



Central Asia Regional Economic Cooperation Program

Reference Document
For Session 2 of the Senior Officials' Meeting
October 2012

Trade Facilitation Sector Progress Report and Work Plan (2012–2013)

**11th CAREC Ministerial Conference
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Central Asia Regional Economic Cooperation
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Wuhan, People's Republic of China**

I. KEY DEVELOPMENTS

A. Program Implementation

1. This progress report covers activities conducted since the June 2012 SOM. The prospective work plan covers activities scheduled to take place over the next six months (November 2012-April 2013).

2. The CAREC Corridor Performance Measurement and Monitoring (CPMM) Project provides data for intermediate outcome indicators which monitor implementation of the CAREC transport and trade facilitation strategy (TTFS).

Trade Facilitation Indicators

Indicator	2010 Baseline Value		2011		Q1-2 2012		
	Mean	Median	Mean	Median	Mean	Median	
TF1	Time taken to clear a border crossing point (hour)	8.7	4.1	7.9	4.1	12.9	4.3
TF2	Costs incurred at border crossing clearance (US\$)	186.4	114.0	156.2	90.0	154.7	75.0
TF3	Cost incurred to travel a corridor section (US\$)	711.8	404.7	959.4	636.9	911.0	605.3
TF4	Speed to travel on CAREC corridors (kph), SWOD	35.2	37.5	38.0	39.9	37.4	35.5
	Speed to travel on CAREC corridors (kph), SWD	23.5	22.6	21.9	20.2	23.7	29.4

Q = quarter, SWD = speed with delays, SWOD = speed without delays, TF = Trade facilitation.

3. CAREC corridor performance indicators showed improvement in cost and speed in the first half of 2012. Overall costs incurred at border crossings and while travelling corridor sections decreased slightly, although this was mostly attributable to positive data for road transport. Indicators for rail transport showed less positive results. For example, at Dostyk, gauge change costs increased in Q1 2012 from an average of \$416 to \$669; and in Q2 operating costs for rail along Corridors 2 and 3 almost doubled. In terms of speed to travel CAREC corridors, Q1-2 2012 revealed progress in speed measured with delays, and an insignificant decline in speed measured without delays. On the other hand, the time taken to clear border-crossing points increased by 23% compared with the first six months of 2011. The increase in delay is due to long waiting times at Alashankou, Khorgos, and Irkeshtan. Drivers indicated a shortage of material handling equipment and adverse weather as the primary causes of longer delays.

4. Memoranda of Understanding have been signed with CPMM partners (members of the CAREC Federation of Carrier and Forwarder Associations [CFCFA]) to extend implementation of the CPMM to end-2012. Further funding must be identified and secured to ensure that CPMM data continue to inform CAREC country policymakers, regulators, investment planners, transport and trade logistics service providers, and traders, and contribute to the annual CAREC development effectiveness review process.

B. Addressing Actions Proposed in the 2011 CAREC Development Effectiveness Review (DEfR) and Ongoing Key Issues

1. Priority Actions Proposed in the 2011 CAREC DEfR

- Conduct a midterm review of the TTFS and Implementation Action Plan.

Action initiated:

5. The midterm review of the TTFS is intended to (i) confirm the status of priority projects, (ii) revisit the CAREC corridor alignments in light of updated projections on traffic and trade flows and the recent inclusion of Pakistan and Turkmenistan in CAREC, (iii) strengthen the integration of hard (physical infrastructure) and soft (trade and transport facilitation) aspects of the TTFS, (iv) consider multimodal transport dynamics and logistics development, and (v) refine the TTFS, including its results framework. The Transport and Trade Facilitation teams are working closely to make this happen. On 14 September 2012, ADB approved technical assistance financing to conduct the midterm review.

Next steps:

6. Consultant recruitment and selection is underway. Consultant appointment and notice to proceed is anticipated in Q4 2012.

- Maximize the benefits of CAREC corridors by identifying key physical barriers to cross-border transport and feasible approaches to implementing transport facilitation agreements in the CAREC corridors.

Action initiated:

7. With ADB technical assistance support, CAREC workshop on modernizing the application of sanitary and phytosanitary (SPS) measures was conducted in Bangkok in July 2012, with the support and participation of the World Trade Organization and the United Nation's Food and Agriculture Organization. ADB has approved a concept for technical assistance to support modernization of SPS measures in CAREC countries.

8. To complement CPMM implementation, ADB supported a Time Release Study workshop for Afghanistan and Pakistan customs officials in September 2012. Fifteen customs officials from each country participated in the workshop. The workshop is the latest in a series of activities initiated in March 2011 to familiarize CAREC customs officials with World Customs Organization tools to improve border management. Resource persons from the WCO regional office in Bangkok conducted the training. TRS complements ongoing CPMM activities.

Next steps:

9. These and other issues were discussed at the Customs Cooperation Committee meeting, 23-25 October 2012. The CCC meeting statement is attached to this progress report. Support for the conduct of Time Release Studies will remain a Customs Cooperation Committee

initiative, and SPS modernization will benefit from stand-alone trade facilitation technical assistance.

10. Efforts are underway to secure additional funding to support CPMM beyond 2013. Current technical assistance resources are sufficient to fund CPMM through 2013. Partial funding has been awarded to sustain CPMM into 2014, but further funding will be needed to ensure that the full year is covered. ADB is working to identify possible sources.

