

UNECE

2019 SPECA Economic Forum
**Connectivity: Sustainable Transport and
Trade Facilitation in the SPECA Subregion**

On the way to the Ashgabat Initiative



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2019 SPECA ECONOMIC FORUM

**CONNECTIVITY:
SUSTAINABLE TRANSPORT AND TRADE
FACILITATION IN THE SPECA SUBREGION**

ON THE WAY TO THE ASHGABAT INITIATIVE



UNITED NATIONS

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FOREWORD

The *Ashgabat Initiative on reducing barriers to trade and transport using United Nations legal instruments, norms, standards and recommendations, while bolstering connectivity in the SPECA region* was approved at the 2019 annual Forum and Governing Council session of the United Nations Special Programme for the Economies of Central Asia (SPECA) on 20-21 November 2019, in Ashgabat, Turkmenistan. It constitutes a milestone for regional cooperation to achieve sustainable growth together. This publication draws attention to the materials and results of these events, the key ideas of which were synthesized in the *Ashgabat Initiative*.

Increasing connectivity in the SPECA region through sustainable transport and trade facilitation is consistent with the multisector approach of the United Nations Economic Commission for Europe (UNECE) to implementing the Sustainable Development Goals (SDGs). Embarking on a path of inclusive and sustainable development calls for a change in the pattern of economic performance in the region from resource-based towards broad-based sustainable and inclusive growth. Such change can only be achieved through economic diversification and productive investment in new technologies. This new thinking underpins the analytical studies collected in this publication.

Achieving sustainable transport and trade facilitation by removing non-tariff barriers to trade and physical and non-physical barriers to transport plays a key role in this broad policy agenda. Better connectivity leads to strengthening the regional market and developing cross-border supply chains. Trade facilitation enhances the regional and global value chains, attracts investment, technology and innovation to the region, and fosters productivity, economic diversification, exports and economic growth.

The impact of decades of work on trade facilitation and sustainable transport development is obvious in the region. The 2019 and 2021 edition of the United Nations Global Survey on Digital and Sustainable Trade Facilitation demonstrated higher development rates in the areas of paperless trade and trade facilitation for the SPECA countries than the rest of Asia and the Pacific and the European Union. Yet more can be achieved. The limitations imposed on international trade and transport by the COVID-19 pandemic show even more clearly the need for trade and transport facilitation, as it simultaneously enhances trade transactions and official controls. Improved techniques and digitalization of cross-border controls can also limit person-to-person contacts, thus saving human lives and maintaining supply chains.

The 2019 SPECA events in Ashgabat sent a key message that in order to face the challenges of sustainable development, a mindset change based on a new system of values is needed. The results of the Ashgabat meetings should also be used to build the new trade and transport architecture after the COVID-19 pandemic. The world will be different, and we must ensure that it will be greener and cleaner. I hope that the insights and information in the publication will provide stakeholders with valuable material for the transformation of regional cooperation in the SPECA region through trade facilitation and sustainable transport development.

I invite all development partners and international donors to join UNECE in the efforts to support the implementation of the Ashgabat Initiative to further strengthen economic cooperation and integration in the SPECA region.



Olga Algayerova

United Nations Under-Secretary-General

Executive Secretary of the United Nations Economic Commission for Europe

INTRODUCTION

This publication contains the key materials from the Economic Forum and Governing Council of the United Nations Special Programme for the Economies of Central Asia (SPECA), which focused on connectivity in the SPECA subregion, highlighting the desire of policy-makers in the SPECA countries to make their region a hub for trade, transport and transit, using the United Nations conventions, standards and best-practice recommendations. In 2019, Turkmenistan chaired the Programme and hosted the SPECA Days in Ashgabat from 18 to 21 November 2019, demonstrating the will of its Government to advance regional cooperation in sustainable transport and trade facilitation. The SPECA participating countries, the United Nations Economic Commission for Europe (UNECE) and the Economic and Social Commission for Asia and the Pacific (ESCAP) are grateful for the commitment and contributions of the Government of Turkmenistan to the SPECA process. The products of this cooperation with Turkmenistan made possible the preparation of this publication.

At the same time, the SPECA countries acknowledged the need to refocus their development strategies from extensive growth to a much more sustainable approach to development. This would include rethinking of the tenets of transport and trade development in the region. The SPECA Days in Ashgabat included an ECE-WTO Roundtable on trade policy and trade facilitation, with special emphasis on the WTO Trade Facilitation Agreement, sessions of the SPECA Working Groups on Trade and on Sustainable Transport, Transit and Connectivity, the annual SPECA Economic Forum, and the 14th session of the SPECA Governing Council. This publication includes the background papers from the Forum entitled Connectivity: Sustainable Transport and Trade Facilitation in the SPECA Subregion.

Three months after the SPECA Days in Ashgabat, in February-March 2020, the world faced a crisis of unseen dimensions: the COVID-19 pandemic, which closed borders, interrupted supply chains and international transport, locked down production lines and put millions of people out of their jobs, in addition to the existential threat of spreading the deadly virus globally. Central Asia was not spared. Yet these developments evidenced the significance of what was recommended in Ashgabat, in November 2019, as trade facilitation and sustainable transport development are not only about simplifying the movement of goods. They help economies, governments and private companies manage more efficiently their operations, increase transparency, harmonize and standardize procedures and information flows in the face of such acute challenges to human development as the COVID19 pandemic. The activities recommended by the Ashgabat Initiative are pursued now with the objective of harmonizing and streamlining border-crossing procedures, ensuring that legitimate non-tariff measures during the COVID-19 lockdown do not degenerate into barriers to trade. The much needed harmonization of trade and transport data flows serve the development of digital transport corridors, the elimination of person-to-person contacts, and an overall increase of efficiency in trade and transport operations.

SPECA was established on 26 March 1998 by the Tashkent Declaration signed by the Presidents of the Central Asian countries together with the Executive Secretaries of the United Nations Economic Commission for Europe (ECE) and the Economic and Social Commission for Asia and the Pacific (ESCAP) as a United Nations special programme to support these countries in developing regional cooperation, economic development and integration into the economies of Europe and Asia. The current SPECA participating countries are Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. ECE and ESCAP jointly provide overall support to activities in the framework of the Programme. In this publication, we refer to the SPECA countries as a “subregion” to be distinguished from the ECE or ESCAP “regions”.

The annual SPECA Economic Forums are policy and operational meetings which aim at meaningful exchanges of views and information, involving policymakers and experts from the SPECA countries, from other organizations and countries. They focus on concrete subjects within the mandate of SPECA and usually comprise panel discussions concentrated on concrete tasks, such as the development and realization of subregional initiatives. The 2019 Forum formulated ideas for lowering barriers to trade, the further development of cross-border supply chains and sustainable transport development. It prepared recommendations on how to make the SPECA subregion a well-connected, sustainable transport and trade facilitation hub, while enhancing the regional market. In its concluding document - the Ashgabat Initiative - it devised follow-up mechanisms to implement its policy recommendations.

The theme of the 2019 SPECA Economic Forum reflected the demand of SPECA participating countries to enhance connectivity in the subregion through sustainable transport and trade facilitation. A range of subregional issues, challenges and opportunities raised by the countries in the SPECA process during the preceding 3-5 years defined this choice: namely, the need to lower barriers to trade and transport using UN legal instruments, norms, standards and best practice recommendations, recognizing that any meaningful economic growth should be rooted in sustainable development.

Following the SPECA Evaluation of 2018, which recommended turning SPECA into a service-oriented, flexible and strategic platform for subregional policy coordination and cooperation for the achievement of relevant SDGs, the 2019 Forum called for actions that would foster dialogue, coordination of positions to find joint solutions to shared problems and to realize the recommendations in the Ashgabat Initiative, the SPECA Trade Facilitation Strategy and Principles of Sustainable Trade, which were all adopted at the 14th session of the SPECA Governing Council on 21 November 2019, immediately following the SPECA Economic Forum in Ashgabat.

Many of the SDGs presume cross-border interaction. The SPECA countries, being both developing and landlocked, need to combine their efforts to face common challenges in

trade, transport and connectivity. For this purpose, they discussed and adopted the Ashgabat Initiative as a subregional document on policy coordination dedicated to reducing the barriers to trade and transport to attract investment, technologies and innovation in the subregion to support its transformation following a sustainable and inclusive economic growth pattern. The recommended measures can significantly contribute to safety, transparency and efficiency of trade and transport procedures in the subregion.

This publication represents a compilation of research papers prepared by international experts, providing a background for the discussions and the adoption of the Ashgabat Initiative. They reflect the path completed by the SPECA countries, ECE and ESCAP, in preparing the SPECA events in November 2019 and guide the choice of follow-up activities.

The first study in this publication is a background paper drafted for the 2019 Forum. Its author, Roumen Dobrinski, covers the need to transform the traditional extensive growth patterns in the subregion into sustainable growth ones. He explores the application of the concept of sustainable and inclusive growth in the SPECA subregion and proposes a set of policy recommendations that would help the countries rethink their economic growth patterns to achieve the SDGs, how to end poverty, protect the environment and ensure social justice.

Mr. Berik Bulekbaev prepared the second study entitled “United Nations Transport-Related Legal Instruments – an Efficient Tool to Improve Transport Corridors in the SPECA Region”. He analysed in depth the current state of affairs in all modes of inland transport used in the SPECA countries and explored possibilities for improvement, based on the full implementation of the United Nations transport-related legal instruments. Further progress can be made in road and railway transport networks, transport infrastructure, border-crossing facilitation, transport of dangerous goods and special cargoes, road safety, and vehicle regulations.

Larisa Kislyakova conducted the third study, entitled “Implementation of Trade Facilitation Measures in the SPECA Countries”. She analysed the countries’ practices related to cross-border procedures, facilitation of formalities on respective national levels, information availability and publication, freedom of transit and the potential to reinforce regional supply chains. The analysis established a set of recommendations on how to improve regional cooperation in trade facilitation and reinforce the participation of the SPECA countries in the implementation of international agreements on trade and transport facilitation.

The Ashgabat Initiative, also included in this publication, built on these background papers and the discussions at the Forum. It was drafted through broad intergovernmental consultations among the SPECA countries. This draft was reviewed and finalized by the countries’ representatives at the 2019 SPECA Days in Ashgabat and finally adopted by the 14th session of the SPECA Governing Council on 21 November 2019.

ON THE CONTRIBUTORS

This publication was edited by Mario Apostolov, Regional Adviser, UNECE Economic Cooperation and Trade Division, and Nenad Nikolic, Regional Adviser, UNECE Sustainable Transport Division. Roumen Dobrinski, Berik Bulekbaev and Larisa Kislyakova, international experts on trade and transport policy and facilitation prepared the studies in this volume. Grant Akopyan, Francesco Dionori, Mijidgombo Oyunjargal, Tatiana Apatenko, and Victoria Ivanova contributed to the finalization of the publication. The text of the Ashgabat Initiative was drafted through intergovernmental consultations of all SPECA participating countries.

HOW TO PROPEL INCLUSIVE AND SUSTAINABLE GROWTH IN THE SPECA SUBREGION?

The background paper for the 2019 SPECA Economic Forum has been prepared by Mr. Rumén DOBRINSKY, international expert and UNECE consultant. The views in this document are those of the author and do not necessarily express the position of the UNECE.

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ABBREVIATIONS

AF	– Islamic Republic of Afghanistan
AZ	– Azerbaijan Republic
KZ	– Republic of Kazakhstan
KG	– Kyrgyz Republic
TJ	– Republic of Tajikistan
TM	– Turkmenistan
UZ	– Republic of Uzbekistan
CN	– People’s Republic of China
KR	– Republic of Korea
RU	– Russian Federation
EU	– European Union
DE	– Germany
IN	– India
IR	– Iran
IL	– Israel
IT	– Italy
NL	– Netherlands
TR	– Turkey
CH	– Switzerland

1. INTRODUCTION

Economic development, prosperity and wellbeing are associated with lasting economic growth and therefore achieving high and sustained growth has always been a key objective of economic policy. The United Nations 2030 Agenda for Sustainable Development (the 2030 Agenda) adopted in 2015 widened this policy focus emphasizing the need to combine in a balanced manner the objectives of ending poverty, protecting the planet, and ensuring social justice. Thus the 2030 Agenda integrates the three dimensions of sustainable development: economic, social and environmental. To this effect it includes 17 comprehensive and wide-ranging Sustainable Development Goals (SDGs) and contains 169 related targets and covers issues such as natural resources management, sustainable consumption and production, effective institutions, good governance, the rule of law and peaceful societies.¹

What concerns economic growth proper, the 2030 Agenda stresses the need to ensure that economic growth is sustainable in the broad sense (growth which is both robust and stable and at the same time environmentally sustainable) and inclusive (which ensures widely shared prosperity). Desirable features of economic growth such as sustainability and inclusiveness are not new; they have been attracting the attention of academics, policymakers and experts for quite some time. However, it was only in the 2030 Agenda that these characteristics were addressed and spelled out in a holistic way, taking into account their multi-faceted nature and interdependence with all aspects of human development.

