Transport and Trade Facilitation Progress Report and Work Plan (November 2010- June 2011)
I. OVERVIEW OF PROGRESS

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 8,218 km of roads, 5,297 km of railway lines, 7 aviation projects, 3 ports, and 7 logistics centers to implement 5 trade facilitation projects. Considerable progress has been made to date.

3. Customs cooperation among CAREC member countries continued to be enhanced and strengthened through the work of the Customs Cooperation Committee (CCC). Per agreements reached at the 9th CCC meeting in Tokyo in September 2010, Time Release Studies (TRS) were conducted at selected border crossing points (BCPs) after the TRS Planning Workshop in Tashkent in March 2011. A planning workshop was held in Bangkok in January 2011 to discuss with members of National Joint Transport and Trade Facilitation Committees (NJCs) of CAREC member countries issues related to preparation of the regional investment project for CAREC Regional Improvement of Border Services (RIBS). The results of the TRS will feed into the feasibility studies for the RIBS project. In addition to data collection for corridor performance measurement and monitoring (CPMM), which also contributes to the formulation of the RIBS project, the CAREC Federation of Carrier and Forwarder Associations (CFCFA) intensified its efforts to expand private sector involvement in CAREC regional trade facilitation efforts with a business networking forum in Chongqing in February 2011.

II. KEY DEVELOPMENTS

A. Transport

1. Physical Investment Projects

4. By March 2011, 3,689 km (or 45%) of 8,218 km road sections have been completed and 4,162 km (51%) are ongoing, and the rest (4%) are planned for 2012 or beyond. For railways, 2,001 km (or 38%) of 5,297 km railway lines have been completed, 1,599 km (30%) are ongoing, and the rest (32%) are planned for 2012 or beyond. Nineteen projects in other sub-sectors (6 aviation projects, 3 ports, 6 logistics centers, and 4 trade facilities) are ongoing. The subsequent paragraphs provide a description of the progress along each CAREC corridor.

a. Corridor 1 (Europe-East Asia)

5. Corridor 1, running down 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 3,744 km of roads, 2,872 km of railways, 1 logistics center, and 3 airports.

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1 The project was originally entitled: “Border Crossing Point Improvement and Single Window Development (BCP/SW).”

2 A more accurate measurement of physical progress of the corridors was undertaken this year.
6. **By 2011:**

- 1,306 km roads (35% of the 3,744 km) will be reconstructed or constructed.
- 1,268 km railways (44% of the 2,872 km) will be reconstructed, constructed, or electrified.
- PRC’s Xinjiang Regional Road Improvement (Korla-Kuqa,) New Road (Jinghe-Ala Shankou), and Lianyungang–Khorgas Expressway (Guozhigou and Qin Shui He) will be improved and completed.
- PRC’s Jinghe-Yining-Khorgas railway, Double Tracking (Wuxi-Jinghe Rail Line), and electrification of Hongliuhe–Ala Shankou rail line will be completed.
- PRC’s Xinjiang airport project-Urumqi international airport and Kashi airport expansion will be completed. Implementation of the logistics center in Khorgos, Xinjiang is ongoing.
- The targeted total length of roads was reduced from 4,213 km to 3,744 km. Actual reported lengths of KAZ and PRC road projects were reduced.
- The targeted total length of railways was also reduced from 3,472 km to 2,872 km. Actual reported length for PRC’s electrification of Hongliuhe–Ala Shankou rail line was reduced.

b. **Corridor 2 (Mediterranean-East Asia)**

7. 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 1,062 km of roads, 892 km of railways, 4 airports and 3 ports.

8. **By 2011:**

- 859 km roads (81% of the 1,062 km) will be completed.
- 113 km railways (13% of the 892 km) will be completed.
- AZE’s East-West Highway Improvement project will be completed.
- Reconstruction of KGZ’s Osh International Airport will commence.
- UZB’s Bukhara airport will be completed.
- Construction of AZE’s Baku international sea-trade port complex will commence and upgrading of two port projects (KAZ’s Aktau port and Caspian Sea shipping ferries) will be still ongoing.
- The targeted total length of roads was reduced from 1,691 km to 1,062 km. Actual reported lengths of AZE and KGZ road projects were reduced.

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

9. 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 1,594 km of roads, 1,021 km of railways and 3 airports.

