



# **Transport Sector: Status Report Update**

**Senior Officials' Meeting  
On Central Asia Regional Economic Cooperation  
28-29 August 2006  
Urumqi, XUAR, People's Republic of China**

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## TRANSPORT SECTOR STATUS REPORT UPDATE

### I. PROGRESS OF COOPERATION SINCE THE FOURTH MINISTERIAL CONFERENCE

#### A. Transport Sector Coordinating Meetings

1. The Transport Sector Coordinating Committee (TSCC) held two meetings in Urumqi, People's Republic of China (PRC) in 2006: the Fifth Meeting on 15–16 March and the Sixth Meeting on 24–25 August. The meetings were attended by delegations from all eight CAREC countries and representatives of multilateral institutions (MIs) including the Asian Development Bank (ADB), United Nations Development Programme, United Nations Economic and Social Commission for Asia and the Pacific, and the World Bank. HE Mr .Feng Zhenglin, Vice Minister of Communications of PRC attended the open session of the Fifth Meeting and delivered a welcome remarks and HE Madame Song Airong, Vice Governor of Xinjiang Uygur Autonomous Region attended the open session of th Sixth Meeting and made delivered welcome remarks. The meetings were chaired by the Ministry of Communications, PRC and co-chaired by ADB.

2. The meetings endorsed the following results and decided to submit them to the Senior Officials' Meeting for information:

- (i) Updated Multilateral Institutions (MIs)' Assistance Program for regional transport projects for 2006–2008;
- (ii) TSCC Work Program for 2007;
- (iii) A proposal of ADB technical assistance for regional road funding and management.

3. The meetings endorsed the following results and decided to submit them to the Senior Officials' Meeting for approval:

- (i) **Central Asia Regional Transport Sector Road Map Update (2005–2010), which is attached as Annex 1**

The Road Map Update has the following six strategic priorities for achieving the goal of regional cooperation in transport: 1) Harmonization and simplification of cross-border transport procedures and documentation among the CAREC countries to facilitate the movement of passengers and freight across borders. 2) Harmonization of transport regulations among the CAREC countries to create a level playing field for transport operators and promote efficiency and better services. 3) Development and improvement of regional and international transport corridors to link production centers and markets within the CAREC countries and to enhance CAREC countries' access to neighboring regions and markets. 4) Restructuring and modernization of railways to provide quality and efficient services through private sector participation and improved corporate governance. 5) Improvement of sector funding and management to ensure that the regional transport network is developed, operated, and maintained properly. 6) Incremental approach to liberalization of the civil aviation sub-sector, focusing on the adoption of bilateral agreements using common legislative clauses, with a view to expanding sub-regional agreements among neighboring countries, and potentially more widely in the long term. Enhancement of external inputs from all stakeholders, especially business and tourism, in aviation policy making.

At the Sixth Meeting, the TSCC Secretariat made a presentation of the proposed CAREC Regional Transport Sector Road Map Update (2005-2010), which includes

Afghanistan as the new CAREC country and the civil aviation sub-sector. The Meeting endorsed the proposed CAREC Regional Transport Sector Road Map Update (2005-2010) and agreed to submit the document to the Senior Officials' Meeting scheduled for 28-29 August 2006 for approval.

**(ii) An Action Plan on Harmonization of Regional Transport Regulations and Cross-Border Agreements, which is attached as Annex 2**

The Objectives of the Action Plan are to promote the sustainable economic growth in CAREC countries by facilitating cross-border and transit transport by roads, railways, and civil aviation. The Principles of the Action Plan are: (i) strong leadership and active participation of CAREC countries; (ii) outputs focused with support of implementation and monitoring mechanisms; and (iii) coordinated and complimentary approach with trade facilitation activities in CAREC countries.

The Action Plan will achieve the following six results: 1) Rationalized regional road Transport agreements; 2) Streamlined tariff and fee framework on regional road and railway transport; 3) Harmonized weights and dimensions of vehicles; 4) Harmonized regulations on vehicle emissions; 5) Improved regional transport safety; 6) Reduced delays at border crossings.

As requested by the Fifth TSCC meeting, the TSCC Secretariat presented the revised draft of the Action Plan on Harmonizing Regional Transport Regulations and Cross-border Agreements at the Sixth Meeting. The revised draft Action Plan had incorporated the comments received from CAREC countries on the earlier draft. The participants provided further comments and the Meeting endorsed the Action Plan. It was agreed that the endorsed Action Plan would be submitted to the Senior Officials' Meeting scheduled for 28–29 August 2006 for approval.

**(iii) A proposal of ADB technical assistance for CAREC transport sector strategy study, which is attached as Annex 3**

In response to the request from the Fourth Ministerial Conference in November 2005, ADB presented at the Meeting a proposal for developing a CAREC transport sector strategy under a regional technical assistance project in 2007. The Meeting endorsed the proposal, and suggested that adequate inputs from domestic consultants in CAREC countries be provided. Country delegations were requested to review the draft terms of reference and provide written comments to ADB for incorporation no later than 15 September 2006. The proposal will be submitted to the Senior Officials' Meeting scheduled for 28–29 August 2006 for endorsement.

**B. Infrastructure Investments**

4. Progress was made in improving the regional transport network. Major investments with MI assistance include:

- (i) Afghanistan: ADB is preparing a \$139 million loan and grant for improving the north–south corridor, for approval in 2006.
- (ii) Azerbaijan: ADB approved a \$52 million loan for improving the Yevlakh–Ganja and Qazakh–Georgian border sections of the east–west road in December 2005 and the loan agreements were signed in June 2006. ADB is preparing a \$100 million loan to help improve the Masally–Astara section (on the border to Iran) of the southern road. The World Bank approved a \$200 million loan for improving the Alyat–Masally section of the southern road in January 2006 and the loan agreement was signed in May 2006.

- (iii) Kyrgyz Republic: IsDB approved a \$9.2 million loan for improving the Taraz–Talas–Suusamyр road (phase I). The China Development Bank and the Kyrgyz Government signed a credit agreement to co-finance the southern road corridor improvement project, together with ADB.
- (iv) Mongolia: ADB is preparing a loan for developing a road in the western region to link the PRC and the Russian Federation.
- (v) PRC: ADB is preparing a \$150 million loan for upgrading the Korla–Kuqa road in Xinjiang.
- (vi) Tajikistan: ADB approved a \$29.5 million loan for rehabilitating the Dushanbe–Kyrgyz border road (phase II) in November 2005.

5. At the TSCC meetings in 2006, the Kyrgyz Republic delegation requested MIs to provide grant financing for the feasibility study of the proposed China–Kyrgyz Republic–Uzbekistan railway link project. The 6<sup>th</sup> TSCC Meeting agreed that regional transit traffic flows would be studied under the CAREC transport sector strategy study and the potential for the route and more detailed study would be considered in 2007.

6. It was recognized that the MI's assistance program for regional transport projects need to be updated from time to time, as appropriate.