Attaining the SDGs, including those related to sustainable and inclusive growth, is a shared responsibility of all countries and requires the joint efforts of peoples, governments, organizations, businesses and civil society. It is expected that each country that signed up to the SDGs would adopt relevant national legislation and regulations and develop action plans and programmes backed by adequate resources targeting these ambitious goals. The countries participating in the United Nations Special Programme for the Economies of Central Asia (SPECA)² have signed up to the 2030 Agenda and hence have joined to the worldwide efforts to address its challenges.

Many of the SDGs are of a transboundary nature and have cross-border dimensions; their pursuit therefore requires cross-country cooperation and coordination. This also refers to many SDGs in the context of the SPECA subregion. Located in a specific geographic territory in and around Central Asia, the landlocked SPECA countries face a number of common or similar challenges related to their socio-economic development,

¹ After subsequent discussions, the final list of sustainable development indicators was extended to include 230 indicators.

² The countries participating in the United Nations Special Programme for the Economies of Central Asia (SPECA) are Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

including the objective to achieve sustainable and inclusive growth. If the countries in the subregion join their efforts towards achieving the SDGs, this will ensure complementarity and generate synergies thus significantly increasing the efficiency and effectiveness of the policy actions. Moreover, sustainable and inclusive growth in the SPECA subregion also has important cross-border dimensions. Addressing some of the related challenges would be difficult, if not impossible, in the absence of joint efforts; on the contrary, it would greatly benefit from subregional collaboration.

This paper addresses some issues related to the bigger question: How to achieve sustainable and inclusive growth in the SPECA subregion? On the one hand, it analyses the broader nature of sustainable and inclusive growth in the context of the 2030 Agenda, taking into account the specificity of this subregion. On the other hand, the paper seeks to provide background analytical insights that would stimulate the discussions at the 2019 SPECA Economic Forum, namely, how subregional cooperation on issues related to connectivity, trade and transport facilitation could contribute to sustainable and inclusive growth in the subregion.

The paper is organized as follows. At first we provide an overview of some conceptual issues related to the notion of inclusive and sustainable growth. We then undertake an empirical assessment of the past patterns of economic growth in the SPECA countries and seek to analyse to what extent it has been inclusive and sustainable. This empirical assessment also helps to analyse and identify the factors that contribute to (or hamper) the efforts of policymakers to achieve inclusive and sustainable growth. The paper then follows with some general policy conclusions on how to achieve inclusive and sustainable growth in the subregion. Finally, we address the question of how the SPECA can support the efforts of policymakers in the subregion to achieve inclusive and sustainable growth with a special focus on issues related to connectivity, trade and transport facilitation.

2. INCLUSIVE AND SUSTAINABLE GROWTH: CONCEPTUAL ISSUES

The understanding that the fruits of economic growth should be broadly shared within society has not always been universally shared. Mainstream economics for a long time focused on the role of the market forces as engines of economic growth and not so much on ensuring equitable outcomes of market-driven economic development. However, the reality test of applying laissez-faire policies has been providing increasing evidence of undesirable outcomes such as growing income inequality and persistence of poverty levels which weaken cohesion within society. In particular, it has been observed that the opportunities for decent life at the bottom of the income ladder have been worsening in most economies.³ In addition, as concluded by the OECD, high levels of inequality

³ OECD COPE Centre for Opportunity and Equality, “Income inequality remains high in the face of weak recovery”, 2016.

affect negatively the public confidence in markets, which in turn, may have an adverse impact on long-term growth and macroeconomic stability.⁴ Moreover, such undesirable outcomes have been all the more evident in developing and emerging economies where they tend to cement an already unfavourable social stratification.

Over time, the understanding that economic development and growth should deliver prosperity, welfare and well-being to all has been grasped by more and more people, including an increasing proportion of academics and national and international policymakers. This growing public awareness prompted an increasing recognition of the understanding that growth should be inclusive.

Inclusive growth has many facets and there are different definitions.⁵ The notion is also visibly present in the work of many international organizations. The OECD defines inclusive growth as “... economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.”⁶ According to the World Bank, “... inclusive growth is that which allows people to contribute to and benefit from economic growth”.⁷ The Asian Development Bank refers to inclusive growth as “... growth that not only creates new economic opportunities, but also one that ensures equal access to the opportunities created for all segments of society, particularly for the poor”.⁸ According to the UNDP, “the concept of inclusive growth typically refers to “... broadly shared prosperity resulting from economic growth.”⁹ The IMF’s comprehensive definition goes on as: “... inclusive growth relates to a broad sharing of the benefits of, and the opportunities for, economic growth, and reflects growth that is robust and broad-based across sectors, promotes productive employment across the labour force, embodies equal opportunities in access to markets and resources, and protects the vulnerable.”¹⁰ By contrast, a concise definition claims that: “Growth is inclusive if it supports high levels of employment and rising wages.”¹¹ The understanding that future economic growth in the European Union should be inclusive and sustainable is also embodied in the EU’s Strategy 2020 which describes inclusive growth as “fostering a

⁴ OECD, *The Framework for Policy Action on Inclusive Growth*, 2018.

⁵ See R. I Ranieri and R. A. Ramos, “Inclusive Growth: Building a Concept”, International Policy Centre for Inclusive Growth, Working Paper No. 104, March 2013.

⁶ OECD, *All on Board. Making Inclusive Growth Happen*, 2014.

⁷ E. Ianchovichina, and S. Lundstrom, “Inclusive Growth Analytics: Framework and Application”, World Bank Policy Research Working Paper, No. 4851.

⁸ I. Ali and H. Hwa Son (2007), “Measuring inclusive growth”, *Asian Development Review*, Vol. 24, No. 1, pp.11-31.

⁹ UNDP, *UNDP’s Strategy on Inclusive and Sustainable Growth*, 2017, p.4.

¹⁰ IMF, *Fostering Inclusive Growth*, 2017.

¹¹ M. H. Khan, “The Political Economy of Inclusive Growth”, In: *Promoting Inclusive Growth Challenges and Policies: Challenges and Policies*, OECD, The World Bank, 2012.

high-employment economy delivering economic, social and territorial cohesion”.¹²

Probably the key distinguishing feature of the notion of inclusive growth is its dual emphasis on outcomes as well as opportunities. Inclusive growth refers simultaneously to the process itself and to its upshots, i.e., people should both contribute to and benefit in a broad sense from economic growth. Moreover, for the fruits of this process to be perceptible, it implies that growth should be robust and lasting. Thus inclusive growth in itself refers to several interlinked characteristics that should be preserved over the longer run. For developing and emerging economies which have relatively low levels of per capita income, inclusive growth in any event necessitates the speeding up of the pace of growth.

Inclusive growth is at the centre of the 2030 Agenda, in particular, SDG 8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. The 2030 Agenda puts the emphasis on the last aspect, namely the promotion of decent work for all which signifies that everybody should not only have access to job opportunities but also that every job in the labour market should offer respectable working conditions and remuneration that ensures acceptable standard of living.

As regards the meaning of “sustainable growth”, it also has a dual significance. Thus within the Europe 2020 Strategy sustainable growth implies promoting a more resource efficient, greener and competitive economy. In the context of the 2030 Agenda, this notion also clearly implies that growth should be both stable and sustained over the longer run and should at the same time be environmentally sustainable.

In accordance with economic theory, there are several additional prerequisites for growth to be stable and sustained over the longer run. In particular, this implies that the growth process should be broad-based across economic sectors and would predominantly rely on the non-resource sectors of the economy. Stability of the economy also indicates its resilience to external shocks. Countries open to international trade and exposed to capital flows are vulnerable to external disturbances as international trade and financial markets are prone to fluctuations. Volatility in the sources of income and investment can make economic growth unstable and short-lived and therefore the countries need to increase the resilience of their economy to external shocks. Some authors argue that sustaining growth in immature economies requires institutional solutions to address existing market failures. Furthermore, if these market failures are associated with weak property rights, the policies need to focus on governance reforms that strengthen property rights.¹³ Another challenge for such economies is that usually they only have few

¹² European Commission, *Europe 2020. A European Strategy for Smart, Sustainable and Inclusive Growth*, 2010.

¹³ M. H. Khan, *op.cit.*

sectors that have achieved (or can achieve) international competitiveness and therefore their prospects for embarking on a path of broad-based growth are limited. Sustaining inclusive growth in these conditions requires the opening up of new competitive sectors and moving existing competitive sectors up the quality and value chain.¹⁴

As regards environmental sustainability, one also needs to take into account the fact that its relationship with poverty reduction and economic growth is rather complex.¹⁵ As indicated by the experience of many countries, raising per capita incomes and achieving high economic growth has often been associated with increases in carbon dioxide emissions. On the contrary, the pursuit of environmental sustainability may involve foregoing some growth opportunities with harmful environmental consequences. Consequently such policies may lead to lower rates of growth in the short term which, in turn, may have negative consequences for poverty reduction. In this regard policymakers may face conflicting objectives and would need to deal with important trade-offs in their policy agenda.

In the context of the 2030 Agenda, in addition to the economic and environmental dimensions, the notion of “sustainable development” has a third, very important dimension – the social one. Without going into a deeper discussion, one can broadly assume that the notion of inclusive growth as defined above very much covers some key elements of the social dimension of sustainable development. In this sense, there is a considerable overlap in the semantics of these notions and in what follows we shall be referring to some of these terms interchangeably.

Recapitulating, the understanding of inclusive and sustainable growth as embodied in the 2030 Agenda implies, on the one hand, numerous macro and micro determinants of high economic growth and the links between them and, on the other hand, the patterns of distribution of the outcomes of growth. It also entails a range of facets that are not of purely economic nature, but refer to the social dimensions of development and the protection of nature.

The main features of inclusive and sustained growth (ISG) that follow the development paradigm described above are summarized in [Box 1](#):

As already noted, market forces alone do not necessarily deliver inclusive and sustainable growth. Economic growth may acquire such features mainly as a result of deliberate policy interventions by governments that have incorporated such objectives in their policy agenda. Moreover, achieving inclusiveness and sustainability requires a lasting policy effort both in terms of designing and implementing a broad range of economic policies and the institutional support (in some cases the establishment of new

¹⁴ Ibid.

¹⁵ UNDP, UNDP’s Strategy on Inclusive and Sustainable Growth, 2017.

institutions) to the pursuit of this policy agenda. These aspects as well as their relevance for the SPECA countries are developed in more detail in section 5.

3. WAS GROWTH IN THE SPECA COUNTRIES INCLUSIVE AND SUSTAINABLE? REVIEW OF RECENT EVIDENCE

Embarking on a path of inclusive and sustainable growth is both a policy objective of its own and is also part of the commitments that each country has undertaken under the 2030 Agenda, namely, to pursue the sustainable developments goals and objectives. Thanks to this dual nature, monitoring and tracing the progress that each country makes towards some SDGs (those that have relevance for ISG) also provides evidence about the pace and pattern of growth in these countries. This section first looks at some of the available empirical evidence on the progress of the SPECA countries towards such SDGs. Then we look at some additional empirical evidence regarding the inclusiveness and sustainability of growth in these countries. The main objective is to analyse the pattern of economic growth in these countries and draw some conclusions regarding the question: to what extent growth in the SPECA countries has been inclusive and sustainable? This section is mostly devoted to the presentation of available statistics from different sources while the analysis and conclusions based on all available data are presented in the next section.

Measuring progress towards SDGs is in itself a challenge given the multidimensional nature of most of these goals. For this purpose, the 2030 Agenda includes also a list of 169 concrete targets, most of them of quantitative nature, which should allow monitoring progress in implementation and advance towards achieving the goals. Subsequently, for practical purposes, the SDG targets were translated into 230 Sustainable Development Goal indicators within the newly designed global indicator framework that was developed by the UN Inter-Agency and Expert Group on SDG Indicators.¹⁶ All 230 SDG indicators are quantitatively measurable which should allow accurate and methodologically consistent data collection for individual countries as well as subsequent aggregation by subregions and regions as well as at the global level.