10. **By 2011:**

- 1,126 km roads (71% of the 1,594 km) will be completed.
• 3 AFG, 1 KAZ, and 1 TAJ road projects will commence.
• TAJ’s Dushanbe-Kyrgyz Border Road Rehabilitation Phase II will be completed.
• 3 KGZ rail and 2 KGZ airport projects will commence.

d. **Corridor 4 (Russian Federation–East Asia)**

11. 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 1,977 km of roads, 209 km of railways, 2 airports, and 6 logistics centers.

12. By 2011:

- 1019 km roads (52% of the 1,977 km) will be completed.
- 209 km railways will be completed.
- PRC’s Jining-Zhangjiakou Railway will be completed.
- PRC’s 2 logistics centers will be ongoing.

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

13. 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 936 km of roads, 46 km of railways, and 1 airport.

14. By 2011:

- 698 km roads (75% of the 936 km) will be completed.
- TAJ’s Dushanbe-Kyrgyz Border Road Rehabilitation Phase II will be completed.
- The targeted total length of roads was reduced from 1,080 km to 936 km. Actual reported lengths of PRC, KGZ, and TAJ road projects were reduced.

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

15. 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 2,472 km of roads, 1,199 km of railways and 2 airports.

16. By 2011:

- 1,183 km roads (48% of the 2,472 km) will be completed.
- 599 km railways (50% of the 1,199 km) will be completed.
- 4 AFG road projects will commence.
- 3 UZB rail projects will be completed.

2. **Nonphysical Investment Projects**

a. **Nonphysical Aspects**
17. By 2011, 20 country-specific technical assistance (TA) projects will be completed and 2 are ongoing. Of the 25 regional TA projects, three were completed, and six are ongoing; status of the remaining 16 regional TA projects is to be determined.

b. Progress on the Cross-Border Transport Agreement

18. 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 was signed by the Kyrgyz Republic and the Republic of Tajikistan in December 2010. It was ratified by the Republic of Tajikistan in March 2011, and is expected to be ratified by the Kyrgyz Republic in June 2011, following which the Agreement will enter into force between the two countries. ADB is assisting the two countries in preparing an action plan for implementing the CBTA. The draft action plan will be discussed at a meeting to be held in the Kyrgyz Republic in July 2011. Assistance is being requested by the Kyrgyz Republic and Tajikistan in the following aspects of CBTA implementation: (i) legal/regulatory; (ii) organization, management and systems/procedures; (iii) capacity building; (iv) infrastructure, facilities, and equipment; and (v) institutional support.

19. The CBTA is open for accession by other CAREC countries. The signed copy of the CBTA (in English and Russian) was shared by the CAREC secretariat to the other CAREC member countries. Afghanistan has indicated interest in becoming a contracting party to the CBTA. However, as discussed at the CAREC senior officials’ meeting in November 2010 in Cebu, CAREC countries can proceed with negotiating and/or implementing other cross-border transport agreements that facilitate international transport along CAREC corridors.

B. Trade Facilitation

1. Customs Cooperation

20. The 9th CCC Meeting held in Tokyo, Japan in September 2010 reviewed the efforts of the CCC members to introduce customs reforms in their respective countries since the establishment of the CCC in 2002 and noted the substantial achievements registered in the 5 priority areas of CCC’s work program. The CCC Meeting agreed that the overall guiding principle for the future work of CCC strategic direction is embodied in the World Customs Organization’s (WCO) “Customs in the 21st Century” (C-21) paradigm. The WCO expressed willingness to support CAREC customs cooperation initiatives through technical advisory assistance in partnership with ADB as a concrete measure in implementing the Memorandum of Understanding (MOU) between ADB and WCO.³

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⁴ ADB funded Phase II of the Regional Trade Facilitation and Customs Cooperation and Cross-Border Transport Agreements among the People’s Republic of China, Kyrgyz Republic and Tajikistan; and EU’s Development of Coordinated National Transport Policies.
⁵ These include (a) Simplification and Harmonization of Customs Procedures and Documentation; (b) ICT for Customs Modernization and Data Exchange; (c) Risk Management and Post-Entry Audit; (d) Joint Customs Control (JCC); and (e) Regional Transit Development.
⁶ Signed in May 2010 at the ADB Annual Meeting in Tashkent.
21. A seminar on TRS was held in tandem with the 9th CCC meeting for senior CAREC country customs officials. The TRS provides an opportunity to review customs’ and other border control agencies’ clearance procedures and identify corrective actions to enhance their clearance operational efficiency. A TRS Planning Workshop was held in Tashkent, Uzbekistan on 29-31 March 2011 to train relevant customs officials on conducting TRS and performing complementary analysis. The CAREC officials agreed that the first round of TRSs should be performed at key BCPs along CAREC corridors that will potentially participate in the RIBS project. The immediate contribution of the TRS is to support the preparation of the RIBS project. However the real impact of the TRS process is much more than this. The TRS complements the CPMM and other results measurement techniques and forms an essential part of the overall CAREC results framework. Further, the TRS will also be a useful tool to measure results of customs authorities’ own initiatives in streamlining their policies and procedures. The partnership between ADB and the WCO provides CAREC customs authorities with easy access to organizational and technical support in conducting the TRS.

