

# **REPORT ON THE REGIONAL TRANSPORT CONFERENCE**

## **1. Introduction**

In 1997, the Asian Development Bank initiated a regional technical assistance project, the Regional Economic Cooperation in Central Asia (RETA). The purpose of the project is to explore opportunities to enhance economic cooperation between its member countries Kazakhstan, Kyrgyzstan, People's Republic of China (PRC), Tajikistan and Uzbekistan. The project has assisted the governments concerned identify and prioritize development projects that could increase trade and other types of economic cooperation in the region. In February 1998, ADB sponsored the First Workshop on Economic Cooperation in Central Asia – Challenges and Opportunities in Transportation, held in Manila.

In July 1999, as part of RETA, ADB commissioned Post Buckley International, Inc. to prepare a Transport Sector Study for Central Asia. The study covered identification and evaluation of key inter-country road and rail infrastructure projects and of railway cooperation projects; analysis of cross-border policy issues; review of regional cooperation initiatives and of a framework for establishing a regional transport working group; and alternative project financing possibilities. The study's Draft Final Report was submitted by the Consultant in January 2000, and was subsequently circulated by ADB to the governments of all participating countries.

In July 2000, ADB sponsored four country transport workshops, respectively in Astana, Bishkek (Issyk Kul), Tashkent and Dushanbe. The purpose of these workshops was to present the findings and recommendations of the Draft Final Report of the Transport Sector Study, and discuss proposed initiatives with the governments concerned. The Final Report of the study was then completed in August 2000, incorporating comments received from ADB and the participating governments.

On 26-27 September 2000, ADB sponsored a regional transport conference in Almaty, Kazakhstan, which is the subject of this Report.

## **2. Conference Objectives**

The conference objectives were as follows:

- Present and discuss the Final Report on the Transport Sector Study
- Present and discuss a paper on policy issues in the transport sector, prepared by an ADB consultant
- Present ADB's program to support infrastructure development and regional cooperation in the transport sector
- Present and discuss an institutional framework proposed by ADB for regional cooperation in the transport sector
- Issue a Joint Statement on Central Asian Regional Cooperation in Transportation

## **3. Conference Agenda**

The Conference had four main sessions, as follows:

- Session 1 – Opening Session, including welcoming speeches and country statements

- Session 2 – Regional Cooperation Transport Infrastructure Projects, including presentation of the Consultant’s final report sections covering road and railway infrastructure projects
- Session 3 – Policy Issues and a Case of Regional Cooperation, including a presentation of policy issues in the transport sector, and of the Almaty – Bishkek Regional Road Rehabilitation Project
- Session 4 – Institutional Framework and Future Cooperation, including discussion of a proposed institutional framework for regional cooperation in transportation, and preparation of a joint statement (this session was scheduled to start in the afternoon of 26 September 2000, and continue the following morning)

#### **4. Conference Participants**

Conference participants included ministerial delegations from Kazakhstan, Kyrgyzstan, PRC, Tajikistan and Uzbekistan; a government representative from Azerbaijan; representatives of the World Bank, UNDP, UN Economic Commission for Europe, UN Economic and Social Commission for Asia and the Pacific, European Union and European Commission; ADB representatives from the headquarters in Manila, and from the resident missions in Kazakhstan, Kyrgyzstan and Uzbekistan; and ADB consultants.

#### **5. Presentation and Background Materials**

ADB provided conference attendees with a conference kit that included the following documents (in English and Russian):

- Session 1
  - Opening Speech by Director, Programs Department (East), ADB
- Session 2
  - Introduction to Presentation on Transport Infrastructure Projects
  - Presentation of Transport Sector Study
  - Executive Summary of Transport Sector Study Final Report
- Session 3
  - ADB’s Transport Sector Strategy in Central Asia
  - List of ADB Transport Projects in Central Asia
  - Presentation of Transport Policy Issues
  - Report on Transport Policy Issues for Regional Cooperation in Central Asia
  - Presentation on the Almaty – Bishkek Regional Road Rehabilitation Project
- Session 4
  - Institutional Arrangements for Economic Cooperation in Central Asian Region
  - Transport Working Group – Proposed Projects and Policies
  - Critical Milestones for the Transport Working Group

Several background documents were also provided to participants, including earlier reports prepared under RETA.

#### **6. Summary of Discussions**

The conference discussions are summarized below. For further details on presentations, reference is made to other Conference documents. (The English version of all presentations and discussions was recorded, and is available on cassette tapes.)