Practical work on data collection and monitoring progress towards the SDGs is still in its initial phases. For this purpose the UN secretariat is developing a platform called ‘Global SDG Indicators Database’ which provides access to data compiled through the UN System in preparation for the Secretary-General’s annual report on “Progress towards the Sustainable Development Goals”.¹⁷ Using these data, the UN secretariat started compiling regular reports on progress towards the Sustainable Development Goals. As of the moment of writing this paper, three such reports have been published

¹⁶ Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators (E/CN.3/2016/2/Rev.1).

¹⁷ <https://unstats.un.org/sdgs/indicators/database/>.

(2016, 2017 and 2018) containing snapshots of the current situation with respect to the 17 SDGs by providing an overview of progress towards these goals at the global and regional levels.¹⁸ These reports, however, are still partial; they cover only a selection of indicators for which data were available at the time of its compilation; plus, they do not contain data at the country level. By contrast, the Global SDG Indicators Database contains country-level data on the SDG indicators to the extent such statistics are available.

Countries committed to the 2030 Agenda are expected to build their own monitoring systems by compiling on a regular basis statistics on the 230 SDG indicators. In addition to that, as part of its follow-up and review mechanisms, the 2030 Agenda encourages member states to conduct regular reviews of progress at the national and sub-national levels. These voluntary national reviews are expected to serve as a basis for the regular reviews by the high-level political forum meeting under the auspices of ECOSOC.¹⁹ As of the moment of writing, 47 countries had volunteered to conduct voluntary national reviews. These include three SPECA countries, namely Azerbaijan, Kazakhstan and Turkmenistan, and in July 2019, Kazakhstan presented its first such review to the High-Level Political Forum on Sustainable Development.²⁰ The preparation of these reviews enables countries to identify the primary areas where further efforts towards the SDGs are required and also help in further mainstreaming of SDG objectives and indicators into the national planning framework and on ensuring their effective implementation and monitoring.²¹

However, the tasks of building monitoring systems and undertaking voluntary national reviews are resource demanding and their implementation will take time, especially in less developed countries. At present, some of the SPECA countries are still in the initial phase of establishing such systems and hence comparable relevant data from national sources are not readily available. For this reason, we illustrate the current progress of the SPECA countries towards some of the SDGs on the basis of selected data the Global SDG Indicators Database.

The 2030 Agenda contains Goal 8 which refers exactly to the promotion of inclusive and sustainable growth. However, in addition to that there are also several other goals which, to a different extent, relate to some aspects of the broad understanding of ISG as discussed in the previous section. Reviewing the content of the SDGs and indicators

¹⁸ Progress towards the Sustainable Development Goals. Report of the Secretary-General. 2016; 2017; 2018.

¹⁹ <https://sustainabledevelopment.un.org/vnrs/>.

²⁰ Ministry of National Economy of the Republic of Kazakhstan, Kazakhstan Voluntary National Review 2019 on the Implementation of the 2030 Agenda for Sustainable Development (https://sustainabledevelopment.un.org/content/documents/23946KAZAKHSTAN_DNO__eng_4.Juli19.pdf).

²¹ <http://www.kz.undp.org/content/kazakhstan/en/home/presscenter/pressreleases/2019/july/kazakhstan-introduced-its-first-voluntary-national-report-on-sus.html>.

contained in each of them, we have selected the following SDGs of the 2030 Agenda which are most pertinent to the coverage of the notion inclusive and sustainable growth:

- Goal 1. End poverty in all its forms everywhere.
- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- Goal 10. Reduce inequality within and among countries.
- Goal 12. Ensure sustainable consumption and production patterns.

At present, the Global SDG Indicators Database contains only a limited number of indicators for the SPECA countries, including the indicators specified for each of the above five goals. [Table 1](#) contains a selection of such statistics for the most recent available years. For benchmarking purposes, we have included in the table also data for some comparator countries: the Russian Federation, China, the Republic of Korea and World, wherever data are available and meaningful.

Among the most important features of the macroeconomic performance of the SPECA countries as reflected in [Table 1](#) are the following:

- During the past 10 years per capita GDP in the SPECA countries grew on average considerably faster than that for the world as a whole and also faster than per capita GDP in the Russian Federation and, in most cases, the Republic of Korea. However, the rate of growth of GDP per capita in the SPECA countries was considerably below that of China.
- The same trends can be traced with respect to productivity growth as measured by GDP per one employed person indicating that economic growth in most countries of the SPECA subregion was backed by significant productivity growth.
- At the same time, there is some heterogeneity in the growth and productivity performance across the region: not all countries managed to sustain solid growth in recent years.
- In most SPECA countries economic growth was accompanied by adequate social policies which have helped reduce considerably poverty in the SPECA subregion.
- However, high unemployment is still a problem in some SPECA countries; and the problem is especially acute as regards youth unemployment.
- The financial sector in the SPECA countries is still underdeveloped and its outreach to the population is still inadequate as compared to countries like the Republic of Korea, the Russian Federation and China.

Another source of information on the SDG performance and achievements of individual countries is the SDG Index and Dashboards Report prepared by non-governmental bodies.²² In accordance with its self-proclaimed objectives, this report synthesizes

²² Bertelsmann Stiftung and Sustainable Development Solutions Network, SDG Index and Dashboards

metrics with available data (based whenever possible on the official SDG²³ indicators) to enable countries to take stock of where they stand with regards to fulfilling the SDGs²³ and help them set priorities for action. The SDG²³ Index and Dashboards are therefore not official SDG monitoring tools and are subject to some limitations and caveats (such as the need to use proxies for missing data). Nevertheless, the advantage is that this report presents estimates (albeit rough) on SDG performance and progress in achievements for almost all countries in the world vis-à-vis virtually all SDGs.

[Table 2](#) reproduces the SDG Dashboards for the SPECA countries as presented in the most recent (2018) SDG Index and Dashboards Report.

Although these data are rather rough, they do provide an overview of the progress of the SPECA subregion vis-à-vis the SDGs. In particular, they suggest that at present, the SPECA countries face, albeit to a different degree, significant challenges in achieving the SDGs; in many cases, there are considerable gaps in the degree of achievement and hence they have to cover a large distance to the desired targets. They also indicate that from within the 17 SDGs the SPECA countries have achieved sufficient progress only with respect to Goal 1 ‘End poverty in all its forms’.

[Figure 1](#) provides a closer look into the performance of the SPECA countries vis-à-vis the five SDGs specified above as the most relevant with respect to inclusive and sustainable growth. The bars in this figure reflect the “scores” of each country on individual SDGs as reported in the SDG Index and Dashboards Report 2018. The scores are scaled between 0 and 100 where the highest score 100 corresponds to the optimal performance with regard to the respective Goal whereas 0 corresponds to the absence of any performance. [Figure 1](#) also presents the overall SDG score of each country (the aggregated weighted average of the country scores by all SDGs²³) as well as the overall SDG rank of the SPECA countries out of 156 countries worldwide presented in the SDG Index and Dashboards Report 2018.

The scores presented in [Figure 1](#) provide some further insights into the SDG performance of the SPECA countries. Quite remarkably, the overall SDG rank of some SPECA countries is quite high relative to the level of GDP per capita in these countries. Azerbaijan is the highest ranking SPECA country (rank 45 out of 156 countries worldwide), followed by Kyrgyzstan (rank 51) and Uzbekistan (rank 52). In the overall ranking these three SPECA countries are ahead of China (rank 54) and the Russian Federation (rank 63).

Report 2018. Global Responsibilities Implementing the Goals.

²³ On the SDG Index and Dashboards methodology see G. Lafortune, G. Fuller, J. Moreno, G. Schmidt-Traub and C. Kroll, “SDG Index and Dashboards. Detailed methodological paper”, September 2018. On the coherence of the SDG Index see European Commission JRC Technical Reports, JRC Statistical Audit of the Sustainable Development Goals Index and Dashboards, 2019.

As regards the scores by individual SDGs relevant with respect to inclusive and sustainable growth, [Figure 1](#) confirms the satisfactory performance of the SPECA countries with respect to Goal 1 ‘End poverty in all its forms’. Basically one could claim that with the exception of Afghanistan, poverty has been eradicated in the rest of the SPECA subregion. However, the scores of the SPECA countries with respect to the remaining four SDGs defining inclusive and sustainable growth are classified as “insufficient” or even “highly insufficient”. The situation is the worst vis-à-vis Goal 9 ‘Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation’ where the performance of all SPECA countries is rated as “highly insufficient”. The situation can be considered unsatisfactory also as regards Goal 8 ‘Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all’ where the performance of four SPECA countries is rated as “highly insufficient”. Furthermore, in contrast to the overall progress to the SDGs, the SPECA countries lag considerably behind the comparator countries (the Russian Federation, the Republic of Korea and China) as regards the progress towards most of the DGSs relevant to inclusive and sustainable growth.

A third important source of information on how different countries fare with respect to inclusive and sustainable growth is the Inclusive Development Index (IDI) developed by the World Economic Forum (WEF²⁴). IDI is based on a set of national performance indicators and provides a comprehensive representation of individual countries’ performance targeting inclusive and sustainable development. The IDI consists of 3 pillars:

- Growth and development;
- Inclusion;
- Intergenerational equity and sustainability,

each of which is based on a wider dashboard of national performance indicators (12 in all) in the three areas as shown in [Figure 2](#).

WEF collects source information on the national performance indicators from individual countries in order to compile their IDI. In addition to the static assessment which refers to specific years, WEF compiles information on their dynamic performance, namely, how the national indicators change over time and whether the IDI improves or worsens over time. The latest WEF IDI report contains information on 103 countries including 4 SPECA countries (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan). Thus the most recent 2018 report concludes that 64% of the 103 countries for which data are available have seen their IDI scores improve over the past five years. This is attributed to the recent efforts by national policymakers to broaden socioeconomic progress and make growth more inclusive.

[Table 3](#) contains the Inclusive Development Indicators for the four SPECA countries

²⁴ World Economic Forum, The Inclusive Development Index 2018.

in 2018 as well as the respective data for three comparator countries (the Russian Federation, China and the Republic of Korea). The upper panel of the table reports the current performance of individual countries by the national indicators and the lower part of the table – the 5-year trend as measured by the change (or rate of change) of the national indicators.

In addition to values of the IDIs WEF also prepares an inclusive development dashboard which is a visual benchmarking tool comparing the performance of individual countries vis-à-vis their peers. The 103 countries are divided into two main groups by the level of per capita income: “advanced economies” and “emerging economies” and each of these groups are divided into quintiles (from “20% top performing” to “20% bottom performing”) by: 1) their current performance by the national indicators and 2) the 5-year trend of the national indicators. [Table 4](#) reproduces the inclusive development dashboard for the four SPECA countries, as well as for some comparator countries, in 2018.

The dashboard presented on [Table 4](#) is indicative of the diverse situation with respect to inclusive and sustainable development in the SPECA subregion. This concerns both the different levels of per capita income in the different countries but also regarding their stance on intergenerational equity and social inclusion. It is difficult to identify any specific common patterns so the situation needs to be analysed in detail at the country level for individual countries. Perhaps the one common pattern concerns some of the existing environmental problems in these countries, in particular, those related to the still high levels of carbon intensity.

Apart from the IDIs, WEF also developed a policy-oriented framework and a set of indicators that support policymakers in fostering inclusive and sustainable economic growth development. The WEF policy-oriented framework fostering inclusive and sustainable economic growth allows to assess the policy environment in individual countries and the extent to which it underpins and fosters inclusive and sustainable economic growth.

This policy framework consists of 7 pillars related to policy and institutional environment as follows:

- Education and skills
- Basic services and infrastructure
- Corruption and rents
- Financial intermediation of real economy investment
- Asset building and entrepreneurship
- Employment
- Fiscal Transfers

Each of the pillars is broken down into sub-pillars (15 in all) and each sub-pillar is then broken down into policy and institutional indicators. The composition of the WEF’s policy-oriented framework fostering inclusive and sustainable economic growth is shown in [Figure 3](#).

The coverage and content of the pillars of the WEF policy-oriented framework fostering inclusive and sustainable economic growth are presented in [Table 5](#).

The application of the WEF policy-oriented framework fostering inclusive and sustainable growth requires the evaluation of each country by the individual policy and institutional indicators. These initial evaluations are used to compile aggregated scores initially by the 15 sub-pillars and subsequently by the 7 pillars of the framework. The scores are computed on a scale of 1 to 7 where 1 stands for “entirely inadequate performance” and 7 – for “fully adequate performance”.²⁵

For visual benchmarking, similarly to the presentation of the IDIs, the policy scores can also be presented in the form of a dashboard which allows comparing the performance of individual countries vis-à-vis their peers. For this purpose, the countries within different per capita income groups are again divided into quintiles (from “20% top performing” to “20% bottom performing”) by their scores for each sub-pillar and pillar.