### **C. Nonlending Activities**

7. MIs continued to provide grant assistance to CAREC countries in support of regional cooperation. Major nonlending activities with MI assistance include:

- (i) Azerbaijan: ADB assisted in developing a transport sector development strategy. The World Bank approved technical assistance for the railway trade and transport facilitation project
- (ii) Mongolia: ADB undertook a pre-feasibility study of the western regional road development, and is assisting the Government prepare a transport sector development strategy. The World Bank is preparing an infrastructure strategy;
- (iii) Uzbekistan: ADB is helping formulate a transport sector strategy;
- (iv) ADB is funding a pre-feasibility study of improving three regional roads: Bishkek–Torugart–Kashi road linking the Kyrgyz Republic to the PRC, Dushanbe–Tursunzade road in Tajikistan, and the Angren–Gulistan road in Uzbekistan, to be completed in the fourth quarter of 2006;
- (iv) World Bank is financing a study on pilot transport corridor performance measurement in Central Asia.

8. It was recognized that MI's assistance program for nonlending activities need to be updated from time to time as appropriate.

### **D. Other Regional Cooperation Initiatives**

9. The fourth negotiating meeting of Shanghai Cooperation Organization (SCO) member states (i.e., People's Republic of China, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan) over the draft Agreement on Facilitation of International Road Transport was held in Beijing on 9–12 August 2006 with support of UNESCAP and ADB. The meeting made important progress. The delegations of the SCO member states finalized a meeting protocol and prepared a draft Memorandum of Understanding on accelerating formulation of the draft Agreement, which will be submitted for signature at the SCO Prime Ministers Meeting in September 2006, which outlines the process of negotiation.

10. Representatives of Mongolia, the PRC, and the Russian Federation concluded negotiations over the draft Transit Traffic Framework Agreement in November 2005. The

finalized Transit Traffic Framework Agreement has been submitted to the three governments for and consideration and signing.

## II. NEXT STEPS

11. In accordance with the 2007 Program endorsed at the Sixth TSCC Meeting, the TSCC will undertake the following activities in 2007:

- (i) Review of implementation of Action Plan on Harmonization of Regional Transport Regulations and Cross-Border Agreements (if the Action Plan is endorsed by the Senior Officials' Meeting and the Ministerial Conference);
- (ii) Preparation and review of the CAREC transport sector strategy;
- (iii) Preparation and review of the pre-feasibility study report on improving the Bishkek–Torugart–Kashi road linking the Kyrgyz Republic to the PRC, Dushanbe–Tursunzade road in Tajikistan, and the Angren–Gulistan road in Uzbekistan;
- (iv) Preparation and review of the final report on maintenance management of regional roads in CAREC countries;
- (v) Update of MI assistance program for regional transport projects;
- (vi) Preparation of CAREC Transport Sector Report Update.

Mr. Chairman and your co-chair, before my conclusion, I would like to take this opportunity of expressing my sincere thanks to Mr. Nigel Rayner, Director of Transport Division, East Asia Department and Mr. Sean O'Sullivan, Director, Infrastructure Division of Central and West Asia Department of ADB for their good guidance and valuable assistance during my chairmanship for the last TSCC Meetings. Mr. Rayner and Mr. O'Sullivan are also present here today, and we are pleased to answer your questions if any relating to our Transport Sector Status Report.

## CENTRAL ASIA REGIONAL ECONOMIC COOPERATION (CAREC) PROGRAM

### Regional Transport Sector Roadmap Update

(Endorsed at the Six<sup>th</sup> Transport Sector Coordinating Committee Meeting  
24-25 August 2006, Urumqi, People's Republic of China)

#### I. Background

1. Central Asia is a historical land bridge between east and west (East Asia and Europe), as well as north and south (Indian Ocean and Persian Gulf to Russia and Baltics). It has also a potential of becoming important transit routes between Asia and Europe. The transport network in the eight participating countries of the Central Asia Regional Economic Cooperation (CAREC) Program—Afghanistan, Azerbaijan, People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan—comprises about 464,890 km of roads and 27,400 km of railways (AFG data to be included). Railways carry the majority of freight traffic, while roads are the dominant mode of transport for passenger traffic. Air transport plays a key role in providing international access and linking major local cities to the capitals in these countries. In addition, there is a waterway transport link on the Caspian Sea between Baku of Azerbaijan and Aktau of Kazakhstan. A regional map and key transport sector indicators in the CAREC countries are shown in Appendices 1 and 2, respectively.

2. During the initial years after the breakup of the former Soviet Union in 1991, the CAREC countries (except for the PRC) suffered severe economic difficulties and, as a result, traffic declined sharply and transport infrastructure deteriorated significantly. Since late 1990s, however, these countries have experienced economic recovery, which has resulted in the increase in volume of freight and passenger traffic. Railway traffic increased because of strong growth of trade activities. Road traffic rose due to the increase in vehicle ownership and improvement of the national and regional road networks. Air traffic grew as a result of rapid increases in external trade, tourists, and transit traffic between Asia and Europe.

3. The medium-term outlook for the transport sector in the CAREC countries is promising. Given projected continued economic growth in the region and positive prospects for major developed markets, the demand for freight and passenger traffic is projected to grow over the medium term. Annual growth rate is projected at 2–3% for railway freight traffic (although continued decline is expected for long-distance passengers) and 4–7% for road traffic. Nevertheless, bottlenecks are expected to occur over the short term at certain border stations on the railway network in the CAREC countries, such as at Druzhba of Kazakhstan and Serakhs of Uzbekistan, where traffic is already growing at over 20% per year. The Caspian Sea ports are also expected to see increased traffic mainly due to transit transport.

#### II. Key Sector Issues

4. The transport sector in the CAREC countries faces the following key issues on regional transport:

- (i) Inefficient cross-border and transit movement of people and goods due to excessive bureaucratic procedures and poorly equipped border posts. The cross-border procedures, formalities, and documentation (e.g., customs, immigration, and quarantines) at borders are not entirely based on international conventions or best practice, and are time-consuming, complicated, and expensive. The dislocations caused by the breakup of the railways into national units in Central Asia have also created numerous cross-border obstacles, such as a lack of track-sharing agreements, frequent

changes in locomotives and time-consuming train re-marshaling at borders, and inter-railway payment delays.

- (ii) Lack of unified transport regulations among CAREC countries. This includes lack of compatible standards based on international best practices (e.g. technical aspects, road clearance, axle load control, vehicle emission control, tariff, and traffic safety); road permit quotas for foreign vehicles that restrict competition; skewed rules for transport services; road user charges not related to costs of road use; discretionary tariff setting for railways; discriminatory transit fees; and limited private sector participation.
- (iii) Inadequate regional transport network. The transport links in Central Asia and Mongolia need to meet the requirements of reoriented economic and trade ties with all countries in the region. There is a lack of the adoption of an integrated and regionally oriented multimodal transport approach in the planning and operation for transport infrastructure development. Roads connecting some production centers, markets, and ports are lacking. A large proportion of the existing transport infrastructure (roads, railway track, and rolling stock) is poor and deteriorating due to insufficient funding for proper maintenance.
- (iv) Lack of competition in railways due to the monolithic and monopolistic nature of the organizations. This has resulted in inefficient railway service, lack of commercial management of operations and investment, obsolete track and rolling stock, outdated internal telecommunications technology, excessive tariffs for international traffic, tariffs that do not separate movement and terminal costs, and lack of convenient billing systems and consignment information for shippers.
- (v) Limited institutional and human resource capacities in the transport sector. This is reflected by weak planning for public investment, inadequate design standards for transport investment projects, weak financial and project implementation management, and lack of effective monitoring and evaluation.
- (vi) Lack of regional approach in civil aviation subsector and lack of commonality in aviation policy and liberalization prospects across the region. There is no uniform industry structure and ownership model in the region, and bilateral agreements are the predominant mode to regulate international air service. Intra-regional air service levels are low. There is also a fear that in a liberalized environment strong foreign airlines would undermine local industry participants.