- To sustain operations growth, endorse medium-term priority projects list at the Ministerial Conference of 2012, and commence mainstreaming priority projects into national development plans of the CAREC countries.

Action initiated:

11. Since the Senior Officials' Meeting in June 2012, preparation of the first Regional Improvement of Border Services (RIBS) Project has progressed. Detailed investments in border-crossing points and single window facilities under the RIBS Project have been identified for the Kyrgyz Republic, Mongolia, and Tajikistan. Approval of the RIBS investment proposal is expected in December 2012.

Next steps:

12. Sub-regional funds for Asian Development Fund-eligible CAREC countries are being sought for a follow-on RIBS2 project and possible investments to modernize the application of SPS measures and develop a more cost-conscious regional transit regime.¹

- To counter the drop in finance mobilization, step up efforts to explore cofinancing opportunities among CAREC governments, multi- and bilateral institutions, other development partners, and the private sector.

Action initiated:

13. ADB and World Bank staff have initiated exploratory discussions on opportunities for joint ADB-World Bank investments in border crossing facilities on the PRC, MON, and AZE borders.

Next steps:

14. If there is demonstrable demand for joint investment programs, more concrete measures should be conceived, proposals developed, and projects designed and implemented.

¹ Accessing these funds will require a corresponding allocation of Performance-Based Allocation resources by the respective country programming teams.

- Ensure sector-focused training and capacity-building activities are implemented through the CAREC Institute, as appropriate.

Action initiated:

15. CAREC Institute restructuring over the past year has constrained its ability to augment priority area programs. Now that the way forward is clearer, the Trade Facilitation team is developing a series of capacity-building activities for CAREC Institute consideration.

Next steps:

16. To augment the capacity development agenda of the Trade Facilitation priority area, CAREC Institute support is proposed to sustain the implementation of programs designed for public sector constituencies (customs training conducted by the Shanghai Customs College) and private sector CAREC constituencies (trade logistics training).

2. Resolution of Ongoing Key Issues

17. An SPS Workshop was conducted in July 2012. The minutes of the workshop were forwarded to CAREC countries and comments received have been incorporated into the minutes. The final version will be submitted to the respective national and sector focal points for endorsement on behalf of the governments.

18. The SPS Workshop yielded two major areas of focus: (i) modernizing SPS measures in accordance with international practice; and (ii) identifying investments in SPS areas to facilitate trade. The general guiding principles used in identifying these focus areas were that: (i) these should come from the trade facilitation perspective; (ii) a phased approach targeting low-hanging fruits first will be used; and (iii) a practical coordination mechanism consistent with the overall CAREC institutional framework will be put in place.

19. The workshop discussions led participants to understand that the establishment of a regional working group to prepare an action plan to develop common solutions to SPS issues encountered at the borders should be preceded by further work at the country level. The CAREC trade facilitation sector is proposing regional technical assistance to provide policy, institutional, and project preparatory assistance to CAREC member countries in modernizing the application of SPS measures. The technical assistance will support extensive collaboration and joint capacity-building exercises between CAREC countries to ensure that domestic efforts are synchronized and moving in the same direction. Collaboration with donors in related areas will be pursued to avoid duplication of efforts. A report describing the current state of play and proposed next steps for modernizing the application of SPS measures has been prepared and is being edited for publication.

20. Further integration of Pakistan and Turkmenistan into the CAREC Trade Facilitation program continues. Both countries have been active participants in trade facilitation initiatives this year, and the CFCFA Annual Meeting (together with a training program for CPMM coordinators) is to be organized in Karachi in November 2012. New CFCFA officers will be elected, and the CPMM coordinator training program will focus in part on how to increase the collection of time-cost-distance data on movements along CAREC corridors by railway transport.

II. KEY ISSUES FOR GUIDANCE BY THE SOM

21. The CAREC Trade Facilitation team reiterates the following areas as requiring priority attention and a redoubling of effort:

- Trade facilitation is multi-dimensional, complex, and presents challenges for institutional coordination. To confront these challenges, CAREC countries can capitalize on initiatives to develop national and regional single window facilities by expanding the scope of single window working groups to deal with broader integrated trade facilitation issues, engage different stakeholders, and enhance their commitment;
- The trade facilitation agenda is becoming broader and deeper. The role of the private sector is increasing in prominence and developing innovative solutions can help the private sector address supply chain constraints (e.g. leasing; logistics);²
- Trade facilitation and trade and investment liberalization measures should be implemented hand-in-hand. It is important to improve coordination with trade policy partners to support free trade agreement negotiations, Customs Union impact assessment,³ and sub-regional and World Trade Organization efforts to promote trade and foreign direct investment.

III. CHANGES TO SECTOR ACTION PLAN

22. The Trade Facilitation Work Plan submitted to the November 2011 SOM remains fundamentally unchanged. Action to implement the new initiative on SPS is underway and capacity-building activities for customs (time-release study training) continue. Capacity-building activities developed in conjunction with the restructured CAREC Institute will sustain programs designed for public sector constituencies (customs training conducted by the Shanghai Customs College) and private sector CAREC constituencies (trade logistics training).

² Formal CFCFA registration as a not-for-profit business association allows it to engage actively with regulators and policymakers to advocate improvements in the commercial environment for cross-border trade.

³ Russia's August 2012 accession to the WTO will affect directly the implementation of its Customs Union with Kazakhstan and Belarus. Closer attention will now be paid to the impact of Russia's WTO accession on trade facilitation with CAREC countries.