[Table 6](#) presents the scores and dashboard for the four SPECA countries and some comparator countries (the Russian Federation, China and the Republic of Korea) prepared in accordance with the WEF policy-oriented framework fostering inclusive and sustainable growth.

These data confirm the considerable heterogeneity existing within the SPECA subregion also with respect to the policy-oriented framework fostering inclusive and sustainable growth. In terms of possible common patterns this information suggests that the policy environment in the SPECA countries is fairly supportive as regards the pillars of inclusive and sustainable growth referred to as ‘Asset building and entrepreneurship’ and ‘Employment’. By contrast, the policy environment in the SPECA countries is less supportive as regards the pillars ‘Financial intermediation of real economy investment’ and ‘Fiscal Transfers’. The interpretation is similar when one goes deeper to the level of sub-pillars of the policy framework.

A more in-depth and substantive analysis of the situation with inclusive and sustainable growth in the SPECA Countries is presented in the next section.

²⁵ For details see World Economic Forum, The Inclusive Development Index 2018.

4. WHAT CAN INSTIGATE INCLUSIVE AND SUSTAINABLE GROWTH IN THE SPECA COUNTRIES?

The empirical evidence presented in the previous section indicates that the SPECA countries have recorded mixed results with respect to achieving inclusive and sustainable growth: successful outcomes by some indicators go together with dismal performance by others. In addition, this evidence highlights the significant heterogeneity of the SPECA subregion: it brings together countries with different natural endowments and development levels. Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan are among the resource-rich countries, especially as regards the endowment with hydrocarbon fossil fuels. This is not the case for the rest of the SPECA countries (except for Kyrgyzstan’s gold reserves). According to the World Bank classification of countries in the world by their level of GDP per capita, Afghanistan and Tajikistan fall into the low-income group of economies; Kyrgyzstan and Uzbekistan are among the lower-middle income economies; while Azerbaijan, Kazakhstan and Turkmenistan are classified as upper-middle income economies.²⁶

At the same time, the geographic proximity, the cultural and historic traditions, the existence of common economic and environmental problems suggests that there are also many common policy challenges that the SPECA countries are facing. They are all land-locked economies with similar climatic conditions, dependent on each other for their trade and transport and having territories affected by desertification. Besides, despite the divergence in per capita incomes, all SPECA countries face some common development challenges, in particular, the need to diversify their economies. The analysis of the factors of inclusive and sustainable growth needs to take into account both the existing differences and similarities.

The quantitative performance indicators describing the patterns of growth in the SPECA countries can help in identifying some of the main problems and bottlenecks that each of these economies and the subregion as a whole may be facing in their efforts towards achieving inclusive and sustainable growth.

All SPECA countries are, albeit to a different degree, still on the road to mature developed economies. A first and fundamental factor for inclusive and sustainable development for such economies is the sheer acceleration of economic growth and its sustainability. To be high, robust and sustained growth needs to be broad-based and export-oriented which can only be achieved on the basis of a diversified economy. The experience of countries that have successfully achieved such a transformation suggests the need for a leading role of the manufacturing sector. Admittedly, none of the SPECA countries can claim to possess an economy that meets these conditions.

²⁶ <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>

Dependence on mining and exports of primary resources implies a higher propensity to boom-and-bust economic cycles. Thus, during the decade of the 2000s, the resource-rich countries in the subregion benefitted from favourable world market prices for energy resources and recorded high rates of growth. However, life demonstrated that this growth was not sustainable as it almost entirely relied on resource exports in favourable market conditions. This period is now over and in more recent years one can observe the negative consequences of the excessive dependence on hydrocarbon exports. Moreover, the windfall profits collected by the resource-rich economies in the boom period translated into something similar to rent addiction and triggered excessive public spending. These countries have recently been facing the challenge of a painful downward adjustment in public spending and real personal income. Thus both the resource-rich and those that are not so well endowed need to establish multiple engines of growth by pursuing appropriate diversification strategies tailored to their local context.

As noted, the broadening of the economic base requires in the first place the modernisation and expansion of the manufacturing sector. However, this will be a long process which needs to be undertaken in carefully planned steps and should be backed by the countries’ existing comparative advantages. What is common for all the SPECA countries is the importance of agriculture, which can be seen in the structure of economic output and exports and especially in the share of employment in the agricultural sector. Therefore the development of new manufacturing facilities integrated with agriculture as well as new agricultural value chains can be an important building block of diversification strategies.

The essence of inclusive growth is the broad promotion of employment opportunities across the populace and the mobilization of increasing participation of the labour force in productive and gainful employment. It should be noted that it is difficult to assess properly the situation in the labour markets of the SPECA countries as some of them do not conduct labour force surveys using ILO methodology which are the most reliable sources of information on the level of unemployment. But the partial data as well as anecdotal evidence on the situation of labour markets in the SPECA countries ([Table 1](#)) indicates that some of these countries still face considerable challenges in the broad promotion of employment opportunities.

One of the win-win approaches for increasing both the total employment and the inclusiveness of growth is to raise the female participation in the labour force and in gainful employment. As gender equality is crucial to sustainable development, women’s greater economic empowerment would be a major contribution to the SPECA countries efforts towards inclusive economic growth. Mainstreaming gender equality requires raising public awareness, policy dialogue as well as specific measures facilitating the access of women to the labour market and to entrepreneurial opportunities.

Furthermore, many SPECA countries enjoy high shares of youth population. Such an age structure is both a challenge and development opportunity for the country. Undoubtedly it generates strain in the labour market (as seen by the high rates of youth unemployment) but also for the education system and other social systems. At the same time a large core of youth population is a potential source of vibrant growth in the future. For this to happen, however, young people need to acquire adequate knowledge and skills that would facilitate their entry to the labour market and would allow them to avail of available employment and entrepreneurial opportunities. In turn, for this to materialize, the education systems in the SPECA countries need to ensure equal education opportunities to all citizens and, related to that, to facilitate the school-to-work transition for school graduates. The scores on the pillar “education and skills” in the framework fostering inclusive and sustainable growth in the SPECA countries ([Table 6](#)) suggest that these countries still face considerable gaps in this area.

The most vibrant source of growth in any economy is the small business sector. The scores of the SPECA countries on the pillar “asset building and entrepreneurship” ([Table 6](#)) are relatively favourable but any additional efforts could bring highly beneficial results. For entrepreneurship to become an engine of diversification in the SPECA subregion, these countries need to establish a supporting environment for entrepreneurs to set up new businesses and for the development of small and medium enterprises (SMEs). These efforts may include a broad range of steps such as the support to education and vocational training for acquiring entrepreneurial and managerial skills as well as the development of support institutions and instruments for start-ups and SMEs, including the provision of coaching and business services.

One of the biggest lacunae in this area – as well as a deterrent to the expansion of new firms – is the access to finance. As evidenced from the scores on “financial intermediation” presented in [Table 6](#), this is one of the weakest pillars in the framework fostering inclusive and sustainable growth in the SPECA countries. From a broader perspective, the access to finance depends on the development of the financial infrastructure, which includes the banking institutions per se but also the payment systems, insurance services, credit information bureaux, etc. These infrastructures are crucial to the effective operation of the various financial intermediaries.

One possible fast-track approach aimed specifically at the small business sector could be the establishment of public institutions that support the access of entrepreneurs and SMEs to finance needed for the expansion of their business. In turn, the operation of such institutions needs to be closely coordinated with that of the business support institutions targeting SMEs. Another specific avenue for facilitating the access of entrepreneurs and SMEs to finance could be the design and implementation of mass-scale entrepreneurship support schemes based on the low range of micro-credit. Micro-finance at preferential terms would also be well-suited to support entrepreneurs in

agriculture but also to support young entrepreneurs. Young people could be specific targets of such micro-finance-based entrepreneurship support schemes and one of the instruments to enhance their entrepreneurial spirit. In addition to finance, such support schemes should provide a range of information and consultancy services to would-be entrepreneurs, including awareness raising, management training, business support services, support to networking and the like.

Diversification efforts will be more successful if they rely on local initiatives. International experience shows that bottom-up initiatives generated by the locals – who know best the local environment and context as well as the existing needs, the potential market niches and production opportunities – are the most successful. This is also one of the most effective and efficient ways to raise the inclusiveness of the growth and development initiatives. Therefore, countries need to establish a conducive environment for communities to identify and prioritize their own needs and come up with their own initiatives to address these needs. Support should also be provided to the engagement of key local stakeholders in implementing these initiatives.

As already noted, innovation can be an important engine for national and regional sustainable economic development and could ultimately drive the achievement of the 2030 Agenda for Sustainable Development in the SPECA subregion. The environment in emerging economies presents both specific challenges but also opportunities to innovation entrepreneurs. Thus this environment offers opportunities for catch-up and productivity growth on the basis of knowledge and technology transfer. Learning and diffusion of knowledge can support and facilitate the proliferation of this type of innovation processes in low-income countries. There is also an untapped potential in promoting and developing grassroots innovation in low-income countries which can offer win-win solutions, on the one hand, for development and economic growth and, on the other hand, for addressing local needs and problems. There is considerable room for managerial and organisational innovations which are not resource demanding. Experience of other countries provides evidence of entrepreneurs applying innovative pricing and financing strategies and business process innovations to serve lower-income markets profitably.

Economic research points to differences in industrial and particularly technology policy that would be appropriate for countries depending on their distance from the ‘technology frontier’.²⁷ Countries that are further away from the technology frontier can exploit the ‘advantage of backwardness’ by facilitating technology transfer and the adaptation of imported technology.²⁸ Thus in the environment of immature emerging economies

²⁷ Aghion, P., N. Bloom, R. Blundell, R. Griffith and P. Howitt, ‘Competition and Innovation: An Inverted-U Relationship’, *The Quarterly Journal of Economics*, 120(2), pp. 701-728, 2005.

²⁸ Gerschenkron, A., *Economic Backwardness in Historical Perspective: A Book of Essays*, Belknap Press of Harvard University Press, Cambridge, MA, 1962.

industrial policy needs to focus on expanding the country’s absorptive capacity that supports the adaptation of existing innovations and foreign technology to the need of the local market.

Innovation based on adoption and adaptation (mostly through importing) can help address some of the challenges that innovators face in low-income countries and mitigate some of the associated risks. When adopting and adapting on the local market a product or technology from abroad, the time horizon is much shorter compared to an invention as some of the essential phases in the innovation process can be skipped. The financing requirements may be lower given that there is less need for R&D, and given that the innovation may be embodied in a piece of imported machinery which can be produced with economies of scale abroad. Plus, the innovation is less likely to be done by start-ups with no track record, and more likely by established firms with an established record of revenues, expenditures and credit history.

One key development bottleneck for all SPECA countries is the limited size of their domestic markets which is exacerbated by their land-locked geographic location. Obviously, the limited domestic market will remain as a major constraint for the development of some industries (such as those involving modern mass production) but will not necessarily be an impediment in other sectors such as agriculture and the related processing industries but also in services.

The diversification efforts in this case could pursue the establishment of sustainable virtuous cycles targeting the introduction of products new to the local market or substituting imports, and closed within the domestic market. Such cycles engage the new suppliers and consumers into a self-propelling loop whereby supply breeds new/more demand and demand breeds new/more supply through a positive feedback. However, for such virtuous cycles to emerge and be sustainable, they need to be backed by a supportive business environment and framework conditions. The promotion of self-propelling virtuous cycles in the domestic market can become new engines of employment and growth in the SPECA countries. Besides, virtuous supply-demand cycles which are closed on the domestic market will benefit, up to a point, from relatively low competitive pressure coming from abroad. They will have a window of opportunity, probably measured by years or even decades, during which they can grow and strengthen and thus be prepared for facing stronger competitive pressures in later phases.

The mass-scale entrepreneurship support scheme discussed above could, through its wide outreach, serve as a catalyst for the emergence of new engines of growth for the economy and for the materialization of such self-propelling virtuous circles. In turn, this could also propel an autonomous deepening the local market even in the absence of strong linkages to the international market.

But the limited size of the domestic markets is a factor that also reinforces the argument

for the need of further opening up of these economies. The access to larger regional and global markets can open up new opportunities for local businesses to grow, innovate and diversify their business portfolios and hence for the overall economic diversification of these countries. This is even more so the case for land-locked economies as the SPECA countries. Thus the promotion of efficient trade and transport links with their neighbours and the development of well-functioning transit corridors in the subregion is a key factor in the efforts for economic diversification and development of these economies.

