



## Summary of Proceedings

### Sixth Meeting of the CAREC Railway Working Group 17–18 October 2022, Almaty, Kazakhstan

#### 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 five times—in Tokyo in November 2015, in Bangkok in April 2016, in Tbilisi in May 2017, in Tashkent in April 2019 and in Bangkok in December 2019.

3. CAREC member countries are now working to implement the Strategy, for which ADB has mobilized a technical assistance (TA) project with the generous financial support of the People's Republic of China Poverty Reduction and Regional Cooperation Fund (PRCF), the United Kingdom Fund for Asia Regional Trade and Connectivity (ARTCF) and the Asian Development Bank. TA activities commenced in May 2019.

#### Meeting Objectives

4. The Sixth Meeting of the RWG (the Meeting) was held in Almaty, Kazakhstan on 17–18 October 2022 to report on progress achieved in TA implementation, to share knowledge and experience, and to agree on next steps. The Meeting was attended by representatives from CAREC member countries and was supported by development partners including Asian Development Bank (ADB), Asian Infrastructure and Investment Bank (AIIB), European Bank for Reconstruction and Development (EBRD), International Union of Railways (UIC), Organization for Cooperation in Railways (OSJD) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). The Meeting agenda and list of participants are in Appendices 1 and 2.

#### Session 1: How CAREC railways are responding to recent challenges and opportunities for long-distance cross-border railway freight

5. RWG participants shared their experience with recent challenges and opportunities for cross-border railway freight transportation, as well as suggestions how railways in Central Asia could improve their operational performance. While the sector has to operate in a highly dynamic

environment, members confirmed that sustainable growth in cross-border freight traffic can be realized through regional cooperation.

### **Session 2: What is wrong with the Middle Corridor?**

6. This session highlighted the key requirements for clients to shift large volumes to alternative long distance railway freight routes and explained how pricing and service quality impact upon the long-distance transport choices of customers. Specific attention was paid to the present performance and potential of the Caspian Sea ports, the bottlenecks in infrastructure and railway operational performance, and the pricing, tariff and freight documentation practices that influence the extent that the Middle Corridor can attract freight traffic from other long-distance routes.

### **Session 3: TA study of the situation of CAREC railways and opportunities for investment, commercialization and reform**

7. This session presented an overview of findings of the study recently published by ADB describing the situation of all CAREC railways, drawing upon published railway sector assessments for each CAREC member country, together with the opportunities for improving railway performance through commercialization, reform and investment. The publication is available on the CAREC website.

### **Workshop 1: Track capacity and timetabling software**

8. This session presented the functions and practical use of track capacity and timetable software (TCTS), a tool used to organize and manage railway traffic as well as railway infrastructure. The requirements for selecting a software package were also explained. A paper on TCTS is available on the CAREC website.

### **Session 4: Foundations for railway reform—case studies**

9. On the basis of various case studies, this session presented examples of how several countries successfully initiated railway commercialization and reform measures – describing how the initiative came about, the path and process adopted, and the measures that established a foundational platform for further commercialization and reform.

### **Session 5: CAREC railway TA workplan for 2022/2023**

10. Countries acknowledged that the TA continues to be one of the vehicles to support the RWG to accelerate implementation of the CAREC Railway Strategy. The RWG expressed satisfaction with TA progress so far.

11. The RWG endorsed the inclusion of the following additional projects for provision of pre-feasibility study (PFS) assistance through the TA: (i) Uzbekistan–Turkmenbashi Block Trains and Ferry Services, and (ii) the Uzbekistan Northwestern International Freight Corridor (i.e. corridor via Samarkand, Bukhara, Nukus and Beyneu providing links to Caspian Sea ports and the North–South Corridor). A new PFS proposal would be prepared for RWG consideration by countries involved in the proposed Pakistan–Afghanistan–Uzbekistan railway corridor. It was noted that during the past two years Kazakhstan had already addressed aspects of the previous PFS proposal for an Investment Program to Address Capacity Bottlenecks. In view of its strategic location for long-distance railway transport, Kazakhstan indicated that it would consider preparing

an updated PFS proposal that could benefit multiple CAREC Member Countries. It was also agreed that Mongolia will consider preparing a new PFS proposal focusing on long-distance rail links that carry transit traffic and/or mixed traffic.

12. For knowledge and capacity development (KCD) support, the RWG endorsed that (i) the approved support for Establishing and Operating a Railway Sales and Marketing Function will initially be piloted in Azerbaijan, Georgia, Pakistan, and Turkmenistan, and (ii) the scope of the Rolling Stock Needs and Financing Study will be further defined drawing on the outputs of Session 6.

13. The RWG endorsed the following additional KCD projects for TA support for (i) Improving Competitiveness of Trans-Caspian International Transport Route (Middle Corridor), with the proposed scope to be determined by Member Countries of the Middle Corridor once present work on developing a roadmap has been completed, (ii) Railway Containerization Study, and (iii) Accounting Standards and Systems for Railway Commercialization. The scope of these KCD projects will be discussed at the 7<sup>th</sup> RWG Meeting.

14. RWG members were invited to submit new proposals for PFS and KCD for inclusion in the TA work program in accordance with the established eligibility and selection criteria. The TA team will work out the details of agreed activities, to be presented and confirmed at the 7<sup>th</sup> RWG meeting, tentatively planned for April 2023.

## **Workshop 2: Cost price calculation of rail transport services**

15. To determine whether rail freight services can be profitable yet competitive, it is essential to have a thorough understanding of the cost incurred. This session presented the principles of activity-based costing to define the actual cost price of rail services and illustrated how this approach supports smart investment decisions.

## **Session 6: Rolling stock needs and financing facility study**

16. RWG member countries shared information on their rolling stock situation, needs and financing options. These insights will be used as an input to define the scope and terms of reference for the planned study under the TA. The study will pay particular attention to options that could serve several countries such as establishing a regional wagon leasing pool and expansion of private sector wagon leasing.

## **Development partners**

17. Development partners shared their views on railway sector development in Central Asia and expressed their interest in the assistance provided to the RWG. EBRD, UIC and UNESCAP presented some of their ongoing and planned activities in support of the railway sector in Central Asia. Uzbekistan presented initiatives on the development of a digital platform for transport and logistics.

## **Conclusion and Appreciation**

18. Participants expressed satisfaction with the consensus reached during the Meeting and endorsed the TA planning for 2022 and beyond as described above. Participants thanked all who contributed to the program and expressed appreciation for the efforts of the CAREC Secretariat for organizing the event.