### **III. Role of Regional Cooperation**

5. Regional cooperation in transport among the CAREC countries plays an important role in promoting sustainable economic growth, which is crucial to poverty reduction. Three factors account for this. First, there exists a regionally integrated transport system inherited from the past in Central Asia, which requires a regional approach to rehabilitation and development of the system in contrast to the national solutions and self-sufficiency. Second, regional cooperation can help develop a regional transport network to minimize location disadvantages and improve access to large neighboring and major developed markets. Third, regional cooperation can help reduce barriers to intraregional and transit traffic, lower transport costs, and improve transport services to overcome disadvantages of small national markets, thereby making the region more attractive for foreign and domestic investors as

well as in support of new trade opportunities. Thus, regional cooperation in transport among the CAREC countries is a necessity, not an option.

#### **IV. Progress of Regional Cooperation in Transport**

6. The Governments of the CAREC countries have recognized the importance of regional cooperation in transport and, with support from international development partners this has resulted in a number of initiatives and regional organizations. The Shanghai Cooperation Organization (SCO) member countries,<sup>1</sup> five of which are CAREC countries, are negotiating a draft Intergovernmental Agreement on Facilitation of International Road Transport with support of ADB and UNESCAP.<sup>2</sup> The agreement could be subsequently expanded to all CAREC member countries and other countries in the region. The PRC, Mongolia (both CAREC countries) and Russia have concluded negotiations over a draft Transit Traffic Framework Agreement that aims to promote international transit traffic. Investments have also been made to improve regional transport corridors. However, overall progress of these initiatives has been modest. Continued efforts are necessary to help achieve results quickly and maintain momentum for cooperation.

#### **V. Strategy for Regional Cooperation in Transport**

7. The goal of regional cooperation in transport is to develop an integrated and efficient transport system among the CAREC countries to help achieve sustainable economic growth and poverty reduction. The new transport system should be based on an integrated multimodal transport infrastructure network, and will provide links within the CAREC countries, enhance their access to outside large markets, reduce transport costs, improve transport services, and facilitate cross-border and transit traffic in the region.

8. In achieving this goal, regional cooperation in transport among the CAREC countries has five strategic priorities:

- (i) Harmonization and simplification of cross-border transport procedures and documentation among the CAREC countries to facilitate the movement of passengers and freight across borders.
- (ii) Harmonization of transport regulations among the CAREC countries to create a level playing field for transport operators and promote efficiency and better services.
- (iii) Development and improvement of regional and international transport corridors to link production centers and markets within the CAREC countries and to enhance CAREC countries' access to neighboring regions and markets.
- (iv) Restructuring and modernization of railways to provide quality and efficient services through private sector participation and improved corporate governance.
- (v) Improvement of sector funding and management to ensure that the regional transport network is developed, operated, and maintained properly.

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<sup>1</sup> The Shanghai Cooperation Organization consists of Kazakhstan, Kyrgyz Republic, the PRC, Russian Federation, Tajikistan, and Uzbekistan.

<sup>2</sup> The first negotiating meeting on the draft agreement was held in Urumqi on 3–7 August 2004 and the second meeting was held in Beijing on 9–12 March 2005.

- (vi) Incremental approach to liberalization of the civil aviation subsector, focusing on the adoption of bilateral agreements using common legislative clauses, with a view to expanding sub-regional agreements among neighboring countries, and potentially more widely in the long term. Enhancement of external inputs from all stakeholders, especially business and tourism, in aviation policy making.

## **VI. Multilateral Institutions' Assistance Program for Regional Cooperation in Transport (2006–2008)**

9. Multilateral institutions (MIs)<sup>3</sup> will continue providing financial and advisory assistance to the CAREC member countries in support of its strategy for regional cooperation in transport. The MI's assistance program for 2006–2008 comprises 26 lending projects amounting to \$1,362 million and 32 nonlending projects amounting to about \$28.5 million. A consolidated assistance program of multilateral institutions for lending and non-lending products in 2006–2008 is shown in Tables 1 and 2, respectively, of Appendix 3. The major lending projects likely to be supported in the road subsector are the north-south road corridor in Afghanistan, southern road corridor in Azerbaijan, regional transport corridor in Xinjiang, PRC, western road corridor in Mongolia linking it to PRC and the Russian Federation, and the Dushanbe-Kyrgyz corridor in Tajikistan. The lending pipeline for the railway subsector includes a regional railways rehabilitation project to strengthen the access to Afghanistan via Uzbekistan and the locomotive and track renewal, and rail trade and transport facilitation in Azerbaijan. In addition, maintenance of regional road transport corridors is proposed. Nonlending projects will be provided during the same period to support regional transport studies and institutional strengthening and capacity building of transport agencies. MIs will continue working closely with other development partners to cofinance lending and nonlending projects for regional cooperation in transport in the CAREC member countries.

## **VII. Performance Monitoring**

- 10. Benchmarks to monitor transport sector performance are shown in the following table.

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<sup>3</sup> Multilateral institutions comprise 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).

**Table: Central Asia Regional Transport Sector Roadmap**

Item	Indicators/Targets		
	2003	2010	
<b>A. Sector Outcomes</b>			
External Trade (US\$ billion)	85.1	119.8	
Volume of Freight Traffic (billion ton-km)	375.6	528.5	
Volume of Passenger Traffic (billion passenger-km)	187.0	263.2	
<b>B. Sector Outputs</b>			
Length of Road Network (km)	464,890	498,400	
Of which, length of category I highway (km)	n.a.		
Length of Railway Network (km)	27,400	29,000	
Of which, length of electrified railway lines (km)	7,688	8,000	
Road Network Density (km/100 km <sup>2</sup> )	6.2	6.6	
Railway Network Density (km/100 km <sup>2</sup> )	0.4	0.4	
Road Accident (total number/ fatalities)	n.a.	To be reduced by 5% per annum	
Regional Road Transport Agreement	No	In place	
Share of public investment in transport to GDP (%)	2.1	3.0	
Share of funding for road maintenance to GDP (%)	0.2 <sup>a</sup>	0.3	
Aircraft departures (thousands)	1,020	1,435	
Passengers carried by air services (thousands)	90,107	126,790	
Air freight (million ton-km)	6,563	9,235	
<b>C. Key Sector Issues</b>			
<ul style="list-style-type: none"> <li>• Inefficient cross-border and transit movement of passengers and freight due to excessive bureaucratic procedures and poorly equipped border posts.</li> <li>• Lack of unified transport regulations in the CAREC countries.</li> <li>• Inadequate regional transport network, particularly lack of transport connections to production centers, markets, and land access to ports, as well as poor transport infrastructure due to insufficient funding for proper maintenance.</li> <li>• Lack of competition in railways due to the monopolistic nature of the organizations, and limited private sector participation.</li> <li>• Limited institutional and human resource capacities in the transport sector.</li> <li>• Lack of regional aviation approach and lack of commonality in aviation policy and liberalization prospects.</li> </ul>			
<b>D. Actions, Milestones, and Investments</b>			
	Schedule	By Agency	
		Multilateral Institutions	CAREC Governments
Harmonization and simplification of cross-border transport procedures and documentation	2005-2010	ADB, EBRD, WB	X
Harmonization of transport regulations	2005-2010	ADB, EBRD, WB	X
Development and improvement of regional and international transport corridors	2005-2010	ADB, EBRD, IsDB, WB	X
Railway restructuring and modernization	2005-2010	ADB, EBRD, IsDB, WB	X
Improvement of sector funding and management	2005-2010	ADB, EBRD, IsDB, WB	X
Incremental approach to liberalization of civil aviation subsector	2005-2010	EBRD, IsDB, WB	X
MIs' assistance program: \$1324 million (lending) and \$26.4 million (nonlending)	2006-2008		X