At present, the structure of SPECA countries foreign trade is quite diverse both on the exports and on the imports side, reflecting the heterogeneity of their economies and their different development levels ([Table 7](#)).

Despite the differences in the structure of trade flows across countries the statistics presented in [Table 7](#) reveal that the main common trading partners of all SPECA countries include the Russian Federation and China both on the export and import side. This is not surprising given factors such as the size of these economies, the geographic proximity, as well as historic economic and socio-political ties. Turkey is also an important trading partner for many SPECA countries which reflects not only ethnic and cultural links but also Turkey’s active policy on widening economic ties with Central Asia. On the other hand, [Table 7](#) clearly indicates the weak bilateral trade links among the SPECA countries: Kazakhstan is the only country that is among the main trading partners of other SPECA countries.

The structure of trade flows reveals the existence of considerable untapped potential for further widening and deepening of the international economic relations in the SPECA subregion especially as regards their bilateral trade flows and the intensification of regional and international transit flows. Closer economic cooperation in these areas will give a boost to economic growth in each and every country and, if properly guided, will also support sustainable development in the subregion.

One should note, however, that the prevailing at present economic structure of the SPECA countries (most of which are specialized in primary commodities) acts in itself as an impediment to the widening and deepening of their bilateral trade. Actually, these economies are specialized in a similar manner, there are very few complementarities in the composition of their exports and therefore they are in many aspects competitors in international markets. As to the import side, all SPECA countries seek to import high value added goods such as new technologies needed for their economic modernisation. However, none of the SPECA countries is a source of such high technology products and the latter are delivered from distant advanced economies. The nature of the present day economic structures is the main underlying factor that can explain the limited intra-regional trade among the SPECA countries as reflected in [Table 7](#). Boosting bilateral trade implies significant further development efforts and economic diversification of these economies that would create new opportunities for mutually beneficial commercial

exchange among them.

Furthermore, while historically Central Asia played a key role as a centre of global trade, at present it is at the periphery of the international trade flows. The main factor behind this regrettable development is the degradation of the historic inland transit corridors and the emergence of cross-border impediments to trade. Reportedly, long lines and delays are a common feature of border crossings in Central Asia. Thus as per truck drivers reports, in 2017 it took as much as 58 hours and \$318 for a shipment of goods to cross one of the borders in Central Asia. For comparison, in other neighbouring parts of Asia, truck shipments took an average of 17 hours and \$158 to clear cargo at the borders.²⁹

A recent in-depth study of Euro-Asian transport links (EATL) pointed out to some key remaining challenges and obstacles hampering the development of these transport links such as:³⁰

- Missing road and railway and inter-modal/transshipment infrastructure links on some EATL segments, outdated border crossing infrastructure and equipment in other places;
- Cumbersome border crossing, customs and transit procedures, lack of access to and implementation of UN legal instruments;
- Missing unified railway regimes along EATL railway routes;
- Lack of harmonized operating and technical inter-operability standards for railway infrastructure and rolling stock;
- Poor ICT connectivity and ICT interoperability on EATL corridors.

In fact, poor connectivity is at present one of the main challenges facing policymakers in the SPECA countries. A recent report supported by the OECD found that there is a significant connectivity gap between the Central Asian countries and the most logistically advanced countries. According to the findings, the Central Asian countries can access 50% less economic opportunities, as measured in terms of world gross domestic product (GDP), than a country like Germany³¹. The long distance from main international markets, the low density of settlements and economic activity, the infrastructure bottlenecks as well as the existing policy and regulatory barriers to cross-border trade flows limit the potential of the subregion to support large international transit flows as compared to the situation in the more distant past.³²

²⁹ ADB blog. “Reviving connectivity and diversifying trade in Central Asia”, blog article available at: <https://blogs.adb.org/blog/reviving-connectivity-and-diversifying-trade-central-asia>.

³⁰ UNECE, Euro-Asian Transport Links Project – Phase III, Expert Group Report, 2019; UNECE, “Transport corridor operationalisation in the Euro-Asian region and beyond. Note by the secretariat”, (https://www.unece.org/fileadmin/DAM/trans/doc/2019/wp5/id-19_04e.pdf).

³¹ ITF, Enhancing Connectivity and Freight in Central Asia, International Transport Forum Policy Papers, No. 71, OECD Publishing, Paris, 2019

³² OECD, Enhancing Competitiveness in Central Asia, 2018

However, the potential for improving connectivity is there and it is up to policymakers of the SPECA countries to develop it and make it work to their mutual benefit. At present, due to the nature of their current economic structure discussed above, the eventual rise in international transit flows probably has a greater potential for bringing economic benefit to each transit country (respectively, for promoting inclusive and sustainable growth) than the possible immediate increase in their bilateral trade flows.

Turning trade, transport and transit into pillars of sustainable and inclusive growth requires, on the one hand, dedicated long-term efforts in building the physical infrastructure necessary to support the efficient transportation and transit of trade shipments and, on the other hand, the institution of favourable trade and transit regulations in each and every country along the transport corridors as well as the establishment of a conducive trade facilitation environment including border crossing and customs clearance. Lowering the existing intra-regional barriers to trade and transport can both provide a solid boost to the regional market and can contribute to better connectivity of Central Asia to the neighbouring countries and regions and this to the global markets.

Trade regimes depend, among other things on the international commitments that each country has taken on itself and these differ from country to country within the SPECA subregion. Thus, Afghanistan, Kazakhstan, Kyrgyzstan and Tajikistan are members of WTO while Azerbaijan, Turkmenistan and Uzbekistan are not. Kazakhstan and Kyrgyzstan and also members of the Eurasian Economic Union support the deepening of trade and economic cooperation among its members.

China is also a key economic player in Central Asia. Apart from pursuing the expansion of its exports within the SPECA subregion, China is now engaged with the ambitious large-scale and long-term Belt-and-Road initiative which involves all SPECA countries. Potentially, this can be a win-win project for all participants as it would give a significant boost to the development of physical infrastructure in the subregion and SPECA countries would also benefit from the intensification of transit flows. However, the implementation of the Belt-and-Road initiative also requires great caution so that partnership within the initiative is equitable and gains are shared by all partners.

Finally, the climatic conditions in the SPECA subregion are rather harsh and the subregion is prone to natural disasters. It faces significant environmental challenges which complicate the national and subregional efforts aimed at inclusive and sustainable development. To mitigate these effects the countries in the subregion need to raise the capacity to implement appropriate disaster risk management both at the national and at the subregional level. Furthermore, as regards transport infrastructure, there is a need for dedicated and coordinated efforts directed towards making it more resilient.

5. SOME POLICY CONCLUSIONS

5.1. The general policy framework of inclusive and sustainable growth

The analytical review presented in the previous sections suggests that there is ample room for policy intervention that could support the objective for achieving inclusive and sustainable growth. There are policy implications of a general nature that apply to any country that would set inclusive and sustainable growth as a policy priority but there are also policy conclusions that mostly relate to the specificity of the SPECA subregion and that of individual SPECA countries. This subsection is dedicated to the first type of more general policy conclusions including those SPECA-specific implications that are of common relevance for several countries in the subregion.

Before discussing concrete policy implications we would like to stress that from a policy perspective, achieving inclusive and sustainable growth should always be treated as a long-term objective. There are no magical recipes that could deliver the desired results within a short time horizon. This aspect is a challenge for policymakers as their planning horizon is usually narrowed down to their expected term in office. Targeting long-term objectives implies the necessity to define a vision for the future and to build a political consensus within the society to ensure continued support for the pursuit of these objectives despite possible changeovers of government.

If applied to individual countries, such an approach amounts to the formulation of a national long-term strategy for pursuing inclusive and sustainable growth which would spell out the objectives as well as the means and resources for the pursuit of these objectives. Moreover, given the broad nature of the notion of inclusive and sustainable growth, the objectives may need to be broken down into sub-objectives reflecting the different features of inclusive and sustainable growth (**Box 1**) while the means would take the form of a policy mix which encompasses the various specific policy instruments that address individual sub-objectives as well as the resources needed to back each such instrument. The policy inferences laid down below follow in the main this concise logical framework of formulating policy recommendations for the pursuit of inclusive and sustainable growth.

Drawing on the discussion in the previous sections, a strategy for inclusive and sustainable growth will need to identify policies that would both support robust, lasting and environmentally sustainable growth and would also prompt changes in the nature of growth by opening new opportunities to all. Such a strategy should provide clear links between macroeconomic performance and the individual dimensions of well-being. To achieve this, it should capture the policy influence on the key dimensions of future development through both direct and indirect transmission channels and should make explicit the main policy trade-offs and synergies so that both policymakers and the

public at large can be better informed about the multidimensional nature of the living standard.³³

Another specificity of a strategy for inclusive and sustainable growth is that it may be difficult to formulate it in terms of concrete quantitative targets. As discussed in section 2, inclusive and sustainable growth is a multifaceted notion and the generation of new employment opportunities or achieving more equitable income distribution can be regarded more as potential outcomes and not so much as specific goals of the strategy. Moreover, the strategy should focus on desired achievements with synergetic effect which would at the same time yield higher growth, generate more jobs and ensure broadly shared prosperity. The key factor of success of such a strategy would be to identify and set in motion the initial driving forces that would then jump-start a virtuous synergetic cycle. These driving forces most likely will be different from country to country and will depend on the local socio-economic environment and other circumstances. Therefore the policy framework should be sufficiently flexible to be adapted to a country-specific local context.

Notwithstanding the specificity of the local context, any long-term strategy implies an underlying policy approach in pursuing the long-term goals. The contemporary thinking in this area tends to favour an approach combining a lasting commitment by policymakers in the pursuit of these objectives and a relatively low direct intervention by the government in the economic processes. Such an approach is often referred to as “new industrial policy” in order to distinguish it from traditional industrial policy where the government applied vertical policy instruments targeting – and favouring – concrete economic sectors and/or businesses with the aim to establish what was nick-named as “national champions”.³⁴ By contrast, new industrial policy relies mostly on horizontal instruments that seek to direct the behaviour of economic agents in the desired direction by establishing appropriate incentives. It is a systemic policy approach which seeks to improve systemic interactions and facilitate risk sharing among agents and stakeholders this affecting the structure of the whole economy and not only some targeted sectors.³⁵ It has been suggested that when applied to lower income countries such policies usually target the following objectives: import-substitution industrialisation; export-oriented industrialisation; resource-based industrialisation.³⁶

³³ OECD, Report on the OECD Framework for Inclusive Growth, 2014

³⁴ См. публикацию: Rodrik, D., “Industrial policy for the twenty-first century,” CEPR Discussion Papers No. 4767, Centre for Economic Policy Research: London, 2004; Aiginger, K. “Industrial policy for a sustainable growth path”, in: Bailey, D, Cowling, K and Tomlinson, P., *New Perspectives on Industrial Policy for a Modern Britain*, Oxford University Press, 2015.

³⁵ Dobrinsky, R, “The paradigm of knowledge-oriented industrial policy”, *Journal of Industry, Competition and Trade*, 9(4), 2009,

³⁶ Ramdoo, I. “Industrial policies in a changing world: What prospects for low-income countries?”, *International Centre for Trade and Sustainable Development*, Geneva, May 2015.

As pointed out, one of the main instruments for achieving inclusive and sustainable growth is productive employment. Therefore, appropriate reforms that are both pro-labour and pro-business probably should play a leading role in any strategy for inclusive and sustainable growth in developing and emerging economies. Measures to proactively influence and shape the nature of new employment and support entrepreneurial opportunities will have a multidimensional positive impact such as stimulating new entries from inactivity to active labour market participation (and hence the expansion of the labour forces); propelling new entrepreneurial initiatives and the expansion of existing ones which, in turn, could create additional employment opportunities and – as a result – the generation of new sources of economic growth.

Within the framework of new industrial policy, inclusive and sustainable growth should typically propelled by market-driven sources while governments play a facilitating role by instituting the appropriate framework conditions. Establishing an enabling environment for business investment and entrepreneurship can be critical to a country’s success in expanding employment, boosting wages, and widening asset ownership, which are central drivers of progress in broad living standards.³⁷ A significant part of the policy efforts to implement a strategy for inclusive and sustainable growth needs to be focused on setting up and sustaining such business-friendly and predictable framework conditions.