## **6.1 Session 1**

In Session 1, chaired by Kazakhstan, the welcoming address was given by the Kazakhstan Minister of Transport and Communications. The opening speech was given by the ADB Director, Programs Department East. These speeches were followed by statements made from representatives of each country. (The country statement of Uzbekistan was actually given later in the day, but is included here for ease of reference.) Essential elements of each country statement are indicated below.

### **a. Kazakhstan Country Statement**

Efforts are being made to promote and strengthen the transit rail traffic through Kazakhstan. In June 2000, the Trans-Eurasian 2000 Conference was held in Almaty, with delegates from Asia and Europe. The second meeting was held in St Petersburg in September 2000. Cooperative tariff and other joint working agreements are expected to result from these conferences. The interdependency of regional railways and the need for joint agreements is stressed.

Kazakhstan has three major international rail corridors, respectively, in the direction of (a) Russia - Europe, (b) China – East Asia, and (c) Central Asia - Caucasus. Last year 3.5 million tons moved through the rail crossing at Druzhba, at the Kazakhstan – PRC border, with a goal of 10 million tons in the future.

Kazakhstan is leading the regional transport working group of SPECA for the resolution of many regional transport issues. In addition, Kazakhstan is participating in the UN-sponsored Silk Road Area Development Program, that includes PRC and all Central Asian Republics, and in the TACIS-TRACECA program.

### **b. Kyrgyzstan Country Statement**

Being a land-locked country, an efficient transport network is essential, especially those corridors leading to East and South Asia. The importance of road transport is stressed, as road accounts for 90% of freight and 70% of passenger movements in the Kyrgyz Republic.

Several road improvement projects are now ongoing in the country and their implementation will strengthen the country's transport network. The Bishkek – Osh road rehabilitation is under way, with ADB assistance; feasibility studies have been completed for the Taraz – Suusamyr and the Bishkek – Torugart roads; and a feasibility study is underway for the Osh – Irkeshtam road.

The Government of Kyrgyzstan fully supports institutional arrangements for regional cooperation, including establishment of transport working groups to support implementation of regional cooperation projects.

### **c. PRC Country Statement**

The rate of economic growth in PRC is high, and the standard of living of the population is rising. PRC is constructing many new rail and road corridors within the country to meet growing transport needs. Many of these projects have been funded by ADB. In recent years, the transport network of Xinjiang has been expanding, but additional work is needed, including further development of the Eurasian Land Bridge.

Cooperation with ADB and neighboring countries is very important for the implementation of road and rail development projects. ADB has supported China in infrastructure development and the country looks forward to continuing cooperation. PRC requests that more favorable interest rates

be granted for transport projects located in relatively undeveloped parts of the country (i.e., Xinjiang PRC).

#### **d. Tajikistan Country Statement**

There is great potential for Tajikistan to become a strategic link in transit routes between Asia and Europe. Sections of many international roads and railways are located within the country, including the railway section Bekabad – Kanibadam, the Dushanbe – Irkeshtam road and others. Tajikistan's transport infrastructure faces many challenges, due to difficult terrain, high altitudes, closures during the winter because of snow, land slides and other physical constraints.

In 1992, the Government started construction of the Anzob tunnel situated on the Dushanbe – Tashkent road. Completion of this tunnel would provide all-year access to Ayni and Samarkand from Dushanbe. Another road project is the link from Murghab to the PRC border. Tajikistan also supports construction of the South Kyrgyzstan Railway project. Financial assistance for road development is being provided by ADB, the Islamic Development Bank, Kuwait Fund and other organizations. A new ADB-funded technical assistance project has recently been approved for the northern Tajikistan railway (Bekabad – Kanibadam).

Tajikistan supports the ADB program for regional cooperation in the transport sector.

#### **e. Uzbekistan Country Statement**

ADB has sponsored several projects in Uzbekistan, including road and railway rehabilitation projects, and a railway restructuring project. Uzbekistan is also constructing new railway lines in the south and western part of the country with their own financial resources.

In July 2000, an ADB-sponsored transport workshop took place in Tashkent. Of the projects discussed during the workshop, Uzbekistan has identified as priority projects the completion of electrification of the Bekabad – Kanibadam rail link (Tajikistan transit route) and the improvement of the transport corridor between Andijan/Osh and Kashgar, across southern Kyrgyzstan.

### **6.2 Session 2**

Session 2, chaired by Tajikistan, included an introduction by ADB staff, followed by the presentation of road and rail infrastructure projects that were evaluated by the Consultant during the Transport Sector Study.

