



## **Summary of Proceedings**

### **19<sup>th</sup> CAREC Transport Sector Coordinating Committee Meeting**

*19-20 October 2022, Almaty, Kazakhstan*

#### **Introduction**

1. The 19<sup>th</sup> Meeting of the Central Asia Regional Economic Cooperation (CAREC) Transport Sector Coordinating Committee (TSCC) was held on 19-20 October 2022 in Almaty, Kazakhstan. The Meeting was attended by representatives from ten CAREC Developing Member Countries (DMC)<sup>1</sup>, and was supported by CAREC development partners including the Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), Asia-Pacific Road Safety Observatory (APRSO), European Bank for Reconstruction and Development (EBRD), Eurasian Fund for Stabilization and Development (EFSD), International Road Assessment Program (iRAP), International Road Transport Union (IRU), United Nations Commission for Europe (UNECE), USAID Central Asia Trade project, and the World Health Organization. The Meeting agenda and list of participants are in Appendices 1 and 2. The Meeting was chaired and hosted by the People's Republic of China (PRC) in its role as chair to the CAREC program in 2022.

#### **Meeting Objectives**

2. The TSCC meeting discussed achievements and challenges in all transport pillars under the CAREC Transport Strategy 2030: railways, road asset management, road safety, cross-border transport and logistics, and aviation. The CAREC TSCC meeting dedicated special attention to the post-COVID recovery in transport and logistics services. The topic of the meeting was "Improving CAREC transport connectivity through efficient logistics infrastructure and services". Pertaining to the main theme, the CAREC Transport Secretariat presented completed and ongoing studies and manuals in ports and logistics operations, design of logistics centers, and aviation freight services, while CAREC DMCs and development partners presented their achievements and plans in developing multimodal logistics facilities and services. Following discussions, the meeting approved key priorities for the CAREC Transport sector in 2023.

#### **Implementing CAREC Transport Strategy 2030 – challenges and new opportunities in the post-pandemic period**

3. **Transport pillars.** CAREC Transport Strategy 2030 prioritizes activities under five main pillars: (i) cross-border transport and logistics, (ii) road safety; (iii) road asset management; (iv) railways and (v) aviation. The TSCC meeting learned about achievements of the CAREC DMCs under each pillar and discussed knowledge products under each pillar to support the CAREC

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<sup>1</sup> The delegation of the PRC attended through an online channel.

DMCs and development partners in prioritizing and implementing transport investment projects and initiatives aligned with the CAREC program objectives.

4. **Cross-border Transport and Logistics Facilitation.** ADB, EBRD and USAID Central Asia Trade project introduced ongoing assessments of the Middle Corridor (aka CAREC Corridor 2, TACECA, etc.) connecting East Asian countries with Europe through Central Asian Republics, Caspian Sea, and the Caucasian Republics. The studies pointed at much increased deep ocean freight rates, caused by COVID-19 pandemic and reduction of ports and shipping capacity, which resulted in significant modal shift of transcontinental traffic to railways, especially to the Northern routes through Russia. After Russian invasion in Ukraine and sanctions against the Russian Federation, more freight shifted to the Middle Corridor. The Middle Corridor experienced congestions caused by various operational bottlenecks. Procedural alignment among different transport operators and modes of transport is considered the most important way to increase capacity of the corridor. The studies pointed at some infrastructural bottlenecks in railways, ports and shipping across the Caspian Sea and the Black Sea. The bottlenecks will remain very dynamic until the deep ocean freight rates stabilize at lower level. It was concluded that under the current conditions, importance of the Middle Corridor has much increased and operational improvements are urgently required. The CAREC program will continue monitoring the situation and, based on the ongoing analytical studies, the CAREC development partners will assist the CAREC DMCs with this corridor development.

5. The Developers' Guide to Planning and Designing of Logistics Centers in CAREC Countries was presented to the meeting and was positively met by the participants. The guide focused on the national and municipal governments roles in supporting logistics infrastructure development through better land planning, intermodal transport connectivity and favorable business conditions for private investors and logistics operators. The guide will be published by Q1 2023.