Another avenue to pursue such a strategy is related to the set of policies that aim at broadening the access to entrepreneurial opportunities. Policies to make entrepreneurship more inclusive include various targeted financial assistance programmes, in particular, those that involve non-debt financial support, loans at preferential terms to those who wish to start a business, establishing networks of entrepreneurial support and coaching as well as the provision of various business support services. Institutional support includes also the removal of existing bureaucratic hurdles to would-be entrepreneurs and SMEs.

At the same time, the policies targeting inclusive and sustainable growth should boost both economic efficiency and social inclusion. From the perspective of the labour market supply, social inclusiveness requires that the labour force is endowed with the needed appropriate skills which, in turn, calls for dedicated policy efforts to support skill building and lifelong learning. Another building block is related to education policies which should aim at ensuring equal access to high-quality education from early childhood education to tertiary education and promoting adequate educational attainment by all segments of society. Plus, from the standpoint of social equity and the narrowing of incomes dispersion, the implementation of the strategy calls for well-functioning, transparent and efficient institutions.

Innovation policies can also play a crucial role in fostering inclusive and sustainable

³⁷ World Economic Forum, *The Inclusive Growth and Development Report 2017*.

growth. Moreover, recently a new brand of “inclusive innovation policies” has emerged that aims to ensure that the whole population has opportunities to successfully participate in and benefit from innovation. Some segments of society (including women, low-income segments, excluded youth, disadvantaged groups, etc.) are systematically underrepresented in these activities, mainly due to lower capabilities or skills and less access to opportunities, possible discrimination in the labour markets, barriers to entrepreneurship, etc. Appropriate innovation policies can boost the capacity and opportunities of such underrepresented groups and individuals to engage in innovation and entrepreneurial activities. Innovation policies can also support the development of new products and services that address the challenges of those facing social disadvantage.³⁸

For innovation to provide benefits in an inclusive way, policymakers need to adopt clear and feasible national innovation strategies and design proper rules and support mechanisms in areas such as taxation, competition and data privacy. Competition and regulatory policies should help ensure that the benefits of innovation are broadly shared throughout society. Related to that, education policies and skill-building programmes need to develop capabilities to innovate. This requires a comprehensive and targeted learning strategy which includes education and learning in schools, families, communities and workplace that would facilitate entrepreneurs in translating business opportunities into innovation, diversification and sustainable employment.³⁹

Innovation policies aimed at enabling “bottom-up” initiatives can also create synergies that support inclusive and sustainable growth. Specifically, promoting grassroots social and business innovative ventures can, on the one hand, mobilise the creative capacity of disadvantaged segments of the populations and, on the other hand, can ignite virtuous growth promoting cycles as discussed in the previous sections. Bottom-up initiatives based on new technologies can also be a factor in strengthening inclusiveness in policy making and implementation, by enabling new forms of collaborative and participatory governance.⁴⁰

The digital age poses additional challenges to the policy efforts to ensure inclusiveness of growth enhancing innovation policies which need to ensure that growth creates broad-based employment opportunities and shared prosperity. As regards the environment in developing and emerging economies, the scaling of internet-enabled entrepreneurship and small-business trade can play a critical role. The policy mix should thus address not only the establishment of an enabling environment for the market entry of such entrepreneurs but should also support their growth phases until they are firmly settled on the market.

³⁸ OECD, *Making Innovation Benefit All: Policies for Inclusive Growth*, 2017.

³⁹ UNECE, *Report of the Team of Specialists on Innovation and Competitiveness Policies on its Eleventh session*, Geneva, 1 – 2 November 2018.

⁴⁰ OECD, *All On Board: Making Inclusive Growth Happen*, 2014.

Trade policies also have the potential to enhance inclusive and sustainable growth. For this to materialize trade policies should be concerned not only with poverty alleviation but also with providing fairer access to benefits of economic openness and preventing socially disadvantaged groups from bearing the burden of trade liberalisation. Such trade policies need to be aligned with the general thrust of the strategy for inclusive and sustainable growth as discussed above.

Within the broader set of trade policies, trade facilitation measures aimed at reducing trade costs can play a special role for achieving inclusive and sustainable growth. Reduction in trade costs eases the expansion of regional and global value chains and drives productivity, economic diversification, exports and economic growth. By simplifying trade procedures, trade facilitation measures not only reduce trade costs but also enhance the access to and efficiency of trade-related services, enabling more workers and SMEs to benefit from growing economic activities. Such simplification benefits especially small businesses as they help in creating a level playing field both in the domestic and in international markets. Coherence between domestic, regional and international trade policies is also important for ensuring that the benefits of trade are more evenly distributed.⁴¹

As regards infrastructure, the policy efforts should be focused on developing a well-designed and well-regulated open access infrastructure which can boost both growth and inclusiveness. The disadvantaged segments of society derive the greatest relative benefit from access to public infrastructure in the form of transport, drinking water, sanitation, electricity supply, education and healthcare. Better energy infrastructure can help combat “energy poverty”, which is often present in developing countries; action is also needed to combat “fuel poverty” for those who cannot afford to pay for adequate heating. Access to mobile telephony and broad-band internet has also grown in importance as a means for the disadvantaged to better integrate into society and the economy.⁴²

5.2. *SPECA-specific policy implications*

The experience of many countries has shown that policies are more successful in achieving their objectives when they are tailored to the local context, taking into account the socio-political environment, historic legacies, cultural tradition, geographic location, etc. Furthermore, reforms and policies work best when they enjoy popular support while there are no one size-fits-all policy models that will deliver an optimal solution in all cases. There are many examples of countries that have grown rapidly over long periods of time, but have not seen substantial reduction in poverty rates due to the lack of focus

⁴¹ Trade as an engine for inclusive growth in Africa, <https://www.tralac.org/discussions/article/11660-trade-as-an-engine-for-inclusive-growth-in-africa.html>

⁴² OECD, op.cit.

on the inclusiveness of their growth strategies. Resource-rich countries are specific cases of their own as the extractive industries usually do not employ much labour while the non-resource sectors may suffer contractions associated with Dutch disease effects during boom periods.⁴³

These considerations need to be taken into account when contemplating the policy framework of inclusive and sustainable growth in the SPECA subregion as a whole as well as that in each SPECA country. Moreover, as noted above, there is considerable heterogeneity among the SPECA economies as regards their natural endowments and development levels.

One of the needed policy reform efforts which applies to all SPECA countries is the strengthening of the development orientation of their policy agenda. Despite their differences, all SPECA economies lag considerably behind the development frontier and therefore need to catch up in their per capita income levels which, in turn, calls for the invigoration of economic growth and the diversification of their economies.

The development of human capital and physical infrastructure are among the fundamental pillars of a growth strategy that targets diversification and inclusiveness. In turn, education and infrastructure determine to a large extent the capabilities of economies and societies to innovate and modernise and to do it inclusively. The more diverse, sophisticated and complex the knowledge base, the more feasible the opportunities for the economy. The knowledge base determines the feasible path of economic development, and the products, clusters and industries the country can develop as well as its capabilities to innovate, develop new industries and create more jobs.⁴⁴

The combination of adequate human capital, physical infrastructure and a conducive business environment is one of the preconditions for the flourishing of entrepreneurship and the emergence of virtuous self-propelling supply-demand cycles that could support economic diversification and spur sustained economic growth in the SPECA subregion. The policy effort to support this type of development will be even more successful if they also rely on local initiatives and facilitate entrepreneurial discovery by local entrepreneurs. Such an approach is close in spirit to what came to be termed as “smart specialisation” policies.

However, one of the existing stumbling blocks for the implementation of this policy approach in the SPECA countries is the poor infrastructure of support institutions and intermediaries that could facilitate the market uptake of entrepreneurial ideas and

⁴³ E. Ianchovichina and Lundstrom, S. (2009). ‘Inclusive Growth Analytics: Framework and Application’, World Bank Policy Research Working Paper, No. 4851.

⁴⁴ UNECE, Report of the Team of Specialists on Innovation and Competitiveness Policies on its Eleventh session, Geneva, 1 – 2 November 2018 (ECE/CECI/ICP/2018/2).

projects. The building of such infrastructure in itself will be a long-term process which will require continued and dedicated policy effort from the governments. Therefore it is probably worth focusing on support institutions that will respond to already existing demand and that will be likely to produce immediate effect. One such example that can possibly be applied in all SPECA countries is the expansion of the scope of the public institutions supporting entrepreneurship and business development. While such institutions exist in all SPECA countries, on the whole the outreach of public support to entrepreneurs remains very limited in these economies.

Within this domain, one could highlight the role of micro-finance and some countries in the subregion have positive experience in its promotion. This is also an area where the national efforts are also likely to attract technical and financial support from international donors. By joining their forces, national governments, the private sector and international donors could in effect synergise in developing one important engine of propelling inclusive and sustainable growth in the subregion. In terms of the overall development effect, this is also a more efficient way to use limited financial resources in order to reach out with support to a greater number of would-be entrepreneurs than to allocate the same resources to the support of a limited number of large-scale projects. The above policy concept can be realized through the design and implementation of mass-scale entrepreneurship support schemes based on the low range of micro-credit. It could be applied to all economic sectors and activities across the board and thus will also support economic diversification. Micro-finance at preferential terms would be well-suited to support young entrepreneurs, women entrepreneurs as well as disadvantaged groups and will therefore contribute to the inclusiveness of this development effort. In addition to finance, these support schemes should provide a wide range of information and consultancy services to would-be entrepreneurs.

Furthermore, through its broad outreach, the mass-scale entrepreneurship support schemes could serve as catalysts for the emergence of new engines of economic growth and for the materialization of self-propelling virtuous circles. In turn, this could also propel an autonomous deepening the local markets.

These initiatives can also serve as pillars for the innovation-for-development efforts of the SPECA countries. Governments in the subregion need to guide markets towards innovation through a range of policy approaches including the support to entrepreneurs willing to take risks on new products and business models, the provision of better access to financial services needed to take innovations to scale, and supportive regulatory and tax regimes that balance the needs of society.⁴⁵

The SPECA countries have already taken the first steps towards joint efforts in promoting innovation for sustainable development. A series of intergovernmental consultations

⁴⁵ Commission on Technology and Inclusive Development, Charting Pathways for Inclusive Growth. From Paralysis to Preparation, 2018.

have been under way since 2017 for the elaboration of a SPECA Innovation Strategy for Sustainable Development. These consultations are taking place under the auspices of the SPECA Governing Council and the SPECA Working Group on Knowledge-based Development. After the completion of the consultations, the SPECA Innovation Strategy for Sustainable Development is to be submitted for endorsement by the SPECA Governing Council. The main objectives of the draft SPECA Innovation Strategy for Sustainable Development are displayed in [Box 2](#).

The development of physical infrastructure is one of the pillars of the strategy to pursue sustained growth in the SPECA countries and is also fundamental for the promotion of solid and stable trade and freight transport in the subregion. As discussed as discussed in the previous sections, robust intra-regional trade and transport flows can also be additional drivers of inclusive and sustainable development and growth in the subregion. Therefore, it is of utmost importance for policymakers in the SPECA subregion to support these mutually reinforcing economic linkages.

The upgrading physical infrastructure is thus a key prerequisite for enhancing connectivity in the SPECA region. But while it is a necessary condition, infrastructure alone is not sufficient for better connectivity to materialize and contribute to sustainable and inclusive growth. For this to happen it must be supported by policy measures and procedures that facilitate transport flows and raise the resilience of the transport systems. In the context of the SPECA subregion these include but are not limited to the development of harmonized transport networks using agreed standards; the promotion of railway transport and intermodality for long routes; notable improvement of road safety; the incorporation of environment protection practices into the development of the transport systems; the introduction of measures for improving the efficient of the transport operations, etc.

At the same time, the invigoration of trade and transport flows depends crucially on the policy regimes that govern the bilateral and multilateral international economic relations of the SPECA countries. It will be recalled that the available evidence suggests that there is a significant potential for further widening and deepening of these relations. Therefore, policymakers in the subregion can make an important contribution to the joint development efforts towards inclusive and sustainable growth by further liberalizing their trade regimes as well as by easing, expediting and facilitating the trade flows, in particular, by means of streamlining trade, transport and transit procedures. Such coordinated policy efforts for boosting connectivity would yield win-win outcomes to all participants and would support the initiative to make the SPECA subregion a “land-linked” trade and transport area by transforming it from a land-locked periphery into a transport hub.