Emphasis was given on the projects that were identified as high priority projects at the country workshops held in July 2000. These included the Andijan – Osh – Sarytash road, the Almaty – Horgos road, improvement of the northern Tajikistan rail transit route, sleeper replacement on the Lugovoy – Bishkek – Balykchy rail line, capacity improvement at the Alashankou station, and a multi-modal transport corridor in southern Kyrgyzstan - including improvement of the Osh – Irkeshtam road and upgrading of rail-road intermodal facilities at Osh and Kashgar.

Several country representatives made comments on the presentations. The Kyrgyzstan delegation suggested that the Almaty – Horgos corridor should be referred to as the Bishkek – Almaty – Horgos corridor. It also stated that the suggested staged construction and establishment of dry ports in southern Kyrgyzstan deserved consideration. Traffic forecasts for the Osh - Irkeshtam road project would be important in determining future investments along this route, and Kyrgyzstan would like to obtain information from its neighbors on projected cargo movement volumes between the Fergana Valley and China.

The Kazakhstan delegation stated that there was an ongoing project to apply commercial principles to road management in Kazakhstan. Kazakhstan was interested in improving the Almaty

– Horgos road. The increasing rail traffic volume at the Druzhba/Alashankou border crossing was approaching the capacity of existing facilities and additional capacity would soon be needed. There was a lack of inter-modal facilities in the region and ADB should consider a project that specifically addressed this inter-modal problem. The Government of Kazakhstan would soon formally request ADB's support for the Coordination Council that the Kazakhstan Railways has established for the promotion of Eurasian transit traffic.

The Chinese delegation commented that the current five-year investment plan for railways included the increase in capacity of Alashankou station, including improved customs procedures. ADB assistance could be provided for this project. It was hoped that ADB could assist in the implementation of this project, as well as of projects at other border crossings. China was rapidly improving line capacity within the country and increasing speeds to 140 km/hour on the Urumqi – Lanzhou main line. The Chinese delegation also stated that the road from Kashgar to Irkeshtam is a Category III road, and it would need to be improved to accommodate future traffic flows along that corridor.

Tajikistan supported the improvement project for the Bekabad – Kanibadam rail line across northern Tajikistan.

### **6.3 Session 3**

During Session 3, chaired by PRC, a presentation was made by ADB staff of the Bank's completed, on-going and planned transport infrastructure, regional cooperation and TA projects in the Central Asian region. This presentation was followed by a presentation made by an ADB consultant on important policy issues and specific needed areas of regional cooperation. A case study in regional cooperation, represented by the recently approved Almaty - Bishkek road rehabilitation project was also presented by ADB staff.

The delegation from Kyrgyzstan commented that ADB's TA programs should provide for higher participation of local consultants, and that the Almaty – Bishkek road project would provide an excellent example of regional cooperation. The Chinese delegation stated that the interest rates on ADB loans are high, and that lower interest rates should be considered for projects in less developed areas, such as Xinjiang PRC. They also stated that the road section Irkeshtam – Kashgar also needed to be upgraded.

The World Bank representative stated that he agreed with the analysis of policy issues, and that policy improvement measures were as important as infrastructure development. Problems to be addressed in the policy area are many and complex, and it is very important to prioritize them. Many development agencies are involved in regional cooperation initiatives, and it is very important that their activities are coordinated and complement each other.

### **6.4 Session 4**

The first part of Session 4, held in the afternoon of September 26, 2000, was chaired by Kyrgyzstan. Initially this session was to include a presentation by ADB staff of proposed Institutional Arrangements for Economic Cooperation in the Central Asian Region for future ADB-led regional cooperation and of a draft Joint Statement. That proposal had called for the establishment of a separate ADB-sponsored Ministerial Conference and of a Transport Working Group (TWG). TWG would identify, from a draft list, proposed regional cooperation policy and infrastructure projects. Some of the selected policy initiatives and projects could be considered for funding by ADB and other international lending institutions.

Since, however, the documents describing the proposed Institutional Arrangements had already been circulated to participating governments before the conference, that presentation did not take

place; instead, the delegates proceeded with giving their comments on the proposed Institutional Arrangements.