<sup>a</sup> Excluding the PRC and Uzbekistan due to the unavailability of the data.

ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, IsDB = Islamic Development Bank, km = kilometer, WB = World Bank.

# CENTRAL ASIA REGIONAL ECONOMIC COOPERATION IN TRANSPORT AND TRANSPORT CORRIDORS



Item	Afghanistan	Azerbaijan	Kazakhstan	Kyrgyz Republic	Mongolia	PRC		Tajikistan	Uzbekistan
						National <sup>b</sup>	Of which, XUAR		
Length of Road Networks (km)		25,021	89,000	34,000	49,250	1,765,222	59,910	26,000	181,712
Of which, Category I Highways (km)		134	n.a.	n.a.	0	52,598	n.a.	n.a.	n.a.
Road Network Density (km/100 km <sup>2</sup> )		27.9	3.3	17.0	3.3	18.3	3.6	18.2	40.6
Length of Railway Networks (km)		2,944	14,510	425	1,815	71,898	2,775	950	3,993
Of which, Electrified Railway Lines (km)		1,270	5,800	0	0	17,409	0	0	618
Railway Network Density (km/100 km <sup>2</sup> )		3.4	0.5	0.2	0.1	0.2	0.2	0.7	0.9
Freight Traffic (million ton-km)		22,165	259,090	1,479	7,504	5,054,300	83,704	1,664	28,595
Of which, Roads (million ton-km)		6,241	40,158	875	242	678,250	32,500	571	9,600
Railways (million ton-km)		7,719	147,672	561	7,253	1,551,560	47,500	1,086	18,900
Civil Aviation (million ton-km)		204	94	43	8	5,155	64	8	95
Passenger Traffic (million passenger-km)		12,601	94,806	5,493	2,246	1,412,570	34,200	2,683	34,971
Of which, Roads (million passenger-km)		9,861	81,464	5,033	557	780,580	19,500	1,727	28,949
Railways (million passenger-km)		654	10,686	50	1,039	496,940	10,610	50	2,065
Civil Aviation (million passenger-km)		1,113	2,654	410	650	126,870	4,090	906	3,957
Road Accidents (number)		2,311	14,013	1,555	5,278	773,137	10,095	1,378	n.a.
Road Accidents (fatalities) <sup>a</sup>		724	2,754	n.a.	391	109,381	2,563	421	n.a.
Registered Vehicles ('000 units) <sup>a</sup>		487	1,460	264	138	205,317	468	187	240
Public Investment in Transport (million in local currency)		1,693,468	52,900	522	20,300	n.a.	n.a.	26.4	163,700
Share of Public Investment in Transport to GDP (%)		9.0	1.2	0.6	1.5	n.a.	n.a.	0.6	1.7
Funding for Road Maintenance (million in local currency)		70,000	2,200	298	1,834	n.a.	n.a.	5.3	n.a.
Share of Funding for Road Maintenance to GDP (%)		0.2	0.1	0.4	0.1	n.a.	n.a.	0.1	n.a.
Aircraft departures (thousands)		9	20	5	7	950	n.a.	7	22
Passengers carried by air services (thousands)		684	1,010	205	289	86,041	n.a.	413	1,466
Air freight (million ton-km)		67	21	5	7	6,385	n.a.	7	71

<sup>a</sup>2002 figures for XUAR in the PRC

<sup>b</sup>2002 figures for the PRC due to the non-availability of the 2003 figures.

CAREC = Central Asia Regional Economic Cooperation, GDP = gross domestic product, km = kilometer, PRC = People's Republic of China, XUAR = Xinjiang Uygur Autonomous Region

<sup>i</sup>Sources: Governments of CAREC member countries; 2005 World Development Indicators, World Bank.

## Multilateral Institutions' Assistance Pipeline for Regional Cooperation in the Transport Sector

**Table 1: Approved and Planned Program for Infrastructure Investments, 2006-2008**

<b>Project Title</b>	<b>Country Involved</b>	<b>Lending Agency</b>	<b>Amount (US\$ million)</b>
<b>2006 APPROVED</b>			
1. Highway II (Alat-Masally; Baki-Shamakhi)	AZE	WB	200.0
2. TSA Air Fleet Upgrade	TAJ	EBRD	4.9
<b>Subtotal Approved for 2006</b>			<b>204.9</b>
<b>2006 PLANNED</b>			
1. North-South Corridor	AFG	ADB	118.2
		JFPR	20.0
2. Locomotive and Track Renewal	AZE	EBRD	30.0
3. Osh-Irkeshtam Road Rehabilitation (phase I)	KGZ	IsDB	10.5
4. Shagon-Zigar Road (phase III)	TAJ	IsDB	10.0
5. Rehabilitation of Railway Network (Termez-Galaba Bridge)	UZB	IsDB	9.0
<b>Subtotal Planned for 2006</b>			<b>197.7</b>
<b>2007 PLANNED</b>			
1. Ring Road and Road Network	AFG	ADB	110.0
2. Southern Road Corridor Improvement (Masally-Astara)	AZE	ADB	100.0
3. Highway III	AZE	WB	150.0
4. Rail Trade and Transport Facilitation	AZE	WB	100.0
5. Western Road Corridor Road Rehabilitation (Shymkent-Arubulak)	KAZ	WB	TBD
6. Maintenance of Regional Road Transport Corridors	KGZ	ADB	20.0
7. Reconstruction of the Taraz-Talaz-Suusamyр Road (phase II)	KGZ	IsDB	10.0
8. Osh-Batken-Isfana	KGZ	WB	20.0
9. Western Regional Road Development	MON	ADB	32.0
10. Urban Infrastructure in Ulaanbaatar (with Transport element)	MON	WB	15.0
11. Xinjiang Regional Road Improvement	PRC	ADB	150.0
12. Dushanbe-Kyrgyz Republic Border Road Rehabilitation (phase III)	TAJ	ADB	25.0
13. Regional Infrastructure (Roads)	UZB	ADB	20.0
<b>Subtotal Planned for 2007</b>			<b>752.0</b>
<b>2008 PLANNED</b>			
1. Road Network 1	AFG	ADB	50.0
2. Secondary Roads Improvement	AZE	ADB	75.0
3. Bishkek-Torughart Road Rehabilitation	KGZ	ADB	20.0
4. Issyk-Kul Ring Road Reconstruction	KGZ	IsDB	10.0
5. Regional Transport	MON	ADB	32.0
6. Regional Railway	UZB	ADB	20.0
<b>Subtotal Planned for 2008</b>			<b>207.0</b>
<b>TOTAL (2006-2008)</b>			<b>1361.6</b>

