



# **Transport Sector Status Report**

Preparatory Senior Officials' Meeting on  
Central Asia Regional Economic Cooperation

14 October 2005  
Bishkek, Kyrgyz Republic

# TRANSPORT SECTOR STATUS REPORT

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### I. Introduction

1. The Central Asia Regional Transport Sector Roadmap (2005–2010) was developed at the 3<sup>rd</sup> Transport Sector Coordinating Committee (TSCC) Meeting in Bishkek on 1–2 March 2005, and endorsed at a Senior Officials Meeting (SOM) in Manila on 26–27 April 2005. The Roadmap is aimed at addressing the key sector issues related to regulatory differences, lack of transport connections, poorly equipped border posts, bureaucratic cross-border procedures, poor infrastructure maintenance due to insufficient funding, lack of competition in the rail system, institutional and human resource capacity, and guiding future transport cooperation activities among CAREC participating countries. The Roadmap's five strategic priorities are:

- (i) Harmonizing and simplifying cross-border transport procedures and documentation among the CAREC countries to facilitate the movement of passengers and freight across borders;
- (ii) Harmonizing transport regulations among the CAREC countries to create a level playing field for transport operators and promote efficient and better services;
- (iii) Developing and improving regional and international transport corridors to link production centers and markets within the CAREC countries, and to improve the countries' access to neighboring regions and markets;
- (iv) Restructuring and modernizing railways through private sector participation and improved corporate governance; and
- (v) Improving sector funding and management to ensure that the regional transport network is properly developed and maintained.

### II. Progress of Cooperation since the Last SOM

#### A. 4th Transport Sector Coordinating Meeting

2. The 4<sup>th</sup> TSCC Meeting was convened in Bishkek on 12–13 October 2005 and was attended by delegations from CAREC participating countries as well as representatives of multilateral institutions (MIs) including the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IsDB), United Nations Development Programme (UNDP), and the World Bank (WB). The Meeting was chaired by the Government of the Kyrgyz Republic and co-chaired by ADB. (Refer to Summary of Discussions in Appendix 1).

3. The TSCC's 2005 Work Program focuses on providing specific recommendations on the strategic priorities of harmonization and simplification of cross-border transport procedures and documentation, and harmonization of transport regulations (Phase I)<sup>1</sup> Close coordination with the transport sector committees and working groups of other regional organizations, including the Shanghai Cooperation Organization (SCO) and the Central Asia Cooperation Organization

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<sup>1</sup> Vehicle emission requirements, axle load control, tariffs, road user charges, transit fees, traffic safety, and provision of transport services.

through sharing of information and regulation consultations to ensure synergy of regional cooperation efforts is a continuing priority.

4. The TSCC members made a decision to submit a report to the SOM the following results:

- (i) Approved regional investments technical assistance projects and planned for 2005 and 2006.
- (ii) TSCC 2006 Work Program and the Action Plan for implementing the Regional Transport Sector Roadmap.
- (iii) ADB study on harmonization and simplification of cross border transport procedures and transport regulations in the road and railway sub-sectors in CAREC member countries (phase I).
- (iv) The criteria for classification of investment projects and studies as regional cooperation in CAREC member countries.
- (v) ADB's proposal of regional technical assistance for facilitation of transport cooperation in CAREC member countries (phase I).
- (vi) Information on the progress of the WB study of the potential for liberalization of the aviation sector in Central Asia.

#### **B. Investments**

5. Progress has been made in improving the regional transport network since the 3<sup>rd</sup> Meeting of the TSCC. Major investments are: (i) Azerbaijan: the east-west road corridor, Yevlah-Ganja section and Qazak-Georgian border section. ADB is expected to finalize a \$52.0 million loan in the last quarter of 2005 with co-financing from the Islamic Development Bank for \$10.4 million and the Saudi Fund for Development for \$11.0 million, (ii) Azerbaijan: the north-south corridor, Baku-Samur road co-financed by an EBRD loan of \$100.0 million, Czech Import-Export Bank loan of \$180.0 million, and financing from the Abu-Dhabi Fund for Development for \$10.0 million. In the southern corridor of Azerbaijan, WB is expecting to finalize loan for \$200.0 million and ADB a loan for \$100.0 million, (iii) Tajikistan: ADB is in final stages of processing a loan for \$29.5 million for the Dushanbe-Kyrgyz Border Road Rehabilitation Project, (iv) Mongolia, ADB has approved technical assistance for the pre-feasibility study of developing the north-south road corridor to link Xinjiang in PRC and the Russian Federation via West Mongolia. The combined program of the MIs for 2005-2006 for investment projects includes a total lending amount of \$1015.8 million and non-lending totaling \$6.8 million.

#### **C. Other Non-Lending Activities for Regional Transport Cooperation**

7. A regional transport agreement is vital to reducing nonphysical barriers to trade. Drawing on the experience of the Greater Mekong Subregion (GMS) Program, the SCO Member States (PRC, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan) are striving to draft such an agreement for road transport, with help from ADB and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The 3<sup>rd</sup> negotiating meeting of SCO Member States on the aforementioned agreement was held in Beijing on 26–29 June 2005, organized by the SCO Secretariat, UNESCAP, and ADB, and attended by delegations from the PRC, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan. While all country delegations reiterated the importance of the agreement and some progress was made on negotiating a draft Framework Agreement, negotiations remain to be concluded. A meeting of prime ministers of SCO member countries, scheduled for October

2005, will provide guidance on the way forward. It is expected that the 4<sup>th</sup> negotiating meeting will be held in the first quarter of 2006.

8. The Transport Consortium of the Central Asia Cooperation Organization (CACO) has in preparation draft founding documents.

### **III. Next Steps and Monitoring of Results**

9. In accordance with the Roadmap Implementation Action Plan, CAREC participating countries will undertake the following activities in 2006:

- Incorporate the TSCC members comments into the draft action plan following the study on harmonization and simplification of cross-border transport procedures and documentation, and harmonization of transport regulations for CAREC countries (Phase 1). Present the final draft action plan to the 5<sup>th</sup> TSCC meeting. This action plan will be implemented during 2006-2007.
- Initiate a study on improvements in transport sector funding and management in CAREC countries in 2006.
- Initiate a study on restructuring and modernizing the railway sector in CAREC countries in 2006.
- Finalize and implement regional technical assistance from ADB to facilitate transport cooperation in CAREC countries (Phase I) during 2006–2007.

10. The Transport Sector Roadmap includes a monitoring results framework with targets for performance against the five key strategies. A midterm review will be undertaken in 2007.

### **IV. Risks and Mitigation Measures**

11. The key assumption to enable the achievement of the desired impact from the Transport Sector Roadmap are continued CAREC commitment to regional cooperation and macroeconomic stability in the region. This needs to be supported by agreement among participating countries on priority areas for cooperation and the MIs' ability to prepare and operationalize a joint results-focused agenda and pursue harmonized approaches to project development and management. The key risks are the resource constraints of the MIs' in processing the new initiatives, willingness by countries to share data, statistics and information, and turnover of staff from both Government and the MIs' participating in the TSCC. The mitigation measures in relation to these issues involve acknowledgement of their existence by all participants of the TSCC Meetings, and developing joint strategies to address them as necessary.