As already noted, enhancing connectivity in Central Asia calls for concerted and coordinated policy efforts by the governments of SPECA countries. Apart from the development of the resilient subregional physical infrastructure a key component of

the policy efforts to boost connectivity is related to the measures to reduce trade and transport costs. Remember that the costs of reaching international markets for land-locked countries depend also on those of neighbouring countries. Thus coherent and harmonized regional policies would provide an opportunity to improve transit transport connectivity and ensure greater intraregional trade and expand regional markets.⁴⁶ Such measures would at the same time make transport within and through the SPECA subregion attractive also to all third parties. Given the great potential of the Belt-and-Road initiative to generate international transport flows, all SPECA countries would benefit from coordinated efforts to reduce trade and transport costs. All the above activities fall into the policy domains of trade and transport facilitation.

Trade facilitation can be defined as “simplification, harmonization and standardisation of procedures and associated information flows required to move goods internationally from buyer to seller and to pass payment in the other direction”⁴⁷ and in the broad sense it includes policies that aim to reduce trade transaction costs. Thus the primary objective of trade facilitation is to help make trade across borders faster, cheaper and more predictable, whilst ensuring its safety and security. This implies streamlining formalities, simplifying and harmonizing procedures and the related exchange of information and documents between the various partners in the supply chain.⁴⁸

At the subregional level, as is the case of the SPECA countries, trade facilitation reforms can ensure that traders in the same subregion are not burdened by differential customs formalities and cross-border requirements that hinder cross-border trade. Harmonizing such formalities can remove existing bottlenecks and increase the participation of SMEs in international trade and, ultimately, can support the deepening of regional integration.⁴⁹ From this point of view, a regional trade facilitation approach calls for close cooperation among the countries which is needed for the coordination and harmonization of the national regimes.

The SPECA countries already have considerable experience in cooperation in the area of trade facilitation including through the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) and the SPECA Working Group on Trade. As part of the activities of this Working Group, SPECA countries are discussing a draft Trade Facilitation Strategy which would include a range of agreed actions for future

⁴⁶ V. Popov, “Regional Cooperation for Structural Economic Transformation Towards Sustainable Development in the SPECA Region”, Background paper presented at the SPECA Economic Forum, Almaty, 20-21 September 2018.

⁴⁷ <http://www.unece.org/cefact/index.htm>.

⁴⁸ <http://tfig.unece.org/details.html>

⁴⁹ V. Tuomisto and M. Saeed, “Boosting Regional Trade with Coordinated and Harmonized Implementation of the Trade Facilitation Agreement”, <http://www.tradeforum.org/news/Regional-integration-through-joint-trade-facilitation-reforms>.

cooperation in this area. SPECA countries also actively participate in the discussions on trade facilitation at the WTO and other platforms for international dialogue in this area. Furthermore, members of the WTO are required to implement the WTO Trade Facilitation Agreement (TFA), while those countries that are currently acceding to WTO have to demonstrate to their negotiating partners that they are effectively implementing the measures in the TFA.

This notwithstanding, there still exist some considerable hurdles impeding the smooth execution of trade transactions which is equivalent to unnecessarily high (in some cases excessive) trade transaction costs. The OECD has published the results of their evaluation of the situation of the trade facilitation practices in some of the SPECA countries as assessed by 11 specifically designed indicators ([Figure 4](#) and [Table 8](#)).

According to the OECD appraisal, the current state of trade facilitation is rather uneven both across countries and as regards the implementation of different trade facilitation measures. However, one of the striking aspects of this evaluation is that all the assessed SPECA countries uniformly perform very poorly vis-à-vis the indicators “External border agency coordination” and “Internal border agency coordination” which suggests that this is a systemic failure and a critical bottleneck in the trade facilitation practices in the subregion, notably, in their approach to coordinated border management and bilateral trade facilitation cooperation. Some countries perform poorly vis-à-vis the indicators “Formalities – documents” and “Governance and impartiality” but this is rather a country-specific characteristic as other SPECA countries feature more satisfactory performance by these aspects of trade facilitation.

Such an assessment has important policy implications as it hints at the areas where policy reforms could produce the most significant results in relatively short time in terms of enhancing trade facilitation practices. On the basis of these assessments, national policymakers can identify the key trade facilitation bottlenecks in their country and could focus their future policy reform efforts in these directions. Moreover, the cases when the trade facilitation assessment suggest that there probably exist systemic subregional failures and/or bottlenecks (as the two indicators referred to above) point to areas where subregional cooperation in addressing these weaknesses would be essential for the achieving results that would benefit all SPECA countries. This refers in the first place to the indicators “External border agency coordination” and “Internal border agency coordination”.

[Table 8](#) spells out the main content of each indicator and from these definitions it is possible to identify and formulate the concrete areas where: a) each country needs to focus its own national policy efforts and b) where the SPECA countries would benefit significantly if they deepen their cooperation in simplifying and harmonizing their formalities.

Trade facilitation is inextricably linked with the ease and efficiency of the transportation of the goods concerned. In this regard transport facilitation – which in effect is part of trade facilitation – is often considered on its own merit and may require some specific policy approaches and measures. In general, transport facilitation refers to the simplification and harmonization of international transport procedures and the information flows associated with them.⁵⁰

Most of the trade facilitation indicators presented in [Figure 4](#) and [Table 8](#) are directly or indirectly related to transport facilitation. Therefore, any national or coordinated subregional policy reforms in these areas as discussed above need at the same time to address and be coordinated with the respective transportation aspects and need to incorporate the adequate transport facilitation components. Enhancing intra- and inter-regional connectivity requires that trade and transport facilitation are treated in a holistic manner, taking into consideration their intrinsic interlinks and mutual effects.

The SPECA countries do cooperate in this area as well, in particular under the auspices of the UNECE’s Inland Transport Committee, ESCAP’s Committee on Transport and the SPECA Working Group on Sustainable Transport, Transit and Connectivity. The UNECE has been recognized as an important international platform for regulatory and technical intergovernmental cooperation in the development of transport facilitation measures for inland transport modes. It has developed and administers 58 international legal instruments in this area including topics that are crucial for development of SPECA transport system such as rail transport, intermodality and road safety.⁵¹ ESCAP has also developed a number of transport facilitation models which address existing challenges and facilitate seamless international road transport,⁵² including the Time/Cost-Distance methodology.⁵³

More specifically, UN/CEFACT trade facilitation recommendation 42 promotes the establishment of national Trade and Transport Facilitation Monitoring Mechanisms in UN Member States, which is based on periodic Business Process Analyses, Time Release Studies and Time/Cost Distance studies. In this framework, a Business Process Analysis of the exports of wheat from Kazakhstan to Azerbaijan was carried out in 2019, following up on a similar study on the same product five years earlier.⁵⁴ The empirical analysis reported in this study has made it possible to formulate a number of practical recommendations on further simplification of the trade documents and streamlining of the border procedures in the trade with cereals between the two countries. Moreover,

⁵⁰ https://www.unece.org/trans/theme_facilitation.html.

⁵¹ *ibid.*

⁵² <https://www.unescap.org/resources/transport-facilitation-tools>

⁵³ <https://www.unescap.org/resources/timecost-distance-methodology>

⁵⁴ Y. Vassilevskaya, “Business Process Analysis Study for Cereals Export of Kazakhstan to Azerbaijan”, 2019, mimeo.

these recommendations could have a broader significance for the facilitation of the trade in cereals within the SPECA region.

Connectivity in the contemporary world in general – and SPECA connectivity in particular – is a broader and more complex notion than the traditional understanding in terms of the trade and transport of goods. More specifically, the importance of digital connectivity has been constantly growing for various aspects of economic and social life. Digital connectivity creates new opportunities by empowering citizens, transforming work, creating new business models and accelerating innovation and thus can be another driver of economic development and inclusive growth. ICT infrastructure (both physical and virtual) is critical to promoting digital connectivity and harnessing the benefits associated with it. And, similarly to the challenges related to the trade and transport of goods, digital connectivity in a subregion like Central Asia can either be a deterrent to overall subregional economic development or can stimulate economic growth and diversification both at the national and subregional level. Therefore, when the SPECA countries contemplate measures to enhance intra- and inter-regional connectivity (including trade and transport facilitation), they need to widen the policy dialogue in a way so as to incorporate digital connectivity in these discussions.

6. HOW CAN SPECA CONTRIBUTE TO INCLUSIVE AND SUSTAINABLE GROWTH IN THE SUBREGION?

The evidence and the conclusions presented in this paper can serve as the basis for formulating some policy options and recommendations that the Governments of the SPECA countries may wish to take into consideration when contemplating new approaches of subregional cooperation in the context of the SPECA Programme that would target the enhancement of inclusive and sustainable development and growth in the subregion. Given the mission and mandate of the SPECA Programme, the main focus of such new joint efforts would be on policy dialogue, subregional technical cooperation, sharing and application of best policy practices and practical experiences as well as on the fostering of technical and other assistance to the SPECA countries.

Despite such a narrowing down of the policy scope addressed by the proposed recommendations, this area still remains very broad. Given the fact that any new policy efforts are associated with certain claims on new resources to be allocated for implementation, there is an obvious need to prioritize the envisaged new actions. This is an issue that only the SPECA countries and their Governments can address. In this regard, the Governments of the SPECA countries will need to identify the most important common issues and critical bottlenecks where subregional cooperation is essential for success. Focusing the joint efforts on such areas will ensure that subregional cooperation is effective and efficient in addressing matters of common interest.

Based on the understanding that UNECE and ESCAP will continue to support subregional cooperation in the framework of SPECA, possibly in collaboration with the UN Resident Coordinators in the SPECA countries, the recommendations formulated in this section refer mostly to thematic areas where such cooperation is institutionalized in the context of the existing SPECA Working Groups, and correspond to the mandates of UNECE and ESCAP. Furthermore, given the topic of the 2019 SPECA Economic Forum, the policy recommendations outlined below feature a greater focus on the role of connectivity in supporting inclusive and sustainable growth and development in the subregion. The SPECA Working Groups, in particular, those on Trade; Sustainable Transport, Transit and Connectivity; and Knowledge-based Development will be providing platforms for regular intergovernmental and expert consultations on various aspects of inclusive and sustainable growth as discussed in the paper and will assist the Governments of the SPECA countries in planning and undertaking the practical implementation of some of the recommended actions.

The recommendations formulated below are structured and grouped in accordance with the conceptual framework of inclusive and sustainable growth in the SPECA subregion as developed throughout the paper.

Recommendations and policy options of fundamental nature targeting inclusive and sustainable growth

1. Consider a common SPECA policy approach for pursuing inclusive and sustainable growth in the SPECA subregion

- Discuss and identify common framework conditions for inclusive and sustainable growth in the SPECA subregion;
- Discuss and identify common bottlenecks and impediments to inclusive and sustainable growth and agree on a roadmap for their mitigation;
- Share experiences and policy practices for enhancing inclusive and sustainable growth and discuss common policy measures;
- Discuss and agree on the essential forms of cooperation for promoting inclusive and sustainable growth in the SPECA subregion;
- Share experiences in providing priority support to bottom-up entrepreneurial initiatives that target wider involvement of disadvantaged members of society.

2. Encourage the SPECA countries that have not yet done so to join the initiative for conducting voluntary national reviews on progress in achieving the SDGs as recommended by the 2030 Agenda and organise SPECA subregional review meetings with a focus on inclusive and sustainable growth

- The Agenda of the recurrent SPECA Economic Forums could envisage biennial monitoring sessions when countries would report on national progress in achieving the SDGs with a focus on inclusive and sustainable growth;

- Each country would prepare a national report on the above issues (ideally, based on the conclusions of their most recent voluntary national reviews on progress in achieving the SDGs);
- These national reports would be submitted to and discussed at the biennial monitoring sessions of the SPECA Economic Forum;
- The conclusions of these monitoring sessions would be reported to the SPECA Governing Council for consideration and action.

3. Develop and upgrade the national capacity and capability to promote inclusive and sustainable growth in the SPECA countries

- Set up national task forces in each country with the participation of policymakers, experts, academics and representatives of the business sector and civil society to coordinate the national policy agenda for pursuing inclusive and sustainable growth;
- Define context-specific incentives to motivate the engagement of key stakeholders in the process; promote a participatory approach in the formulation and implementation of policies and initiatives;
- Adopt national plans for capacity and skill development of key government officials and other stakeholders involved in the process;
- Request and mobilize technical assistance from international partners and donors for the implementation of capacity development programmes.