22. Specialized training for customs officials continues to be provided in close coordination with development partners such as the WCO and Shanghai Customs College. Expertise sharing in the specialized field of customs control for pipeline transported energy products is also supported through study tours and dialogues.

2. Integrated Trade Facilitation

23. Regional Improvement of Border Services (RIBS) Project. Following the approval of the regional project preparatory technical assistance (R-PPTA) by the ADB Board of Executive Directors in January 2011, a workshop with CAREC NJCs for preparation of the RIBS project was held in Bangkok on 27-28 January 2011 to review potential investment proposals related to BCPs and national single windows (NSWs) and discuss the coordination mechanism for the project, particularly the role of NJCs in project preparation. ADB financing for the proposed project is approximately $150 million. A Coordination Unit has been set up in Almaty. All countries except Kazakhstan have formally appointed project focal persons and identified border crossing points (BCPs) to be included in the project. At least 3 countries have indicated plans to use RIBS to improve their single window systems. With the selection of the consulting firm through an international competitive bidding process, project preparation for RIBS is now underway. The consultants fielded their first mission in mid-May 2011. A meeting among the focal persons of the RIBS project is scheduled to be held in Baku on 9 June 2011.

24. The CAREC Federation of Carrier and Forwarder Associations (CFCFA) held a series of events in Chongqing, PRC on 22-23 February 2011:

(i) A Business Networking Forum, one of the priority projects identified by CFCFA members in its meeting in Urumqi in July 2010, brought together over 200 attendees and provided an opportunity for the Chongqing transport operators and freight forwarders (including government agencies such as customs) to meet and network with their CAREC counterparts. Delegates made presentations to introduce their associations and each country was provided a booth to exhibit their materials and to discuss business opportunities with counterparts from other countries. The Forum proved to be a successful format and participants requested to hold similar events in future CFCFA meetings.

(ii) An Executive Board Meeting reviewed achievements CFCFA made in its first year, including: successfully setting up the organizational framework of CFCFA;
participation in broader CAREC activities; recognition by other international organizations and industrial groups; successfully making CPMM a flagship activity of the Federation, and; determining and implementing priority projects such as the CFCFA website and capacity building activities. The Board agreed to set up three working groups (WGs): including (i) WG for standardization and adoption of international best practices, which will focus on the need for standardization and introduction of better international practices and organize related capacity building activities; (ii) WG for cross-border transport and trade which will tackle impediments of cross border movements of goods and people; and (iii) WG for organization and funding which will suggest ways for better organization of the Federation to benefit from its members’ practical experiences and relationship at country and regional level, and identify potential funding sources and operations that can be revenue generating to ensure the CFCFA’s long term sustainability.

(iii) **A CFCFA Capacity Building Seminar** was organized for the same audience of the business network forum on (i) supply chain and multimodal transport issues, and (ii) application of FIATA standard freight forwarding documents for the CAREC region. Existing conditions of supply chain and multimodal transport in CAREC countries were presented and compared against international best practices. Various misconceptions and knowledge gaps on CAREC multi-modal transport were discussed. The second topic emphasized the advantages of using FIATA standards as experienced by PRC and other CAREC countries were urged to adopt the standards. Assistance may be provided to CAREC countries who wish to initiate such efforts.

(iv) **The CFCFA Website** (http://cfcfa.net) has been developed and the website, after comments and suggestions for improvement from CFCFA members were received, is now live and undergoing refinements. The website will provide the members up-to-date information on rules, regulations and government orders on trade and border crossing procedures including BCP operating hours; profiles of the members and services they offer; and status of CFCFA projects. A CPMM page is also being developed on the CFCFA website for interactive data retrieval and analysis.

(v) **CPMM Coordinators’ Training** was held to refine further the methodology, improve data collection, and expedite report preparation. Part of the training program was also improving capacities of the national associations to analyze country specific data and generate country reports for their own use. Upon completion of the CPMM webpage in the CFCFA website, partner associations will be able to retrieve data and download analysis interactively from the web page.

