



Transport Sector Status Report

**Fifth Ministerial Conference
on Central Asia Regional Economic Cooperation
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CENTRAL ASIA REGIONAL ECONOMIC COOPERATION

TRANSPORT SECTOR STATUS REPORT

**Endorsed at the Sixth Transport Sector Coordinating Committee Meeting,
Urumqi, Xinjiang Uygur Autonomous Region, People's Republic of China,
24–25 August 2006**

I. Progress of Cooperation since the Fourth Ministerial Conference

A. Transport Sector Coordinating Meetings

1. The Transport Sector Coordinating Committee (TSCC) held two meetings in Urumqi, People's Republic of China (PRC) in 2006: the Fifth Meeting on 15–16 March and the Sixth Meeting on 24–25 August. The meetings were attended by delegations from eight CAREC countries and representatives of multilateral institutions (MIs) including the Asian Development Bank (ADB), United Nations Development Programme, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the World Bank. The meetings were chaired by the Ministry of Communications, PRC and co-chaired by ADB.

2. The meetings endorsed the following results and decided to submit them to the Senior Officials' Meeting for information:

- (i) Updated Multilateral Institutions (MIs)' Assistance Program for regional transport projects for 2006–2008;
- (ii) TSCC Work Program for 2007;
- (iii) A proposal of ADB technical assistance for regional road funding and management.

3. The meetings endorsed the following results and decided to submit them to the Senior Officials' Meeting for approval, as appropriate:

- (i) Central Asia Regional Transport Sector Road Map Update (2005–2010);
- (ii) An Action Plan on Harmonization of Regional Transport Regulations and Cross-Border Agreements;
- (iii) A proposal of ADB technical assistance for CAREC transport sector strategy study.

B. Infrastructure Investments

4. Progress was made in improving the regional transport network. Major investments with MI assistance included:

- (i) Afghanistan: ADB is preparing a \$139 million loan and grant for improving the north–south corridor, for approval in 2006.
- (ii) Azerbaijan: ADB approved a \$52 million loan for improving the Yevlakh–Ganja and Qazakh–Georgian border sections of the east–west road in December 2005 and the loan agreements were signed in June 2006. ADB is preparing a \$100 million loan to help improve the Masally–Astara section (on the border to Iran) of the southern road. The World Bank approved a \$200 million loan for improving

the Alyat–Masally section of the southern road in January 2006 and the loan agreement was signed in May 2006.

- (iii) Kyrgyz Republic: IsDB approved a \$9.2 million loan for improving the Taraz–Talas–Suusamyр road (phase I). The China State Development Bank and the Kyrgyz Government signed a credit agreement to cofinance the southern road corridor improvement project, together with ADB. ADB is preparing a loan for further improving the southern road corridor.
- (iv) Mongolia: ADB is preparing a loan for developing a road in the western region to link the PRC and the Russian Federation.
- (v) PRC: ADB is preparing a \$150 million loan for upgrading the Korla–Kuqa road in Xinjiang.
- (vi) Tajikistan: ADB approved a \$29.5 million loan for rehabilitating the Dushanbe–Kyrgyz border road (phase II) in November 2005,, and preparing a loan for rehabilitating this road (phase III).

5. At the TSCC meetings in 2006, the Kyrgyz Republic delegation requested MIs to provide grant financing for the feasibility study of the proposed PRC–Kyrgyz Republic–Uzbekistan railway link project. The 6th TSCC Meeting agreed that regional transit traffic flows would be studied under the CAREC transport sector strategy study and the potential for the route and more detailed study would be considered in 2007.

6. It is recognized that the MI's assistance program for regional transport projects needs to be updated from time to time, as appropriate.

C. Nonlending Activities

7. MIs continued to provide grant assistance to CAREC countries in support of regional transport cooperation. Major nonlending activities with MI assistance included:

- (i) Azerbaijan: ADB assisted in developing a transport sector development strategy. The World Bank approved technical assistance for the railway trade and transport facilitation project;
- (ii) Mongolia: ADB undertook a pre-feasibility study of the western regional road development, and is assisting the Government prepare a transport sector development strategy. The World Bank is preparing an infrastructure strategy;
- (iii) Uzbekistan: ADB is helping formulate a transport sector strategy;
- (iv) ADB is funding a pre-feasibility study of improving three regional roads: Bishkek–Torugart–Kashi road linking the Kyrgyz Republic to the PRC, Dushanbe–Tursunzade road in Tajikistan, and the Angren–Gulistan road in Uzbekistan, to be completed in the fourth quarter of 2006;
- (v) World Bank is financing a study on pilot transport corridor performance measurement in Central Asia.
- (vi) ADB is finalizing the technical assistance for the CAREC transport sector strategy study, which will be submitted to ADB Management for approval prior to the Fifth Ministerial Conference.

8. It is recognized that MI's assistance program for nonlending activities needs to be updated from time to time as appropriate.

D. Other Regional Cooperation Initiatives

9. The fourth negotiating meeting of Shanghai Cooperation Organization (SCO) member states (i.e., PRC, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan) over the draft Agreement on Facilitation of International Road Transport was held in Beijing on 9–12 August 2006 with support of UNESCAP and ADB. The meeting made important progress. The delegations of the SCO member states finalized a meeting protocol and prepared a draft Memorandum of Understanding on accelerating formulation of the draft Agreement, which outlines the process of negotiation. The Memorandum of Understanding was signed at the SCO Prime Ministers' Meeting in Dushanbe, Tajikistan in September 2006.

10. Representatives of Mongolia, the PRC, and the Russian Federation concluded negotiations over the draft Transit Traffic Framework Agreement in November 2005. The finalized Transit Traffic Framework Agreement has been submitted to the three governments for consideration and signing.

II. Next Steps

11. In accordance with the 2007 Work Program endorsed at the Sixth TSCC Meeting, the TSCC will undertake the following activities in 2007:

- (i) Review of implementation of Action Plan on Harmonization of Regional Transport Regulations and Cross-Border Agreements (if the Action Plan is endorsed by the Senior Officials' Meeting and the Ministerial Conference);
- (ii) Preparation and review of the CAREC transport sector strategy;
- (iii) Preparation and review of the pre-feasibility study report on improving the Bishkek–Torugart–Kashi road linking the Kyrgyz Republic to the PRC, Dushanbe–Tursunzade road in Tajikistan, and the Angren–Gulistan road in Uzbekistan;
- (iv) Preparation and review of the final report on maintenance management of regional roads in CAREC countries;
- (v) Update of MI assistance program for regional transport projects;
- (vi) Preparation of CAREC Transport Sector Report Update.