**Table 2: Approved and Planned Program for Technical Assistance, 2006–2008**

<b>Project Title</b>	<b>Country Involved</b>	<b>Donor Agency</b>	<b>Amount (US\$'000)</b>
<b>2006 APPROVED</b>			
1. Railway Trade and Transport Facilitation Project	AZE	World Bank	900.0
2. Southern Road Corridor Improvement	AZE	ADB	500.0
3. Preparing the Maintenance of Regional Road Transport Corridors	KGZ	ADB	500.0
4. Prefeasibility and Feasibility Studies for Road Sections of the "Termez-Dushanbe-Sary Tash" Road	KGZ	TRACECA	1795.7
5. Preparing the Western Regional Road Development	MON	ADB	650.0
6. Infrastructure Strategy (with Transport element)	MON	WB	195.0
7. Preparing the Xinjiang Regional Road Improvement	PRC	ADB	600.0
8. Preparing the Dushanbe-Kyrgyz Republic Border Road Rehabilitation (phase III)	TAJ	ADB	650.0
9. Tajikistan Air Transport Study	TAJ	WB	125.0
<b>Subtotal Approved for 2006</b>			<b>5115.7</b>
<b>2006 PLANNED</b>			
1. Preparing the Road Rehabilitation and Capacity Building Cluster	AFG	ADB	2700.0
2. Preparing the Secondary Roads Improvement Project	AZE	ADB	500.0
3. Feasibility Study on Issyk-Kul Ring Road Reconstruction	KGZ	IsDB	350.0
4. Preparing the Logistics Development and Capacity Building in Xinjiang	PRC	ADB	700.0
5. Feasibility Study on Kafanigan-Yavan Railway Line	TAJ	IsDB	250.0
6. Transport Master Plan			
7. Preparing the Regional Infrastructure (Roads)	UZB	ADB	300.0
8. Central Asia Regional Transport Strategy Study	Regional	ADB	950.0
9. Regional Road Funding and Management in Central Asia Regional Economic Cooperation (CAREC) Countries	Regional	ADB	600.0
<b>Subtotal Planned for 2006</b>			<b>6850.0</b>
<b>2007 PLANNED</b>			
1. Preparing the Road Network III	AFG	ADB	1000.0
2. Capacity Building for the Ministry of Public Works	AFG	ADB	1000.0
3. Preparing the Bishkek-Torughart Road Rehabilitation	KGZ	ADB	600.0
4. Preparing the Regional Transport	MON	ADB	600.0
5. Transport Sector Reform and Efficiency	TAJ	ADB	400.0
6. CAREC Regional Railway Development (phase I)	Regional	ADB	850.0
7. Central Asia Transit Performance Measurement	Regional	WB	100.0
8. Analysis and Forecasting of Traffic Flows for the TRACECA Countries and Interregional Transport Integration	Regional	TRACECA	4104.5
9. Motorways of the Sea	Regional	TRACECA	3206.6
<b>Subtotal Planned for 2007</b>			<b>11861.1</b>

<b>2008 PLANNED</b>			
1.	Road Sector Planning	AFG	ADB 1200.0
2.	Capacity Building for the Ministry of Transport	AFG	ADB 1000.0
3.	Furthering Policy Reform in Railway Sector	PRC	ADB 400.0
4.	Dushanbe-Tursunzade Uzbek Border Regional Road Rehabilitation	TAJ	ADB 500.0
5.	CAREC Policy Reforms in the Transport Sector	Regional	ADB 600.0
<b>Subtotal Planned for 2008</b>			<b>28526.8</b>
<b>TOTAL (2006-2008)</b>			<b>26426.8</b>

ADB=Asian Development Bank; AFG=Islamic Republic of Afghanistan; AZE=Azerbaijan; EBRD=European Bank for Reconstruction and Development; ISDB=Islamic Development Bank; JFPR=Japan Fund for Poverty Reduction; KAZ=Kazakhstan; KGZ=Kyrgyz Republic; MON=Mongolia; PRC=People's Republic of China; TAJ=Tajikistan; UZB=Uzbekistan; WB=World Bank

**CENTRAL ASIA REGIONAL ECONOMIC COOPERATION (CAREC)**  
**ACTION PLAN FOR HARMONIZING REGIONAL TRANSPORT REGULATIONS AND CROSS-BORDER AGREEMENTS**  
(Endorsed at the 6<sup>th</sup> Transport Sector Coordinating Committee Meeting on 24 August 2006 in Urumqi, People's Republic of China)

**Objectives:** Promotion of sustainable economic growth in CAREC countries by facilitating cross-border and transit transport by roads, railways, and civil aviation.

**Principles:** (i) strong leadership and active participation of CAREC countries;  
(ii) outputs focused with support of implementation and monitoring mechanisms; and  
(iii) coordinated and complimentary approach with trade facilitation activities in CAREC countries.

Key Results	Actions	Responsibility	Target Date for Completion
1. Rationalized regional road transport agreements	1.1 Confirm that multilateral agreements are the primary engagements in CAREC countries for regional road transport.	TM, MOC	August 2006
	1.2 Review and prioritize the multilateral agreements relating to road transport, and prepare a list of regional road transport agreements for consolidation.	TM, MOC, TSCC Secretariat	April 2007
	1.3 Develop a plan for implementing prioritized multilateral agreements, making amendments to existing agreements, and rescinding superfluous agreements.	TM, MOC	April 2008
	1.4 Submit the plan to the Ministerial Conference (via Senior Officials' Meeting).	TSCC	October/November 2008
	1.5 Develop country specific action plans for implementation.	TM, MOC	April 2009
	1.6 Review implementation progress.	TM, MOC, TSCC	September 2009