The Kazakhstan delegation stated that SPECA's Project Working Group on Transport was established in 1998, had already held four meetings, with the fifth meeting scheduled to start on 3 October 2000 in Almaty. This group is chaired by Kazakhstan. Another regional cooperation project is the Silk Road Area Development Program (SRADP), with UNDP assistance, which covers transport and trade issues. In view of the above initiatives, there was no need to establish new institutions. It would be preferable to establish bilateral TWG for implementation of specific projects, such as the Almaty – Bishkek road and the Almaty – Horgos road. Issues of regional significance could be addressed by SPECA.

The Tajikistan delegation stated that it would be preferable to establish a new TWG if existing groups were not effective. Moreover, some groups, such as TRACECA' Inter-governmental Committee, do not cover all routes and projects. It would also be difficult to establish bilateral project-specific TWG because of the large number of projects under development in the region. Another disadvantage of project-specific TWG is that they would exclude countries not directly involved in a project, even though they might have a stake in that project. For example, improvement of the Osh – Irkeshtam road would also be of interest to Tajikistan, even though that road does not cross its territory.

The PRC delegation stated that TWG should be established for specific projects. For example a working group has been established for the development of a railroad from Kashgar to Uzbekistan through southern Kyrgyzstan. Uzbekistan's delegation also stated that it would be better to have TWG for specific projects.

The Kyrgyz delegation stated that establishing project-specific TWG would not duplicate the activities of SPECA, SRADP and TRACECA. Donors should coordinate their efforts. It would be possible to set up an ADB-sponsored multilateral TWG that would not duplicate the work of existing organizations, provided donor activities were coordinated.

The representative of SPECA described its transport working group, including the fact that it had agreed on a work program, including transit facilitation initiatives. SPECA was now searching for financing from donors to assist with implementation of these initiatives. Since SPECA does not have funds for these projects, it is not in competition with other donors. It was also noted that the establishment of new regional or project-specific TWG is the prerogative of sponsoring organizations and participating countries.

The European Union - TACIS representative stated that a TRACECA Inter-governmental Committee has been established, whose members included all CIS countries. A meeting was held in Tbilisi in June 2000, attended by delegations from all member countries. The next meeting will be held in Tashkent. He also stated that TACIS-TRACECA coordinates its activities with those of other donors, including EBRD and ADB, and that donors should coordinate their efforts so as not to duplicate activities and dissipate resources.

ADB stated that it would take into account the comments made by the various delegations, draft a revised Joint Statement, and circulate it the following morning for review. ADB also acknowledged that project-specific TWG have merit.

Session 4 continued the morning of 27 September 2000, chaired by Uzbekistan. The delegates reconvened, and a revised Joint Statement was distributed by ADB. After several discussions and further revisions, a final Joint Statement was tabled and all delegates agreed to its contents.

The approved Joint Statement provides for the establishment of project-specific Transport Working Groups to be sponsored by ADB. These TWG groups would coordinate the preparation and

implementation of regional projects, as well as address any associated policy matters. The Joint Statement also provides for close cooperation between these project specific working groups and other regional organizations. A list of projects evaluated in the Transport Sector Study was also incorporated in the Joint Statement.

## **7. Conclusions**

The workshop was significant, in that ministerial level representatives of the PRC Government met with their counterparts of Central Asian republics and significant transport policy issues and strategic projects were discussed. With regard to projects, there was no disagreement among the delegates about the implementation of specific projects. For the more complex issues of transport policy and the institution of cooperative agreements in the region, the views of every country did not coincide.

All countries agreed that there needs to be some formal mechanism or forum for the purpose of discussing transport policy issues among the countries in the region as well as for assisting in the implementation of regional projects. Some delegates felt that the existing regional institutions were sufficient to accommodate regional cooperation requirements, and that implementation of future projects could be achieved by means of establishing project-specific working groups. Others believed that the formation of a new ADB-supported Transport Working Group would be the most effective means of both implementing projects and facilitating regional cooperation efforts.

By the conclusion of the conference, all country delegates had agreed that project specific working groups would be formed, supported by ADB. These working groups would coordinate the preparation and implementation of regional transportation infrastructure projects, and would address associated policy matters. During the course of project preparation and implementation, the project-specific working groups would work closely with other existing regional cooperation initiatives in the transport sector.

In summary, this conference, and the resulting Joint Statement, was a further significant step towards regional cooperation in the transport sector in Central Asia, following the 1997 study on regional economic cooperation, the 1998 First Workshop on Economic Cooperation in Central Asia, the 1999-2000 Transport Sector Study, and the July 2000 country transport workshops.

The task ahead is the establishment of transport working groups to coordinate the preparation and implementation of high-priority regional projects and associated regional transport policy matters.