6. The CAREC Corridor Performance Measurement and Monitoring (CPMM) tool remains an important source of information about time and cost of transport along six CAREC transport corridors. The CPMM results for 2020 – 2021, presented in the meeting, have demonstrated substantial increase of time and cost of transport, which was expected due to the COVID-19 pandemic. However, the historical trends in the CPMM metrics since 2010 demonstrated no improvements in cost and time of border crossing and speed of the cross-border transport along the CAREC corridors. The cross-border speed by road freight transport is twice lower than the domestic speed, for railways the cross-border speed is thrice lower when the domestic rail freight speed. Participants noted the lack of improvement in the performance of CAREC corridors and suggested to dedicate more effort to improving cross-border transport and logistics operations. The CAREC Secretariat will examine possible options to better address cross-border transport challenges through more proactive CAREC corridor management.

7. **Road Safety.** The CAREC DMCs continue to operationalize the Safely Connected CAREC Road Safety Strategy 2030. Key focus remains on Pillar 2 (safer roads). Five CAREC Road Safety Engineering (RSE) Manuals have been published and are available in four

languages (English, Russian, Mongolian, and Mandarin). A series of regional and national road safety engineering workshops have been conducted to improve DMC's competencies in (i) road safety data systems and research; (ii) road safety engineering; (iii) road safety education and awareness; (iv) road safety enforcement; (v) pedestrian safety; (vi) road crash investigation; and (vii) road safety audits. New RSE manuals are under preparation: Speed Management, and Black Spot Investigation.

8. International Road Assessment Program (iRAP) introduced the RSE Manual 5: Star Ratings for Road Safety Audit. The manual is based on the combination of two robust and widely used methodologies, star ratings from iRAP and road safety audit. Various online learning and assessment tools are now available to the CAREC DMCs for their road project planning and design.

9. The Road Safety Report Card for the CAREC Region is a self-assessment tool to examine all aspects of road safety management. The Report Card was presented to the meeting along with the general recommendations for improvement of the overall road safety through its pillars (Road Safety Management, Safer Infrastructure, Safer Vehicles, Safer Users, etc). Specific recommendations by country are available in the report posted on the CAREC website.

10. While in recent years a lot of focus under the CAREC program was to Road Safety Engineering, more and more attention is given to other pillars, especially to Road Safety Management. The Safe System approach was introduced along with the goal setting and performance measurement techniques for road safety improvement. The role of data and actions based on data was emphasized.

11. Importance of the road crash data reporting and analysis was further discussed in the Asia-Pacific Road Safety Observatory (APRSO) presentation. Most CAREC DMCs are members of this regional forum on road safety data, policies, and practices to ensure the protection of human life on roads across Asia and the Pacific. Currently, it is estimated that on average 84% of road crashes are underreported in Low Income Countries, and 51% in Middle Income Countries. With significant invisibility of road crashes and associated data elements, achievement of the global and CAREC objectives of reducing road fatalities will be problematic. Hence, APRSO will disseminate best practices of the crash data collection among the CAREC DMCs and will support them with implementation of improved data collection, analysis, and reporting through dedicated digital platforms.

12. The World Health Organization (WHO) presented the global road safety data and trends towards achieving the 50% reduction of road fatalities and injuries within the Decade of Action (2021 – 2030). Several global reports were presented to the CAREC DMCs to be used as the reference documents for their endeavor for achieving substantial road safety improvements.