Key Results	Actions	Responsibility	Target Date for Completion
2. Streamlined tariff and fee framework on regional road and railway transport	<p><b><u>Roads</u></b></p> <p>2.1 Develop principles and specific measures for fees and user charges on cross-border and transit road transport.</p> <p>2.2 Submit proposed framework on fee and user charges on cross-border and transit transport to the Ministerial Conference (via Senior Officials' Meeting), after preliminary endorsement of CAREC member countries.</p> <p>2.3 Develop country specific action plans for implementation.</p> <p>2.4 Review implementation progress.</p> <p><b><u>Railways</u></b></p> <p>2.5 Review existing railway tariffs and make possible recommendations on harmonization of tariff-setting principles.</p>	<p>TM, MOC</p> <p>TSCC</p> <p>TM, MOC</p> <p>TM, MOC, TSCC</p> <p>TM, MOR</p>	<p>September 2007</p> <p>October/November 2007</p> <p>April 2008</p> <p>September 2009</p> <p>April 2008</p>
3. Harmonized weights and dimensions of vehicles	<p>3.1 Confirm the weights and dimensions of vehicles in the Minsk Agreement of 1999 as the ruling standards for CAREC countries, except for the People's Republic of China (PRC) and Uzbekistan</p> <p>3.2 Consider the possibility to adopt the EU standards on weights and dimensions of vehicles (EC96/53) in CAREC countries.</p> <p>3.3 Consider the possibility to adopt the Cholpon–Ata Agreement on weights and dimensions certification.</p> <p>3.4 Submit the agreed standards to the Ministerial Conference for approval (via Senior Officials' Meeting).</p> <p>3.5 Develop country specific action plans for implementation.</p> <p>3.6 Review implementation progress.</p>	<p>TM, MOC</p> <p>TM, MOC</p> <p>TM, MOC</p> <p>TSCC</p> <p>TM, MOC</p> <p>TM, MOC, TSCC</p>	<p>August 2006</p> <p>April 2007</p> <p>September 2007</p> <p>October/November 2007</p> <p>April 2008</p> <p>September 2009</p>

Key Results	Actions	Responsibility	Target Date for Completion
4. Harmonized regulations on vehicle emissions	4.1 Confirm that EURO standards are the ultimate goal of regulation on vehicle emission in CAREC countries.	TM, MOC	August 2006
	4.2 Develop a plan for implementing harmonized regulations on vehicle emissions, including staged adoption of EURO standards for cross-border and transit traffic.	TM, MOC	September 2007
	4.3 Submit the plan to the Ministerial Conference for approval (via Senior Officials' Meeting).	TSCC	October/November 2007
	4.4 Develop country specific action plans for implementation.	TM, MOC	March/April 2008
	4.5 Review implementation progress.	TM, MOC, TSCC	September 2009
5. Improved regional transport safety	5.1 Review the status of regional road, railway, and air transport safety.	TM, MOC, MOR, civil aviation authorities	September 2007
	5.2 Based on the review, develop a plan of improving road, railway, and air transport safety (including accession to international conventions).	TM, MOC, MOR, civil aviation authorities	April 2008
	5.3 Submit the plan to the Ministerial Conference (via Senior Officials' Meeting).	TSCC	October/November 2008
	5.4 Develop country specific action plans for implementation.	TM, MOC, MOR, civil aviation authorities	April 2009
	5.5 Review implementation progress.	TM, MOC, MOR, civil aviation authorities, TSCC	September 2009

Key Results	Actions	Responsibility	Target Date for Completion
6. Reduced delays at border crossings	6.1 Identify the barriers (physical, administrative, and logistical) for road and railway border crossings, and make recommendations for improvement.	TM, MOC, MOR	April 2008
	6.2 Based on the review, develop a plan to improve border crossing for road and railway transport.	TM, MOC, MOR	September 2008
	6.3 Submit the plan to the Ministerial Conference (via Senior Officials' Meeting).	TSCC	October/November 2008
	6.4 Develop country specific action plans for implementation.	TM, MOC, MOR	April 2009
	6.5 Review implementation progress.	TM, MOC, MOR, TSCC	September 2009

CAREC = Central Asia Regional Economic Cooperation; MOC = Ministry of Communications in the People's Republic of China; MOR = Ministry of Railways in the People's Republic of China; TM = Transport Ministries or equivalent agencies in Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan; TSCC = Transport Sector Coordinating Committee.

**PROPOSED REGIONAL TECHNICAL ASSISTANCE FOR  
CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM:  
TRANSPORT SECTOR STRATEGY STUDY**

(Endorsed at the 6<sup>th</sup> Transport Sector Coordinating Committee Meeting  
in Urumqi, People's Republic of China on 24–25 August 2006)

**PROJECT PROPOSAL**

**I. Rationale**

1. Regional cooperation in transport under the Central Asia Regional Economic Cooperation (CAREC) Program has been so far guided by a regional transport sector road map (2005–2010) endorsed at the Third Transport Sector Coordinating Committee (TSCC) Meeting in March 2005 in Bishkek, Kyrgyz Republic. The Regional Transport Sector Road Map identified five priorities for CAREC regional transport cooperation: (i) harmonization and simplification of cross-border transport procedures and documentation, (ii) harmonization of transport regulations, (iii) development and improvement of transport corridors, (iv) restructuring and modernization of railways, and (v) improvement of sector funding and management.

2. A number of recent developments warrant the formulation of a CAREC transport sector strategy. First, the Fourth CAREC Ministerial Conference in November 2005 called for a transport sector strategy that reflects new trade realities and that will lead to sharp reductions in the time and costs of moving goods/freight to both internal and external markets.<sup>1</sup> Second, external trade in CAREC countries has expanded rapidly since 2003, primarily because of higher commodity prices<sup>2</sup> and large inflows of foreign direct investment into the export-oriented sector. The strong trade growth has increased the demand for an efficient regional transport network, and this requires systematic analysis and responses through a CAREC transport sector strategy. Third, Afghanistan joined the CAREC Program in October 2005. As Afghanistan is an important potential route to markets in Central Asia, a CAREC transport sector strategy is needed to identify new opportunities for expanding the scope of regional cooperation. Fourth, the Regional Sector Road Map (2005–2010) covers only roads and railways. A recent World Bank study on potential for liberalization of the aviation subsector in Central Asia highlighted the importance of aviation in the transport network in Central Asia. A CAREC transport sector strategy covering all modes of transport is needed to bring down transport costs and barriers through regional cooperation. As a result, the Fifth TSCC Meeting in March 2006 proposed to develop a CAREC transport sector strategy.

**II. Objectives and Outputs**

3. The proposed technical assistance (the TA) aims to formulate a clear and comprehensive CAREC transport sector strategy for 2008–2018, which will guide CAREC transport cooperation activities to develop an efficient, integrated regional transport network. The TA will have two outputs: (i) an analytical overview of the CAREC regional transport network and cross-border arrangements; and (ii) a CAREC transport sector strategy for 2008–2018.

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<sup>1</sup> *Joint Ministerial Statement of the Fourth Ministerial Conference on Central Asia Regional Economic Cooperation*, Bishkek, Kyrgyz Republic, 5–6 November 2005.

<sup>2</sup> These include aluminum, cashmere, copper, cotton, gas, gold, and oil, which are the major exports of CAREC countries, except for the PRC.

### III. Methodology and Key Activities

4. The TA will be implemented during February–December 2007 and in two phases. Phase I (February–July 2007) will undertake an overview of the CAREC regional transport network and cross-border arrangements. Based on the outcome of Phase I, a CAREC transport sector strategy for 2008–2018 will be developed in Phase II (July–December 2007).

5. The TA will adopt an integrated multimodal transport approach<sup>3</sup> covering roads, railways, civil aviation, and waterways. It will be implemented in consultation and coordination with stakeholders including government officials, civil society, user groups, the private sector, multilateral institutions involved in the CAREC Program, and other regional cooperation initiatives in Central Asia<sup>4</sup> through regular country-based meetings and at least three regional workshops — the first to finalize the work program and the term of reference during the initial implementation period, the second to discuss the draft report on the overview of the CAREC regional transport network and cross-border arrangements, and the third to discuss the draft CAREC transport sector strategy.

6. Key TA activities include (i) reviews of existing documents, studies, and reports; (ii) data analysis; (iii) office research; (iv) field surveys; and (v) stakeholder consultation.

### IV. Cost and Financing

7. The total cost of the TA is estimated at \$950,000 equivalent. The TA will be financed on a grant basis by the Asian Development Bank (ADB). The detailed cost estimates and financing plan is in Appendix 1.

### V. Further Processing and Implementation Arrangements

8. The TA proposal will be presented at the Sixth TSCC Meeting on 24–25 August 2006 in Urumqi, PRC. After TSCC's endorsement, the TA will be further processed in line with the comments received at the TSCC meeting, and will be submitted to ADB Management for approval prior to the Fifth CAREC Ministerial Conference scheduled for October 2006.

9. The TA will require 32 person-months of international consulting inputs to be provided by an international consulting firm. Domestic consultants in selected CAREC countries may be engaged for up to 24 person-months to support international consultant's work. The terms of reference for consultants are in Appendix 2. All consultants will be engaged by ADB in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* and other arrangements satisfactory to ADB for engaging domestic consultants.

10. The TA is expected to commence in February 2007 and to be completed at the end of December 2007.

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<sup>3</sup> Pipelines are included in the energy sector under the CAREC Program.

<sup>4</sup> Including the Central and South Asia Transport and Trade Forum, Economic Cooperation Organization, Eurasian Economic Community, Shanghai Cooperation Organization, and the Special Programme for the Economies of Central Asia.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Cost
<b>Asian Development Bank Financing</b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	640.0
ii. Domestic Consultants	48.0
b. International and Local Travel	90.0
c. Reports and Communications	10.0
2. Seminars and Conferences	50.0
3. Surveys	10.0
4. Miscellaneous Administration, Translation, Interpretation, and Support Costs	25.0
5. Contingencies	77.0
<b>Total</b>	<b>950.0</b>

Source: Asian Development Bank estimates.

## TERMS OF REFERENCE FOR CONSULTANTS

### A. The Consultant's Tasks

1. The consultants' tasks will include, but will not be limited to:
  - (i) Undertaking a comprehensive and analytical overview of the CAREC regional transport network and cross-border arrangements. The overview will cover (a) regional transport networks, infrastructure, and services; (b) demand for regional and transit transport of freight and passengers; (c) shares of transport modes; (d) major cross-border facilities and arrangements; (e) policies, legislation, and regulations relating to regional transport; (f) transport financing and financial management capacity; (g) institutional and human resource capacity in the transport sector; (h) private–public partnerships in regional transport; (i) national transport development priorities in CAREC countries; and (j) existing transport sector studies and reports. Based on the review, the consultants will prepare a report, which will be presented at the second regional consultative workshop. Based on the comments received from workshop participants and CAREC governments, the consultants will finalize the report on the overview of the CAREC regional transport network and cross-border arrangements.
  - (ii) Identifying the long-term challenges for CAREC regional transport cooperation and development, taking into account (a) the global and regional context, (b) national development strategies in CAREC countries, (c) the experience of the CAREC Program to date, and (d) other initiatives for regional transport cooperation. The consultants will also assess the responses of CAREC countries and the CAREC Program to these challenges.
  - (iii) Assessing the impact of new global supply chains and production structures on CAREC regional trade and traffic flows, identifying ongoing efforts in CAREC countries to adjust to new global supply chains and production structures, and recommending best ways to respond to the impact by the transport sector.
  - (iv) Assessing the role of the transport sector in developing economic corridors, and proposing best ways to maximize transport's contribution to economic corridor development under CAREC, including measures to transform transport corridors into economic corridors.
  - (v) Reviewing the impact of sector, social, and environmental issues associated with CAREC regional transport development. These include traffic safety, affordability, pollution, HIV/AIDS, and human and drug trafficking. The consultants will review ongoing efforts in CAREC countries in these areas, and recommend measures to address these issues through regional transport cooperation.
  - (vi) Conducting public consultations on the formulation of the CAREC transport sector strategy. The consultants will hold regular country-based meetings with stakeholders including government officials, civil society, nongovernment organizations, user groups, the private sector, and international development partners. The consultants will organize at least three regional consultative

workshops to be attended by representatives of CAREC governments. The first workshop will be held in the initial period of services to finalize the work program and the consultants' terms of reference, and see stakeholders' views and suggestions; the second to discuss the draft report on the overview of the CAREC regional transport network and cross-border arrangements; and the third to discuss the draft CAREC transport sector strategy.

- (vii) Preparing a CAREC transport sector strategy for 2008–2018 based on the sector review and stakeholder consultation. The CAREC transport sector strategy should (a) identify best ways to respond to the long-term challenges for CAREC regional transport cooperation and development, including the impact of new global supply chains and production structures on CAREC regional trade and traffic flows; (b) forecast future demand for regional and transit trade and transport; (c) set the strategic priorities for regional transport development through cooperation; (d) identify major regional transport corridors based on the analysis of trade flows; (e) specify the role of each transport mode in the regional transport network; (f) identify further transport policy and institutional reforms needed to promote regional traffic; (g) propose measures to enhance private–public partnerships for regional transport development; (h) develop a time-bound action plan for implementation; and (i) specify the resources required for implementing the CAREC transport sector strategy. The consultants will present the draft CAREC transport sector strategy at the third regional consultative workshop. Based on the comments received from workshop participants and CAREC governments, the consultants will finalize the CAREC transport sector strategy for 2008–2018.

## **B. Composition of Consultants**

2. The team of international consultants comprises six consultants: (i) team leader/transport planner (8.0 person-months), (ii) macro and trade economist (5.0 person-months), transport economist (5.0 person-months), (iv) freight transport specialist (5.5 person-months), (v) passenger transport specialist (4.0 person-months), and (vi) cross-border facilitation specialist (4.5 person-months).

3. The composition of domestic consultants will be proposed by international consultants as the needs are identified during the implementation of the TA. Under the supervision of the international consultants, the domestic consultants will assist in (i) collecting data and information from national and local sources; (ii) reviewing existing relevant documents, studies, and reports; (iii) organizing country-based consultations with stakeholders; (iv) undertaking field surveys; (v) providing inputs for TA reports; and (vi) performing other tasks as needed.

## **C. Reporting Requirements**

4. The consultants will be required to submit, to CAREC countries with one copy each in English, Russian, and Chinese and to ADB with three copies in English, (i) an inception report within 4 weeks after services start; (ii) a draft report on the overview of the CAREC regional transport network and cross-border arrangements within 20 weeks after services start; (iii) the draft CAREC transport sector strategy for 2008–2018 within 36 weeks after services start; and (iv) the final versions of the report on the overview of the CAREC regional transport network and cross-border arrangements, and the CAREC transport sector strategy for 2008–2018 within 4 weeks after receipt of comments made at the regional consultative workshops.