**25. The Corridor Performance Measurement and Monitoring Project** has been in implementation for two years and the initial findings of the 2009-2010 annual report – including TF indicators for the CAREC Results Framework – were presented at the 2010 Ministerial

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7 Certain specific issues, such as the difficulty in timely obtaining visas by drivers and business people can be tackled by the cross-border transport and trade WG.
8 Fédération Internationale des Associations de Transitaires et Assimilés (or International Federation of Freight Forwarders’ Associations)
Conference. The second annual report (January-December 2010) will be distributed at the June 2011 SOM.9

26. **Capacity Building.** As part of CFCFA’s capacity building program, the first logistics training (covering topics on modern supply chain management, trade logistics, multi-modal transport, and trade logistics international best practices) was held in Tashkent, Uzbekistan on 22-24 December 2010. The training attracted over 50 participants from local transport and logistics industries, trading companies, the Uzbekistan Chamber of Commerce and Industry, governmental agencies, and state-owned companies. There are plans to hold similar logistics seminars in Kazakhstan, Mongolia and PRC and in the later part of 2011 with slightly modified modules to fit needs of participants. The CFCFA also coordinated and arranged with at the Shanghai Marine University to hold a one-week training course on trade logistics management and best practices designed specifically for carriers and forwarders. The aim is to standardize the course content and materials so the course can be offered on a regular basis to interested CFCFA members.

### III. WORK PLAN FOR REST OF 2011

27. The following are proposed priority areas for the TTF sector for the second half of 2011:

- 10th TSCC Meeting
- Ratification by the Kyrgyz Republic of the CBTA
- Workshop on the CBTA and Other Transport Facilitation Arrangements Involving CAREC Countries
- Studies on the accession by other CAREC Countries to the CBTA or negotiation and implementation of other cross-border transport facilitation arrangements
- Preparation of the action plan for the implementation of the CBTA between the Kyrgyz Republic and Tajikistan
- Capacity development on performance-based management contract for roads maintenance
- Finalization of the medium-term priority transport projects for CAREC 2020 for endorsement by the 10th Ministerial Conference on CAREC
- 10th CCC Annual Meeting
- 2nd CFCFA Annual Meeting
- People’s Republic of China – Mongolia Joint Customs Control Meeting
- Joint Review of Joint Customs Control Pilots by Kazakhstan, Mongolia and People’s Republic of China
- Launch of Sanitary-Phytosanitary cooperation to be piloted in Mongolia and People’s Republic of China
- Amendment of People’s Republic of China – Mongolia transport agreement
- Enhancement of CFCFA website
- ADB project team and consultants to closely cooperate with NJCs and respective focal persons to conduct feasibility studies and project documents for the proposed RIBS project
- Implementation of TRS at selected border crossing points to support preparation of the proposed RIBS project
- Preparation and implementation of trade facilitation projects identified in the 5 year

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9 *Major findings and a more detailed report will be presented separately to the SOM.*

- Commencement of the midterm assessment of trade facilitation program of TTFS
- Capacity building programs in specialized areas such as:
  - authorized economic operators
  - customs cooperation in energy trade
  - customs reforms and modern techniques (in Shanghai Customs College)
  - single window development
  - trade logistics and supply chain management

IV. KEY MATTERS

28. Following are key issues related to the transport and trade facilitation 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 Road Maintenance.** After construction or rehabilitation, poorly maintained roads constrain mobility, significantly raise vehicle operating costs, increase accident rates and their associated human and property costs. It is necessary to implement a well-planned program of road maintenance.

- **Medium-term priority projects for the proposed 10-year CAREC strategic framework (CAREC 2020).** The medium-term (2011-2015) priority CAREC projects (MTPP) form an integral part of CAREC 2020 and represent the operational priority projects of CAREC for the next five years. CAREC countries during subregional workshops held in April-May 2011 agreed on the proposed approach and criteria in formulating the MTPP: for transport and trade facilitation, the basis will be the CAREC transport and trade facilitation strategy (in transport, land transport projects must be located along CAREC corridors; projects must be included in the national development plan; at least preliminary due diligence should either be completed or under way; and it is desirable that land transport projects are covered by land transport arrangements with neighboring country[ies]). A joint workshop on transport and trade facilitation to be held on 6 June 2011 in Baku is expected to agree on a proposed list of transport and trade facilitation projects to be included in the MTPP.

- **Inadequate Border Infrastructure and Facilities.** Trade facilitation requires balanced improvement on infrastructure, management, and technology. Inadequate border infrastructure and facilities on both sides of the border, as well as complicated border crossing procedures significantly undermine the potential of transport improvement on trade. ADB has commenced a TA project to address this problem.