13. **Road Asset Management.** Over the last decade, CAREC DMCs made considerable investments in improving regional highway infrastructure. Under the CAREC Trade and Transport Facilitation Strategy (TTFS) 2020 a lot of emphasis was given to improving linear infrastructure

and performance objectives for the total kilometers of roads build or improved, set by the strategy, have been achieved. But under the CAREC framework it was not possible to quantify the total percentage of the CAREC road network in good condition due to quick deterioration of road assets and low visibility of their condition. Accordingly, under TTFS 2020 CAREC DMCs and development partners set a solid foundation for establishing robust Road Asset Management System (RAMS) approach across the region. Under the TTFS 2020, three knowledge products: Compendium of Best Practices in Road Asset Management; Guide to Performance-Based Road Maintenance Contracts, and Decision Makers' Guide to Road Tolling in CAREC Countries were published and disseminated across CAREC countries. RAMS training activities have been conducted in several CAREC DMCs and RAMS components have been included in the IFI-financed road projects in several CAREC member countries.

14. Under the CAREC Transport Strategy 2030, development and dissemination of the RAMS principles continued during the challenging pandemic period. During 2020-2022 the following activities were carried out and presented to the 19<sup>th</sup> TSCC meeting: RAMS and Performance-Based Maintenance Contracts (PBC) in the CAREC region (status assessment); Study on Road Maintenance Financing in the CAREC Countries; Assessment of PBC Pilots in the CAREC Countries.

15. The CAREC RAMS and PBC status assessment was published in October 2021. The publication provides general background of the road networks, assessment of the institutional frameworks, management practices in public and private sectors, allocation of maintenance financing by each CAREC member country. Based on the assessments, the publication includes recommendations by country. Selected countries (Azerbaijan, Georgia, Kyrgyz Republic, Pakistan, Tajikistan) have already benefitted from the tailored training activities, based on the status report. The report shows that during 2018-2021 almost all CAREC DMCs achieved distinct improvements of the RAMS practices based on the RAMS 3-stage maturity model, including four DMCs which essentially or partially achieved the stage 3 (Integration) level in 2021 compared with only one country at this level in 2018.

16. As of 2021, none of the CAREC DMCs achieved the stage 3 (Integration) level with PBC, but most of the CAREC DMC have implemented the PBC pilots. The CAREC program has initiated a study to examine implementation of those pilots and compile lessons for perusal by all CAREC DMCs and development partners. The report is planned for completion in early 2023.

17. Another deliverable, presented to the TSCC meeting is a Study of Road Funds and User Charges in the CAREC Countries, which has been essentially completed and is expected for the official CAREC publication within 2022. The report was produced in response to reported underfinancing of the road sector in most of the CAREC DMCs. Establishment of the dedicated Road Funds is viewed as one of the possible ways to secure sufficient financing for the quickly expanding or previously underfinanced national road networks. The report assessed first- and second-generation Road Funds in five CAREC DMCs, summarized the experiences in the five countries in management of their road funds, identified challenges and good practices, and

provided recommendations for further strengthening of the road fund management in these countries and other CAREC DMCs.

18. **Railways.** The 6<sup>th</sup> CAREC Railway Working Group (RWG) was held in Almaty, Kazakhstan on 17–18 October 2022. The meeting was attended by representatives from CAREC DMCs 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, the list of participants, the presentation materials, and the summary of proceedings for the 6<sup>th</sup> CAREC RWG are posted on the CAREC program website.

19. The meeting addressed challenges of the cross-border railway transportation, and specifically transportation along the CAREC Corridor 2 (Middle Corridor). The Middle Corridor assessment, prepared by the private logistics businesses, associated with the Kazakhstan Freight Forwarding Association, outlined key operational and procedural bottlenecks along the corridor, caused primarily by insufficient coordination between different modes of transport and nations, involved in transportation along the corridor. The recommendations were well received and thoroughly discussed. Additional analysis and discussion of specific railways related issues at the Middle Corridor will be conducted within the CAREC RWG framework.

