



Transport Sector Progress Report and Work Plan (November 2009 – September 2010)

**9th Transport Sector Coordinating Committee
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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 non-physical investments, is being implemented to construct or improve 8,352 km of roads, 6,051 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 Investment Projects

3. By August 2010, 2,684 km (or 32%) of 8,352 km road sections have been completed, 3,773 km (45%) are ongoing, and the rest (23%) are planned for 2014 or beyond. For railways, 2,564 km (or 42%) of 6,051 km railway lines have been completed, 972 km (16%) are ongoing, and the rest (42%) are planned for 2014 or beyond. Seventeen projects in other sub-sectors (4 aviation, 3 ports, 5 logistics centers, and 5 trade facilities) are ongoing. Table 1 summarizes implementation progress of the CAREC road and railway network by Corridor. The subsequent paragraphs provide some details.

Table 1: Road and Railway Progress of CAREC Corridors (August 2010)

| CAREC Corridor | Road Improvement (km) | | | | Railways Improvement (km) | | | |
|--|-----------------------|--------------|---------|---------|---------------------------|--------------|---------|---------|
| | Total (A) | Improved (B) | Ongoing | B/A (%) | Total (A) | Improved (B) | Ongoing | B/A (%) |
| 1. Europe-East Asia | 4,213 | 1,129 | 2,359 | 27% | 3,472 | 1,868 | 293 | 54% |
| 2. Mediterranean-East Asia | 1,691 | 801 | 499 | 47% | 892 | 113 | 779 | 13% |
| 3. Russian Federation-Middle East and South Asia | 1,165 | 503 | 419 | 43% | 1,021 | 0 | 0 | 0% |
| 4. Russian Federation-East Asia | 1,461 | 194 | 554 | 13% | 179 | 179 | 0 | 100% |
| 5. East Asia-Middle East and South Asia | 1,080 | 787 | 101 | 73% | 46 | 0 | 46 | 0% |
| 6. Europe-Middle East and South Asia | 3,741 | 1,188 | 2,171 | 32% | 1,309 | 517 | 129 | 39% |

1. Corridor 1 (Europe-East Asia)

4. Corridor 1, running from Russian Federation through Kazakhstan and Kyrgyz Republic to the People's Republic of China (PRC), comprises 13,600 km of roads and 12,000 km of railways. Investments will improve 4,213 km of roads, 3,472 km of railways, 1 logistics center, and 3 airports.

By 2010,

- 1,129 km roads (27% of the 4,213km) will be reconstructed or constructed and 2,359km will be ongoing.

- 1,868 km railways (54% of the 3,472km) of railways will be reconstructed, constructed, or electrified, and 293km will be ongoing.
- One airport will be improved (PRC's Xinjiang airport project - Urumqi international airport and Kashi airport expansion). Upgrading KGZ's air traffic control system will begin.
- A large-scale logistics center in Khorgos, Xinjiang will be completed.

2. Corridor 2 (Mediterranean-East Asia)

5. 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 will improve 1,691 km of roads, 892 km of railways, 3 airports and 2 ports.

By 2010,

- 801 km roads (47%) will be completed, and 499 km will be ongoing.
- 113 km railways (13%) of railways will be completed, and 779km will be ongoing.
- UZB's Bukhara airport will be completed.
- Upgrading of three port projects (KAZ's Aktau port, AZE's Baku international sea- trade port complex and Caspian Sea shipping ferries) will be still ongoing.

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

6. 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 will improve 1,165 km of roads, 1,021 km of railways and 3 airports.

By 2010,

- 503 km roads (43%) will be completed, and 419km will be ongoing.
- Rehabilitation of Balykchy–Chaldovar–Lugovaya railroad sections will begin.
- UZB's Bukhara airport will be completed.

4. Corridor 4 (Russian Federation–East Asia)

7. Corridor 4, which comprises 2,400 km of roads and 1,100 km of railways, serves as a trade route from Russian Federation through Mongolia to the PRC. Investments will improve 1,461 km of roads, 179 km of railways, 2 airports, and 6 logistics centers.

By 2010,

- 194 km roads (13%) will be completed and 554km will be ongoing.
- 179 km railways will be completed.
- MON's Olgiy and Hovd airports and New Ulaanbaatar International Airport will be ongoing.
- PRC's trade facilitation, institutional strengthening and training components will be completed.

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

8. Corridor 5, which comprises 3,700 km of roads and 2,000 km of railways, runs from the PRC through Kyrgyz Republic, Tajikistan and Afghanistan to Middle East and South Asia. Investments will improve 1,080 km of roads, 46 km of railways, and 1 airport.

By 2010,

- 787 km roads (73%) will be completed and 101km will be ongoing.
- PRC's Urumqi airport will be completed.