- **Accession to the CBTA by other CAREC countries or Implementation of Other Transport Facilitation Arrangements.** To realize the intended full benefits of the CBTA, it is important that more countries along the CAREC Corridor(s) where the Agreement will apply, will become signatories. 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.

- **Strengthening cooperation institutions.** Effective cooperation among trade policy making bodies, customs, other government agencies involved in trade clearance and transport facilitation, both at national and regional levels, is critical for a successful integrated trade facilitation program. Support for institutional strengthening is needed for NJCs in CAREC member countries to implement transport and trade facilitation initiatives as part of the CAREC TTFS Action Plan as well as guiding the formulation and implementation of the proposed RIBS project.

- **Integration of private sector into trade facilitation activities.** The CFCFA can be a useful catalyst for mobilizing private sector investment in improving transport and trade in the region. The CFCFA member associations have shown strong ownership of its program and the Federation has demonstrated its capability in attracting new members, mobilizing human and financial resources, and organizing events. However, to optimize contributions of CFCFA in the CAREC trade facilitation program, more integration will be needed between CFCFA and its members, NJCs, and other CAREC bodies. It is important that CAREC National Focal Points are better informed about CFCFA activities, and show their support.

- **Moving the CCC forward to undertake joint activities.** A review of the past nine years of customs cooperation showed good accomplishments in a number of priority areas such as harmonizing laws and regulations to comply with international standards, automation of customs clearance, and adoption of risk management techniques. However, most of these were more parallel activities rather than joint cooperative activities. Joint customs control pilots in selected BCPs and regional transit arrangements are two joint activities that have seen progress through pilots. The proposed RIBS project will provide an opportunity for CCC members to implement investments jointly. Such implementation activities will further strengthen the region’s customs cooperation program.

- **Integrating Pakistan and Turkmenistan into the CAREC transport and trade facilitation programs.** Priority transport projects of Pakistan and Turkmenistan are being considered for inclusion in the MTPP. They either form part of the CAREC transport corridors (e.g., CAREC Corridor 2 for Turkmenistan) or are natural extensions of existing CAREC Corridors (e.g., CAREC Corridor 5 for Pakistan). A mid-term review of the CAREC transport and trade facilitation strategy is planned for 2013, which will look into, among other things, possible redefinition of the corridors and priority projects in Pakistan and Turkmenistan. In trade facilitation, Turkmenistan Customs has participated in the CCC meetings and workshops in the past and is familiar with the CCC. Pakistan has a strongly performing national trade facilitation joint committee that can serve as the CAREC NJC from which other CAREC members can learn. CFCFA is keen to admit new members from the two
countries and prepare CPMM activities once corridors are extended into the two countries.

- **Better utilization of CPMM**<sup>10</sup> and TRS results. Thousands of data samples have been collected by CFCFA members to date, and preparation of CPMM quarterly and annual reports are streamlined. It is now possible to conduct not only corridor analyses but also country level and project analyses to tackle the weakest links and the worst bottlenecks on the corridors based on transport and trade performance indicators collected from CPMM and TRS. An interactive web-page is being developed to facilitate better dissemination and utilization of CPMM results.

- **New areas to be addressed.** Additional areas – such as cooperation in areas of sanitary and phytosanitary (SPS) inspection, movement of people (particularly business people and truck drivers), as well as areas critical for achieving the medium to long term transformation of CAREC transport corridors to logistic and economic corridors as noted in the draft CAREC 2020 – will need to be promptly and sufficiently addressed by the CAREC trade facilitation program.

- **Sustainability of trade facilitation initiatives and programs.** ADB will seek technical assistance funding to continue to support the work of the CCC and of the integrated trade facilitation program. Specific objectives of new regional technical assistance will be to: (i) continue to implement the trade facilitation aspects of the TTFS; (ii) support the conduct of the TTFS midterm review; (iii) address impediments to trade facilitation, including the need to strengthen NJCs, which play a key role in monitoring implementation of the TTFS and Action plan; (iv) guide the development of legal and institutional reforms to support implementation of the proposed RIBS project; and (v) integrate Pakistan and Turkmenistan into the CAREC trade facilitation program.

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<sup>10</sup> CPMM has received wide interests within and outside of ADB. It is likely that CPMM will be soon implemented in the Greater Mekong Subregion to monitor performance of its economic corridors. The Interamerican Development Bank also indicated its interest in introduction CPMM for their corridors.