20. The RWG meeting discussed Railway Sector assessments by country, completed in 2021 – 2022. The national assessment reports and the summary CAREC-wide report identified common areas, requiring further analysis or assistance to the CAREC DMCs in implementation of the railway reforms. Additional studies were completed on railway track capacity and timetabling software applications and on the CAREC network traffic modelling. New knowledge and capacity development support is planned for (i) establishing and operating railways sales and marketing functions; (ii) the railways containerization study; and (iii) accounting standards and systems for railway commercialization. Development of the traffic study for the proposed PRC – Kyrgyz Republic – Uzbekistan railway will continue, new pre-feasibility studies for (i) the Uzbekistan – Turkmenistan block trains and ferry services and (ii) the Uzbekistan Northwestern Freight Corridor will be supported within the CAREC RWG framework.

21. Ongoing and new studies and reports will be presented and discussed during the 7<sup>th</sup> CAREC RWG, tentatively planned in April 2023.

22. **Aviation.** During 2020 – 2022 CAREC aviation sector completed two studies (i) the study about COVID-19 impact on tourism and aviation; and (ii) the Silk Road Aviation Pass prefeasibility study. Results of these studies were presented to the CAREC DMCs in a series of CAREC aviation webinars in 2021. The COVID-19 study pointed at high risk of decline in the passenger aviation traffic during the pandemic and in the post-pandemic period. Based on the study recommendations, the CAREC program initiated (i) the CAREC Low-Cost Carrier (LCC) Aviation study and (ii) the Aviation Cargo study. The ongoing LCC study has been presented and discussed during the meeting.

23. It was reported that the CAREC aviation sector experienced significant recovery in 2022, with the total passenger volumes returning to the pre-COVID period. New direct routes were introduced by the regional aviation companies and new LCC companies started their operations and contributed to quick recovery of the regional aviation market. Prior to the COVID-19 pandemic the share of the LLC aviation companies was around 15% of the total CAREC aviation market, well behind of the global average of 30% and of 50% in the Asia Pacific region. In 2019, in none of the CAREC DMCs, LLC seat capacity exceeded 30% of the total aviation market, while in 2022 in three CAREC DMCs (Georgia, Azerbaijan and Kazakhstan) LLC carriers exceeded 30% of the market share, while the average share of the LCC aviation capacity is approaching 25% of the total CAREC aviation market.

24. The study pointed at further opportunities for development of the LCC aviation in the CAREC region through: (i) improved regulatory environment in the CAREC DMCs; (ii) reduction of airport costs and taxes; (iii) increased openness to competition from non-regional LCC carriers, (iv) partnership agreements between airlines to improve economies of scale and competitiveness; (iv) development of LCC terminals, following the Kutaisi airport model. The study is scheduled for completion in early 2023.

25. **Country Transport Priority Programs.** Substantiating the above, CAREC countries were invited to share recent trends, implementation progress, planned actions and support needs. Feedback from participants were structured along three clusters: (i) Cluster 1 “Connecting Europe and Central Asia”, consisting of Georgia, Azerbaijan and Turkmenistan; (ii) Cluster 2 “Connecting East and Central Asia”, consisting of Kazakhstan, Kyrgyz Republic, People’s Republic of China, and Mongolia; and (iii) Cluster 3 “Connecting South and Central Asia”, comprised of Pakistan, Tajikistan and Uzbekistan. Challenges and strategic priorities highlighted by the participants revealed to be consistent with the focus areas discussed during the 19<sup>th</sup> CAREC TSCC meeting.

26. CAREC DMCs confirmed increased attention in their transportation development programs to sustainability of the national and regional transportation systems through improved RAMS practices and road safety management. Increased interest was towards more environmentally friendly transport and logistics operations by all modes of transport. Some dissatisfaction was expressed about slow progress in improving cross-border transport and logistics, hence CAREC DMCs suggested to initiate work for development of the CAREC cross-border transport facilitation strategy.

## **Conclusion and Appreciation**

27. Participants expressed their satisfaction with the consensus reached during the TSCC meeting. Participants thanked the PRC government for chairing the meeting. The delegates also expressed appreciation for the efforts of the CAREC Secretariat and the development partners for organizing and facilitating the meeting.