkhad section) will be completed.

B. Nonphysical Investments

1. Nonphysical Aspects

16. By 2011, 21 country-specific technical assistance (TA) projects will be completed and 4 are ongoing.² Of the 25 regional TA projects, three were completed,³ and six are ongoing. The status of the remaining 16 regional TA projects is to be determined.

² These comprise (i) railway feasibility studies in Afghanistan on the Hairatan–Mazar-e-Sharif–Heart section, Shirkhan Bandar–Kunduz–Naibabad section, and Hairatan–Naibabad–Kabul–Torkham section; and (ii) railway

2. Progress on the Cross-Border Transport Agreement

17. The *Agreement on the Cross-Border Transport of Persons, Vehicles, and Goods within the Framework of CAREC* (CBTA) is a transport facilitation accord designed to ease the transnational movement of goods and people along the CAREC corridors, principally by allowing transport operations to cross international borders and international transit. The CBTA was signed by the Kyrgyz Republic and Tajikistan in December 2010. It was ratified by Tajikistan in March 2011 and the Kyrgyz Republic in June 2011, following which the Agreement will enter into force between the two countries. Afghanistan has expressed the intention to accede to the CBTA.

18. A meeting was held in Bangkok in August 2011 among officials concerned from Afghanistan, the Kyrgyz Republic, and Tajikistan to discuss (i) the accession of Afghanistan to the CBTA, and (ii) a draft action plan for implementing the CBTA. The meeting agreed on a final draft protocol to be signed by the three countries to formalize Afghanistan's accession and to put in place the associated amendments to the CBTA. The signing ceremony is expected to take place at the 10th CAREC Ministerial Conference in Baku in November 2011. The meeting also came up with a revised draft of the action plan for implementing the CBTA, which includes the following components: (i) legal/regulatory; (ii) organization, management and systems/procedures; (iii) capacity building; (iv) infrastructure, facilities, and equipment; and (v) periodic monitoring. The action plan is being reviewed by the three countries.

19. At their meeting in Beijing in September 2011, CAREC National Focal Points (NFPs) discussed, among other things, proposals to pursue cross-border transport facilitation in the region. There was overall concurrence among them to formulating, finalizing, and implementing CAREC corridor-specific CBTAs to help remove barriers to inter-state and transit trade. The NFPs agreed that as a first step, ADB will organize information sharing workshops on ongoing and planned CBTAs in CAREC countries to help determine the appropriate instrument to enabling and easing cross-border transport along the corridors. They were also keen on finding out developments in implementing the CBTA between the Kyrgyz Republic and Tajikistan, which Afghanistan will soon join.

feasibility studies in Tajikistan on the Dushanbe–Kyrgyz border [Karamik] section and Kolkhozabad–Nizhni Pianj section.

³ ADB funded Phase II of the Regional Trade Facilitation and Customs Cooperation and Cross–Border Transport Agreements among the People's Republic of China, Kyrgyz Republic, and Tajikistan; and EU's Development of Coordinated National Transport Policies.

III. WORK PLAN (2011-2013)

20. The following priorities are proposed for the transport sector for late 2011–2013:
- Endorsement of the medium-term priority transport projects for CAREC 2020 by the 10th Ministerial Conference on CAREC.
 - Conducting of the midterm review of the Transport and Trade Facilitation Strategy and Action Plan.
 - Preparation of an action plan for implementation of the CBTA between the Kyrgyz Republic and Tajikistan.
 - Holding of the workshops on the CBTA and other transport facilitation arrangements involving CAREC countries.
 - Capacity development on safeguards and performance-based management contract for roads maintenance.

IV. KEY ISSUES

21. The following key issues related to the transport sector are identified:
- **Medium-term priority transport projects for the proposed 10-year CAREC Strategic Framework (CAREC 2020).** The medium-term (2011-2015) priority CAREC projects (MTPP) form an integral part of CAREC 2020 and represent the operational priority projects of CAREC for the next five years. CAREC countries during subregional workshops in April–May 2011 agreed on the proposed approach and criteria in formulating the MTPP: for transport and trade facilitation, the basis will be the CAREC transport and trade facilitation strategy (in transport, land transport projects must be located along CAREC corridors; projects must be included in the national development plan; at least preliminary due diligence should either be completed or underway; and it is desirable that land transport projects are covered by land transport arrangements with neighboring country[ies]). The 10th Transport Sector Coordinating Committee Meeting held on 12–13 October 2011 in Astana endorsed the list of transport and trade facilitation projects included in the MTPP.
 - **Inadequate Border Infrastructure and Facilities.** Trade facilitation requires balanced improvement on infrastructure, management, and technology. Inadequate border infrastructure and facilities on both sides of the border, as well as complicated border crossing procedures undermine the potential of transport improvement and trade expansion.
 - **Accession to the CBTA by other CAREC countries or Implementation of other transport facilitation arrangements.** To realize the intended full benefits of the CBTA, it is important that more countries along the CAREC corridors where the Agreement will apply, will become a signatories. The CBTA is designed to facilitate international transit along the corridors, providing the basis for exchange of traffic rights between and among the participating countries, and facilitation of frontier crossing formalities. Other countries along CAREC Corridor 5, which is currently the geographic scope of the CBTA in the Kyrgyz Republic and Tajikistan, are encouraged to accede to/sign the CBTA. Initial implementation of the CBTA along CAREC Corridor 5 could provide a

demonstration effect on the efficacy of the Agreement, as well as help identify possible refinements that would make it more effective.

- **Implications of the CBTA to the private sector.** A key issue resulting from the CBTA relates to differential benefits and costs to private sector organizations in the different countries. For example, with the move toward a freer market for transport services under the CBTA regime, countries with relatively weak transport industries may find that their transport industries can no longer survive. At the same time, however, the general economy of such countries may benefit as transport costs decrease. Cooperation between the public and private sector will be important for achieving the full benefits of the Agreement. In this regard, it will be important to implement provisions of the CBTA that provide for the private sector's input in the decision making process on international transport via its institutional arrangements. It will also be important for the private sector to be included in institutional strengthening and training activities provided under CAREC. In particular, support will be required for the creation of transport operator associations, and establishment of regional insurance and reinsurance enterprises and entities to finance transport equipment.
- **Slower Progress in proposed privately financed investments.** Progress in the projects intended by private financing is slow. Main causes are weak institutional capacity, insufficient resources, and weak country ownership. It is necessary to address slowed implementation progress.
- **Inadequate Road Maintenance.** After construction or rehabilitation, poorly maintained roads constrain mobility, significantly raise vehicle operating costs, increase accident rates and their associated human and property costs. It is necessary to implement a well-planned program of road maintenance.
- **Need to Develop Capacities.** A capacity building framework for transport and trade facilitation that will rationalize and synchronize sustainable skills development at national and regional levels is necessary to optimize resources.