

Summary of Discussion: Transport Sector

1. It was noted that significant progress had been made in new financing for the regional transport networks since the 2nd Ministerial Conference in November 2003 in Tashkent. EBRD approved 128.1 million EURO for two transport projects: (i) Aktau-Atyrau Road for KAZ; and (ii) the Hacıqabul-Kurdamir section of the Baku-Georgia Road in AZE. IsDB approved a loan of \$18 million for Ujar-Yevlax section of the Baku-Georgia Road. Two transport loans were also approved by ADB totaling \$52.1 million, one for rehabilitating part of the road between Dushanbe and KGZ border (Phase I) and the other for developing the remaining section of MON's north-south road corridor to link the PRC and Russia through MON. ADB is processing a loan for the South Kyrgyz Transport Corridor Road Rehabilitation Project (\$32.8 million), expected to be approved later this year. A technical assistance (TA) was approved by ADB for the preparation of a feasibility study on the Yevlax-Ganja section of Baku-Georgia Road in AZE. ADB in close consultation with other multilateral institutions (MIs) assisted the Central Asia Cooperation Organization (CACO) in developing a concept for the transport consortium. A TA from WB with joint funding from KAZ is financing an ongoing Transport Sector Strategy that will define policies and actions for improving transport infrastructure, particularly for transit traffic.

2. The Transport Sector Coordinating Committee (TSCC) was established and the first meeting was held during 30 June – 1 July 2004 in Almaty to identify investment requirements and discuss future joint work programs. To put in context the recent activation of the TSCC, it was noted that the emphasis in transport activities in the initial years has been on investments in line with the guidance of the 1st MC held in Manila in March 2002 for focus on concrete projects. Most of these investments, though part of a regional network, were essentially at a country level involving one or two countries at the most. Hence, these projects were addressed under the overall institutional framework (OIF) of Central Asia Regional Economic Cooperation (CAREC) program through project-specific working groups comprised of only the country or countries involved. Following guidance received at the April Senior Officials' Meeting (SOM) in Almaty to expand transport activities beyond individual country-based investments into "soft" areas such as harmonization of regulatory framework that would involve CAREC member countries as a whole, the TSCC was constituted and held its first meeting in June 2004.

3. The country delegations discussed the proposed work plan, and consensus was reached on the following issues.

Regional Transport Agreement

4. In the SOM in April 2004, the PRC delegates made a proposal that CAREC member countries develop a Regional Transport Agreement, which received broad support from the county delegates and MIs. Subsequently in the 1st TSCC meeting from 30 June to 1 July 2004, the delegates agreed that in view that action has already been taken by the Shanghai Cooperation Organization (SCO) on an agreement on Facilitation of International Road Transport assisted by UNESCAP, consideration on this issue should await the outcome of the next SCO meeting. The delegates reiterated the decision made at the 1st TSCC meeting. It was further agreed that once the outcome of next SCO meeting was known (expected in the near future), TSCC should review the outcome and decide next course of action.

Transport Consortium of the Central Asia Cooperation Organization (CACO)

5. In response to a request from KAZ on behalf of the CACO¹ in September 2003, MIs provided support for the establishment of a transport consortium of CACO. In coordination with other MIs, ADB has played a lead role in such support, providing comments on the draft concept of the Transport Consortium and preparing a proposal for implementation. Both the draft concept and the implementation proposal are under review by CACO's member countries. It was agreed that the implementation schedule proposed by ADB would be revisited once the concept of the Transport Consortium is approved by the higher authorities of CACO's member countries.

Regional Transport Sector Road Map

6. In the 1st TSCC meeting in June 2004, the delegations endorsed the need to develop a regional transport sector road map. The delegates reviewed the draft road map circulated during the meeting and provided useful comments. The representative of the World Bank and IsDB suggested that Sector Outputs should include the indicators that reflect the quality of road and railway networks. The UZB delegates suggest to add tariff regulations based on competition under "D. Action, Milestone and Investments". IsDB stated that it would provide additional data that will contribute to the finalization of the regional transport sector road map. It was agreed that the Secretariat revise the draft based on the comments provided at the meeting and present the revised road map at the next TSCC.

Proposed MI's Assistance Pipeline for 2004-2006

7. The delegates reviewed the proposed MI's assistance pipeline for 2004-2006. The KAZ delegates informed that apart from the EBRD funding approved for the Aktau-Atyrau road project, the Government plans to finance the remaining section of the road and therefore no ADB financing is needed. Similarly, the Kazakhstan Government will finance the proposed Borovoe-Petropavlovsk road project from its own resources. Therefore these two projects should be excluded from the assistance pipeline. The TAJ delegates requested MI assistance to rehabilitate the Tajikistan section of the Dushanbe-Tashkent road. The KGZ delegates requested MI assistance for the regional railway project connecting the PRC and UZB through KGZ. It was agreed that formal requests in writing would be sent to MIs for consideration.

The 3rd TSCC Meeting

8. It was agreed that the 3rd TSCC meeting be held in February 2005. The venue of the meeting will be decided later. A follow-up workshop on the World Bank's Transport and Trade Facilitation study will be also held in February 2005 in conjunction with the 3rd TSCC meeting.

Other Matters

9. The MON delegates appreciated the expression of ADB to support negotiations on Transit Traffic Framework Agreement among MON, the PRC and Russian Federation. The MON delegates request ADB to field a fact-finding mission for the Western Transport Corridor Development soonest.

10. The TAJ delegation provided MIs with a list of the proposed investment projects for TAJ at the meeting.

¹ The Central Asia Cooperation Organization comprises Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan.