

# ADB Sector Strategy and Road Map

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ADB is in a strong position to assist in the regional transport sector in Central Asia with financing for rehabilitating infrastructure, maintenance assistance for institutional reforms, cross-border agreements, harmonization of regulations, and promoting the private sector to assist in the transition from centrally planned to market economies. Its particular interest in the use of project-based working groups to develop practical solutions to problems and in regional economic cooperation is highly appropriate since increased cooperation is required for many of the proposed improvements described in the action plan. ADB has a broad geographic scope and long-standing connections with the PRC and has furthermore achieved success with cross-border projects where financial assistance and policy actions in more than one country are necessary to achieve the full benefits of improvements, especially where the countries involved find it difficult to reach consensus on policy. Of particular interest to ADB are areas of assistance where new ideas can be tried out initially on a limited scale

for possible replication on a broader scale elsewhere.

The need for action by ADB is particularly clear in circumstances when investment risks can be reduced through international agreements. In many cases ADB can work effectively with other international agencies to cofinance projects and to coordinate with nonlending agencies that can assist with planning studies, harmonization of international agreements and laws, project preparation, policy development, and implementation. Cofinancing arrangements are particularly effective where the other lender has complementary interests. When working with nonlending agencies, ADB can add much-needed leverage to their efforts to increase regional cooperation.

ADB's strategic priorities for the regional transport focus on (i) development of regional east-west and north-south transport corridors by using existing infrastructure to link the state capitals, local production centres, markets, and granaries to the ports, regional and international markets, (ii) regional integration to promote safety, improve the framework of international agreements required

for integrated operations, and development of high quality regional services, (iii) harmonization of the regulatory framework to unify laws/regulations and the way they are enforced, to remove legal obstacles and promote efficiency, (iv) improving border controls to reduce delays and transport costs caused by Customs, visa and other services, (v) focused restructuring and modernization to promote competition in supply of transport and support services, (vi) marketing and tariff setting based on competition to exploit the existing regional potential of the transport services more fully, and (vii) improving financing and management to improve systems for financing maintenance and for improving efficiency and effectiveness of management.

ADB has provided the CARs with lending and nonlending support for roads and railways since 1996 to develop intra-regional, extra-regional, and transit transport. ADB has provided loans for rehabilitating a number of regional transport corridors, and technical assistance to prepare investment projects, assess the prefeasibility of developing regional corridors, as well as undertake studies to harmonize transport regulations and simplify cross-border road/rail transport procedures in CARs. The regional transport corridors improved or being improved with ADB assistance include the Almaty–Astana road, Almaty–Bishkek road, Bishkek–Osh road, PRC–Kyrgyz Republic–Uzbekistan transport corridor (Osh–Sary Tash–Irkeshdam road), Dushanbe–Kyrgyz border road, and Chengeldy–Khodjadavlet railway line in Uzbekistan.



Since 1997, ADB has been promoting the Central Asia Regional Economic Cooperation (CAREC) Program,<sup>5</sup> of which the PRC and the four CARs are the members, together with the European Bank for Reconstruction and Development (EBRD), International Monetary Fund, the Islamic Development Bank (IsDB), United Nations Development Programme, and the World Bank. The CAREC program’s objectives are to increase trade and integration with large markets, reduce transport costs and facilitate transit, improve supplies of energy, and tackle negative externalities. ADB’s Regional Cooperation Strategy and Program (RCSP) for CAREC member countries identify transport as a priority sector for ADB assistance. ADB is the lead agency in coordinating transport cooperation activities under CAREC and a

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<sup>5</sup> The members of the Central Asian Regional Economic Cooperation Program are Azerbaijan, the PRC, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan.



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Transport Sector Coordinating Committee (TSCC) has been set up (June 2004) under the CAREC program to develop transport services in the member countries and improve their transport links with each other and the rest of the world. ADB serves as the TSCC secretariat, and is providing support for the functioning of TSCC as an effective mechanism for planning, coordinating, and monitoring transport cooperation activities among CAREC countries.

ADB is also supporting the Central and South Asia Transport and Trade Forum, which involves Afghanistan, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan, and seeks to facilitate movements of goods and vehicles along two road corridors connecting Tajikistan, Turkmenistan and Uzbekistan with seaports in the Arabian Sea and the Persian Gulf via Afghanistan.