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

9. Corridor 6 comprises 10,600 km of roads and 7,200 km of railways, running from Russian Federation through Kazakhstan, Uzbekistan, Tajikistan and Afghanistan to Middle East and South Asia. Investments will improve 3,741 km of roads, 1,309 km of railways and 2 airports.

By 2010,

- 1,188 km roads (32%) will be completed and 2,171 km will be ongoing.
- 517 km railways (39%) will be completed and 129 km will be ongoing.
- UZB's Bukhara airport will be completed.

7. Border Crossing Points

10. By 2010, 15 BCPs in the Action Plan will be upgraded. Another 4 BCPs will be ongoing¹. In addition, TAJ also improved a BCP (Panji Poyon) with AFG and it's another one with KGZ (Jirgatal) is ongoing.

B. Nonphysical Investment Projects

1. Nonphysical Aspects

11. In 2010, three country-specific technical assistance (TA) projects will be completed and five are ongoing². Of twenty five regional TA projects, two were completed³, six are ongoing.

2. Progress on the Cross Border Transport Agreement

12. 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 is nearly completely negotiated by the Kyrgyz Republic and Tajikistan. It is open for accession by other CAREC countries. Supplementary activities to hasten the implementation of the CBTA at the border-crossing points will be proposed during 9th CAREC Transport Sector Coordinating Committee (TSCC) Meeting. Assistancess in training of officials related to border crossing, harmonization and simplification of border-crossing procedures, and improvement of infrastructure and facilities at border (such as improvement of parking space and computerized system, etc).

¹ PRC (Yierkeshitan) – KGZ (Irkeshtan), AFG (Islam Qila) – IRN (Dogharoun), AFG (Shirkhan Bandar) – TAJ (Nizhni Pianj) and AFG (Hairatan) – UZB (Termez).

² PRC's Development of Regional Cooperation Programs for Mongolia and the PRC, MON's Regional Logistics Development Project and AFG's Hairatan-Naibabad-Kabul-Torkham Rail Feasibility Study

³ ADB funded Phase II of the Regional Trade Facilitation and Customs Cooperation and EU's Development of Coordinated National Transport Policies

III. WORK PLAN (2010-2012)

13. The following are proposed priority areas for the Transport Sector for the period late 2010–2012:

- Midterm assessment of TTFS implementation
- Expansion of CBTA accession to other CAREC countries
- Ratification of CBTA between KGZ and TAJ
- Follow-up actions for CBTA implementation
- Capacity development and knowledge sharing initiatives under the CAREC Institute on priority TTFS areas, including road asset management and integrated development planning

IV. KEY ISSUES

14. Following are key issues related to the transport sector:

- **Slower Progress in proposed privately financed investments.** Progress in the projects intended by private financing is very slow. Main causes are weak institutional capacity, insufficient funds, and weak ownership of countries. It is necessary to recommend midcourse actions to address slowed implementation progress.
- **Inadequate Border Infrastructure and Facilities.** Trade facilitation requires balanced improvement on infrastructure, management, and technology. Inadequate border infrastructure and facilities as well as complicated border-crossing procedures significantly undermine the potential of transport improvement on trade.
- **Hard and Soft Aspects Needed for the BCPSW.** A strategic regional approach is needed to maximize regional public goods in the design of the regional BCPSW project. These will include not only infrastructure investment, but also coordinated policy and legal reforms.
- **Accession to the CBTA by other CAREC countries.** The CBTA between the Kyrgyz Republic and Tajikistan has been finalized and is expected to be ratified in 2011. To realize the intended full benefits of the CBTA, it is important that more country along the CAREC Corridor(s) where the Agreement will apply will become a signatory. 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 strongly 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. CAREC countries that plan to accede or are contracting parties to other transport facilitation agreements, such as that being promoted by the Shanghai Cooperation Organization, should still consider acceding to the CBTA as the CBTA is: (i) geographically focused on the CAREC corridors, and (ii) flexible enough to be complementary to other such agreements.

- **Key requirements for the effective implementation of the CBTA.** Essential activities such as incorporating the CBTA into domestic law, preparing detailed implementation guidelines and manuals, and training need to be undertaken at the outset for the effective implementation of the CBTA. Other important activities include: (i) establishment of efficient management systems and associated capacity building; (ii) streamlining and harmonization of border control documents; (iii) preparation of revised manuals of operation at the border checkpoints and associated training; (iv) establishment of required infrastructure, and, in some cases, relocation and/or modification of layouts of border checkpoints as well as provision of common control areas to allow single-stop inspection and single-window inspection; and (v) mitigation of negative externalities associated with increased cross-border movement.
- **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 (e.g., traders, transport enterprises, and other actors) 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 the establishment of regional insurance and reinsurance enterprises and entities to finance transport equipment.
- **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.