## **SUMMARY OF DISCUSSION**

### **Sixth Meeting of the Transport Sector Coordinating Committee on Central Asia Regional Economic Cooperation 24–25 August 2006 Urumqi, Xinjiang Uygur Autonomous Region, People's Republic of China**

#### **I. Introduction**

1. The Sixth Meeting of the Transport Sector Coordinating Committee (TSCC) on the Central Asia Regional Economic Cooperation (CAREC) Program was convened on 24–25 August 2006 in Urumqi, Xinjiang Uygur Autonomous Region of the People's Republic of China (PRC). Delegations from all eight CAREC countries and representatives of multilateral institutions (MIs) including the Asian Development Bank (ADB) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) participated in the Meeting. The European Bank for Reconstruction and Development, Islamic Development Bank, and the World Bank provided inputs to the Meeting. The Meeting was chaired by the Ministry of Communications (MOC), PRC and co-chaired by ADB. Her Excellency Madam Song Airong, Vice Governor of the Xinjiang Uygur Autonomous Region attended the opening session and gave welcome remarks.

#### **II. Regional Transport Sector Strategy**

2. The TSCC Secretariat made a presentation of the proposed CAREC Regional Transport Sector Road Map Update (2005–2010), which includes Afghanistan as the new CAREC country and the civil aviation subsector. The Meeting endorsed the proposed CAREC Regional Transport Sector Road Map Update (2005–2010) and agreed to submit the document to the Senior Officials' Meeting scheduled for 28–29 August 2006 for approval.

3. In response to the request from the Fourth Ministerial Conference in November 2005, ADB presented a proposal at the Meeting of helping TSCC develop a CAREC transport sector strategy under a regional technical assistance project in 2007. The Meeting endorsed the proposal, and suggested that adequate inputs from domestic consultants in CAREC countries be provided. Country delegations were requested to review the draft terms of reference and provide written comments to ADB for incorporation no later than 15 September 2006. The proposal will be submitted to the Senior Officials' Meeting scheduled for 28–29 August 2006 for endorsement.

#### **III. Regional Transport Sector Development**

4. Each country delegation made presentation of investment priorities in the transport sector at the Meeting. It was noted that all CAREC countries had made significant progress on developing the transport network, but they still face challenges for further improving regional transport infrastructure and services. As such, the participants appreciated MI support for regional transport sector development, and reviewed and updated the MIs' assistance program for regional transport projects for 2006–2008. The MI's assistance program for 2006–2008 includes about \$1.3 billion for transport investment projects and \$28.0 million for nonlending activities. It is recognized that the MI's assistance program needs to be updated from time to time, as appropriate.

5. The Kyrgyz delegation made presentation of the proposed China–Kyrgyz Republic–Uzbekistan railway link project, and requested the MIs to provide grant funding for the feasibility study on the project. The delegations of Afghanistan, the PRC, Tajikistan, and Uzbekistan generally supported the proposal made by the Kyrgyz delegation. The Meeting agreed that regional transit traffic should be further studied. ADB responded that it would

consider more detailed study of the proposed railway project if the review of trade and traffic flows under the CAREC transport sector strategy study shows the potential for the route.

#### **IV. Harmonization of Transport Regulations and Cross-Border Agreements**

6. As requested by the Fifth TSCC meeting, the TSCC Secretariat presented the revised draft of the Action Plan on Harmonizing Regional Transport Regulations and Cross-border Agreements at the Meeting. The revised draft Action Plan had incorporated the comments received from CAREC countries on the earlier draft. The participants provided further comments and the Meeting endorsed the Action Plan. It was agreed that the endorsed Action Plan would be submitted to the Senior Officials' Meeting scheduled for 28–29 August 2006 for approval.

#### **V. Transport Sector Coordinating Committee's Work Program**

7. The TSCC Secretariat reported on the implementation of the TSCC work program in 2006 and presented the proposed work program for 2007. It was noted that significant progress has been made on implementing the TSCC 2006 Work Program. The Meeting endorsed the proposed TSCC Work Program for 2007 and agreed to submit it to the Senior Officials' Meeting. The 2007 Program include the following tasks:

- (i) Review of implementation of Action Plan on Harmonization of Regional Transport Regulations and Cross-Border Agreements, after the endorsement of the Action Plan by the Senior Officials' Meeting and the Ministerial Conference;
- (ii) Preparation and review of the CAREC transport sector strategy;
- (iii) Preparation and review of the pre-feasibility study report on improving the Bishkek–Torugart–Kashi road linking the Kyrgyz Republic to the PRC, Dushanbe–Tursunzade road in Tajikistan, and the Angren–Gulistan road in Uzbekistan;
- (iv) Preparation and review of the final report on maintenance management of regional roads in CAREC countries;
- (v) Update of MI assistance program for regional transport projects;
- (vi) Preparation of CAREC Transport Sector Report Update.

#### **VI. Other Regional Transport Cooperation Initiatives**

8. ADB provided an update of the Cross-border Transport Agreement and its Annexes in the Greater Mekong Subregion.

9. UNESCAP made presentation of its initiatives in Central Asia and the status of the negotiations among the governments of the Shanghai Cooperation Organization member states over the Agreement on Facilitation of International Road Transport. The fourth negotiating meeting was held in Beijing on 9–12 August 2006 with support of ADB and UNESCAP, and made important progress. The delegations reached agreement on a Memorandum of Understanding, which will be submitted to the SCO Prime Ministers' Meeting scheduled for September 2006 for signature, which outlines the process of future negotiations. The PRC delegation expressed appreciation to UNESCAP and ADB for supporting the negotiation process, and requested both institutions to continue facilitating the negotiations process in the future.

10. The Mongolian delegation presented to the Meeting on the negotiations of the transit traffic framework agreement between the governments of Mongolia, the PRC, and the Russian Federation. The delegations of the three countries reached agreement on the Transit Traffic Framework Agreement in November 2005. The governments of Mongolia and

the PRC are ready to sign the Transit Traffic Framework Agreement, but the Russian Federation is still studying the document.

## **VII. Transport Sector Report and Next Steps**

11. The Meeting reviewed the draft Transport Sector Report Update and made comments. The Meeting decided to submit the revised Transport Sector Report Update to the Senior Officials' Meeting on 28–29 August 2006, demonstrating the following results:

- (i) Central Asia Regional Transport Sector Road Map Update (2005–2010);
- (ii) Updated MIs' Assistance Program for regional transport projects for 2006–2008;
- (iii) Action Plan on Harmonization of Regional Transport Regulations and Cross-Border Agreements;
- (iv) TSCC Work Program for 2007;
- (v) ADB's proposal of technical assistance for CAREC transport sector strategy study;
- (vi) ADB's proposal of technical assistance for regional road funding and management.

## **VIII. Concluding Remarks**

12. The country delegations noted tangible progress achieved in regional transport cooperation under CAREC, and reaffirmed their commitment to working together to achieve the goals and strategic priorities set in the Regional Transport Sector Road Map Update (2005–2010).

13. The participants expressed their appreciation to the People's Republic of China for hosting the 6<sup>th</sup> TSCC Meeting and for the good arrangements extended by ADB, MOC and the Xinjiang Communications Department.

14. It was agreed that the 7th TSCC Meeting would be held in 2007 with the venue to be decided later.