ADB has facilitated the CAREC member countries reach agreement on a Regional Transport Sector Roadmap (2005), which seeks to develop an integrated and efficient transport system that will improve transport links of the CAREC member countries, enhance their access to outside large markets, reduce transport costs, improve transport services, and facilitate cross-border and transit traffic in the region. The Roadmap identifies five strategic priorities, which are:

- (i) Harmonization and simplification of cross-border transport procedures and documentation among CAREC member countries to facilitate the movement of passengers and freight across borders;
- (ii) Harmonization of transport regulations among the CAREC member 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 member countries, and to enhance CAREC member 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; and
  - (v) Improvement of sector funding and management to ensure that the regional transport network is developed, and maintained properly.

The Roadmap addresses most of the more serious deficiencies of the transport sector in Central Asia discussed above. It is, therefore, important that the Roadmap be fully implemented. ADB together with other multilateral institutions is assisting the CAREC member countries to develop and carry out a detailed time-bound action plan, including adequate technical and financial assistance for them to be able to implement the Roadmap.

Six projects totaling \$150 million are proposed for ADB-financing in the road, and railway sector in Kyrgyzstan, Tajikistan, and Uzbekistan in the 2006-2008 pipelines. The proposed investments were selected because they (i) have significant potential impact on regional transport, (ii) have adequate traffic potential and risk profiles, (iii) have the likely support of governments, (iv) are in a suitable state of preparation to be

short-term, and (v) will benefit the region as a whole and not just one country. The projects are sequenced to allow a realistic time for preparing any policy decisions or international agreements required to avoid constraints to implementation.

The major projects likely to be supported by ADB in the road sector are the Dushanbe-Kyrgyz Corridor Project, Phase III; Regional Transport Corridors Road Maintenance and Safety Project, Regional Road Project in Uzbekistan; and Bishkek-Torugart road rehabilitation project (Kyrgyz Republic). In the railway sector, a Regional Railway Development Project (Uzbekistan-Afghanistan railway link) and a Regional Traffic Enhancement Project are included. ADB is also providing technical assistance for prefeasibility studies of developing and improving three regional transport corridors (i.e., Bishkek-Torugart-Kashi road, Oybek-Pungan road, and Angren-Gulistan road) to strengthen transport and economic links among CAREC countries. If the prefeasibility studies show positive results, ADB will consider providing further assistance to prepare and finance investment projects.

Nine technical assistance totaling \$5.55 million are proposed during the same period for developing regional studies for road and railway transport, policy and institutional issues, road maintenance and road safety, capacity building of the executing agency, and harmonization of cross border issues. These include studies on (i) regional road funding and management in CAREC countries, (ii) harmonization of cross border initiatives for transport in Central

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Asia, (iii) regional road development, and (iv) regional railway development. ADB is supporting a technical assistance to help the SCO countries formulate an agreement on facilitation of international road transport, together with support from ESCAP. The expected outputs are (i) negotiated Framework Agreement and protocols by SCO member governments, and (ii) strengthened capacity of government officials and other stakeholders in SCO members for implementing the Agreement.

Other multilateral institutions like the World Bank, EBRD, the Japanese Bank for International Cooperation (JBIC), the United States Agency for International Development (USAID), and IsDB have also provided support for roads, railways, airlines, and ports. EBRD, IsDB and JBIC are the main donors that offer finance for transport infrastructure development in the region. The EU plays a major role, through its Technical Assistance for the Commonwealth of Independent States and TRACECA programs in

carrying out studies and technical assistance. The World Bank is active mainly in trade and transport facilitation, although it is also involved in other areas of transport (e.g., urban and rural). The Aga Khan Foundation plays an important role in financing improvements in regional transport routes in the more remote areas. ADB has collaborated closely with the other donors to augment the resources and maximize the development impacts.

Regional cooperation in transport is essential to achieve sustainable and inclusive economic development in the four CARs. ADB has played a key role in facilitating this cooperation and good progress has been achieved. A number of key interventions and numerous programs and studies have been supported. However, many challenges still remain. Working together with the governments, development partners, and other stakeholders, ADB looks forward to playing an even more important role in assisting the countries to address these challenges.