Recommendations and policy options in the area of trade and transport facilitation and improving connectivity

4. Agree on further measures to address the most critical and common bottlenecks in the trade and transport in the SPECA countries, in particular, “External border agency coordination” and “Internal border agency coordination” (see Figure 4 and Table 8)

- Request technical assistance and support from international partners (WTO, UNECE, ESCAP, OECD, etc.) for harmonizing external and internal agency procedures and practices in line with the International Convention on the Harmonization of Frontier Controls of Goods;
- Based on this, create coordination mechanisms and practices including institutionalised mechanisms supporting co-operation between various border agencies (within and across countries);
- Organize a series of capacity-building activities for training the relevant officials in each SPECA country on the practical application of these practices;
- Organize a series of joint events for sharing knowledge and experience in the practical application of these practices with representatives of each SPECA country;
- Organize periodic monitoring of progress in mitigating the most critical and common bottlenecks in the trade facilitation practices.

5. Adopt measures to remove other existing problems and bottlenecks in trade facilitation and transport connectivity in the SPECA subregion aligned with the draft SPECA Trade Facilitation Strategy.

- Collect information about complaints/grievances by traders and transport agents about existing problems in border crossing and customs clearance in other countries;
- Agree on a series of coordinated measures addressing existing problems in the transport systems not related to border crossings such as permits, vehicle dimensions, visas for drivers, terminals, rest areas, international transport of dangerous goods and passenger’s transport;
- Conduct Time Release Studies and Business Process Analyses on border clearance in each SPECA country on a regular basis to monitor progress;
- Share such information among countries and discuss measures to reduce and eliminate problems and bottlenecks including maximum acceptable duration of border crossing and customs clearance;
- If needed, request technical assistance and support from international partners for developing such measures and organizing training for their introduction;
- Report regularly and discuss within the relevant SPECA Working Groups progress in eliminating existing problems and bottlenecks in each country;
- Periodically repeat the above steps.

6. Initiate a programme for harmonizing the procedures for border crossing and customs clearance among SPECA countries in line with the draft SPECA Trade Facilitation Strategy

- Discuss and agree on measures for the gradual harmonization of procedures and formalities for border crossing and customs clearance aligned with WTO standards, the International Convention on the Harmonization of Frontier Controls of Goods and other UN transport-related legal instruments;
- Adopt common standards for border crossing and customs clearance procedures and formalities at border crossing, including data requirements, documentary controls and common performance standards and practices for customs;
- Promote the introduction of Single Windows and consistent implementation of internationally agreed trade and transit facilitation legal instruments, including paperless technologies accelerating trade and transport operations and border crossing;
- Request technical assistance and support from international partners (WTO, UNECE, ESCAP, OECD, etc.) for the implementation of the draft SPECA Trade Facilitation Strategy;
- Organize a series of capacity-building activities for training the relevant officials in each SPECA country on the practical application of the above measures and the respective practices;
- Adopt roadmaps for introducing the harmonized procedures for border crossing and customs clearance in the SPECA countries;

- Organize within SPECA Working Groups periodic joint monitoring of the progress in implementing the draft Trade Facilitation Strategy, its constant update, as a living document; based on that and if needed, introduce changes in the procedures and standards.

7. Broaden the scope of application of trade and transport facilitation instruments developed by international organizations

- Share experiences, good practices and lessons learned on the implementation of international trade and transport facilitation instruments, including the UNECE Trade Facilitation Recommendations, the WTO Trade Facilitation Agreement, the UN transport-related legal instruments (such as AGR, AGTC, AGC, the International Convention on the Harmonization of Frontier Controls of Goods, etc.);
- Request technical assistance and support from international partners (WTO, UNECE, ESCAP, OECD, etc.) for awareness raising on existing international trade facilitation instruments still not applied in the SPECA countries;
- Organize roadshows with the participation of international experts to demonstrate the functioning of new international trade and transport facilitation instruments;
- Organize hands-on training for officials engaged in the practical application of new international trade and transport facilitation instruments.

8. Consider steps for the harmonization of freight-related technical standards in line with UN transport agreements

- Promote the accession by all SPECA countries to UN conventions establishing harmonized technical standards in the field of transport and transit and encourage strict implementation of their provisions;
- Encourage accession to the international standards on digitalisation to enhance efficiency in international transportation of goods by road (eCMR);
- Carry out regular consultations on harmonizing the technical standards on freight (such as train length, maximum weight and axle loads of heavy goods vehicles, etc.) taking into account international best practices;
- The harmonization of technical standards needs to be aligned with the process of harmonization of the procedures for border crossing and customs clearance as spelled out above.

9. Discuss coordinated policy measures to improve the quality of transport infrastructure and the flow of international freight transport in the subregion

- Carry out regular consultations on the future development of transport infrastructure in the subregion aligned with the UNECE transport network agreements and other

UN transport-related legal instruments related to infrastructure development;

- Request technical assistance and support from international partners on best practices in transport planning and reinforcing the implementation of the TIR (including the eTIR international system) and the Harmonization Conventions;
- Organize hands-on training for officials engaged in the practical application of best practices in transport planning and reinforcing the implementation of the TIR and the Harmonization Conventions.

Recommendations and policy options on innovation for sustainable development

10. Provide support and coordinate the subregional efforts for implementing the SPECA Innovation Strategy for Sustainable Development

- Each SPECA country would appoint national Focal Points who would lead and coordinate the national efforts in implementing the SPECA Innovation Strategy for Sustainable Development in the respective country;
- The Governments of the SPECA countries would organize monitoring of the process of Strategy implementation through periodic national Monitoring and Evaluation Reports;
- The SPECA Governing Council would ensure oversight of progress in implementing the Strategy on the basis of the national Monitoring and Evaluation Reports.

11. Consider joint activities aimed at upgrading the knowledge base and practical skills of innovation stakeholders in the SPECA countries

- Organize national and/or subregional knowledge sharing and capacity-building seminars, with the participation of leading international experts, on innovation policies for sustainable development for key policymakers and stakeholders in the SPECA countries;
- Conduct technical assistance missions by leading international experts to help policymakers and stakeholders in SPECA countries in addressing existing weaknesses in the national innovation systems;
- Organise promotional campaigns for the broad public in each SPECA country to enhance the awareness on technology and innovation in society and the creation of a culture of innovation;
- Conduct promotional operations for awareness raising among the broad public on the objectives and activities of the SPECA Innovation Strategy for Sustainable Development.

12. Discuss measures to facilitate the diffusion of innovations and the transfer of technologies addressing sustainable development challenges in the SPECA subregion

- Agree on a set of coordinated policy measures supporting international linkages of SPECA countries with global technological value chains, including coordinated strategic approaches to FDI;
- Consider establishing a joint subregional technology transfer office to support the synergetic transfer of innovative technologies in the subregion (e.g. through cross-border technology brokerage and/or joint use of technology);
- Consider the possibilities for international multi-stakeholder collaboration as well as sharing and drawing on best practices of technology transfer, including with the UN Technology Facilitation Mechanism;
- Identify possible joint innovation for sustainable development projects where international cooperation can generate subregional synergies and economies of scale, and approach international donor agencies regarding possible funding of prefeasibility and feasibility studies for pilot projects.

Recommendations for strengthening cross-country cooperation among SPECA countries

13. Establish a SPECA Task Force on Inclusive and Sustainable Growth to facilitate cross-sectoral subregional cooperation on this issue. The SPECA Task Force on Inclusive and Sustainable Growth will perform, among others, the following main tasks:

- Assist in identifying common priorities in pursuing inclusive and sustainable growth among the SPECA countries as well as common problems that countries are facing in this area;
- Assist in identifying existing connectivity problems in the SPECA subregion that hamper the efforts of the countries to achieve inclusive and sustainable growth and call for subregional cooperation and approach;
- Support a holistic approach to identifying the key bottlenecks along all components of the connectivity chain;
- Facilitate the SPECA subregional policy dialogue and sharing of good practices in dealing with common policy issues and addressing bottlenecks through cooperative approaches;
- Promote the search for innovative trans-border solutions, including public and social innovation and innovative undertakings for sustainable development; support public awareness raising on the need to apply such solutions;
- Assist in mobilising donor support for policy advice, technical assistance, project design and implementation of commonly agreed solutions;
- The Task Force will support integrated cross-sectoral solutions to existing problems including those tackled by the thematic SPECA Working Groups; and
- The Task Force will be jointly supported by UNECE, ESCAP, and the UN Resident

Coordinators in the SPECA countries, and will report to the SPECA Economic Forum and SPECA Governing Council.

14. Develop supplementary institutional mechanisms for implementing collaborative subregional efforts in promoting inclusive and sustainable growth

- Establish a dedicated stakeholder network and mechanisms for regular consultations among SPECA countries on policies for inclusive and sustainable growth of common interest;
- Support the development a network of research institutions in related areas;
- Launch a joint subregional online support service for grassroots initiatives, innovative entrepreneurs, startups and SMEs (consulting, mentoring, match-making, etc.);
- Discuss possible joint measures to support the establishment of subregional supply chains, which help share costly new technologies and organizational methods of production and trade.

15. Consider measures to improve the information exchange on trade and transport facilitation challenges of common interest

- Develop mechanisms for regular subregional and bilateral exchange of information among customs and transit authorities;
- Consider developing and implementing practical steps for mutual recognition of customs control results among the SPECA countries;
- Consider developing and implementing practical steps for cross-border mutual recognition of documents and data on trade in electronic form;
- Ensure regular exchange of information on changes in shipment regulations, tariffs and the possible temporary trade and transit restrictions for certain commodities; and
- Strengthen the oversight through the respective SPECA Working Groups of the implementation of the conditions and requirements of international agreements and conventions to which the SPECA countries are parties.

The recommendations formulated above should not be regarded as an all-inclusive set of the available policy options. They rather offer a first iteration of a future ongoing policy dialogue among the Governments of the SPECA countries on possible joint policy actions and practical cooperation steps aimed at promoting inclusive and sustainable growth in the subregion. This should be viewed as a demand-driven process run by the SPECA countries and reflecting their needs and priorities. Hence the Governments of the SPECA countries will be the main actors in this process. Such joint actions would not be substitutes for the national programmes and policies targeting inclusive and sustainable growth but would rather complement them with jointly agreed subregional initiatives where international cooperation would generate synergies and economies of scale and would add new value to the national efforts.

BOX 1. THE MAIN FEATURES OF INCLUSIVE AND SUSTAINABLE GROWTH

Inclusiveness (including some social dimensions of sustainable development):

- Inclusive growth means empowering people through high levels of employment and fighting poverty.
- In the context of the 2030 Agenda inclusiveness implies not only employment opportunities for all but also decent work for all.
- ISG focuses on economic growth as a key necessary condition for poverty reduction and social inclusion. It is the means for creating decent work opportunities and working conditions for all.
- High and sustained growth is often the main contributing factor – but not a sufficient condition – in reducing poverty and ensuring social cohesion; it is the pattern of growth that can and should support inclusiveness.
- Inclusiveness of growth stands for the offering of opportunities to the large part of the country’s population in terms of their access to markets, resources and institutional environment.
- ISG focuses on the opportunities for productive employment (implying both employment and productivity growth) rather than on income redistribution.
- Both asset inequality and income inequality matter for growth outcomes and the inclusiveness of growth.
- Inclusive opportunities refer to the access of individuals to gainful employment as well as the access of would-be entrepreneurs to the business market.
- ISG adopts a long term perspective and is concerned with high and sustained growth.
- High and sustained growth coupled with poverty reduction and social inclusiveness can only be realized when an increasing share of the labour force contributes to and benefits from the growth process.
- Opportunities to acquire and improve skills, open and inclusive labour markets, training and social protection systems have increasing importance in building cohesive societies.
- Ensuring gender equality is a necessary condition for increasing labour force participation thus adding to growth and social cohesion.
- Opportunities for skill-building and access to markets should be available to all throughout the lifecycle.

Sustainability (economic and environmental):

- For growth to be sustained in the longer run, it should be broad-based, diversified and balanced.
- High and sustained growth in the interlinked global environment requires building an efficient and competitive economy.

- Achieving high and sustained growth also requires making the economy resilient to external shocks.
- Growth is environmentally sustainable when it preserves nature and conserves natural resources for the future generations.
- The harmful environmental damage of unregulated growth includes a wide variety of possible negative effects such as anthropogenic environmental pollution and climate change, water stress, deforestation, biodiversity loss, depletion of natural resources, and degradation of ecosystems.
- Environmentally sustainable growth requires a transition to a low-carbon and resource-efficient economy which prevents environmental degradation, biodiversity loss and unsustainable use of resources.
- In most cases it also implies the development and introduction of new processes and technologies, including green technologies.

BOX 2. MAIN OBJECTIVES OF THE DRAFT SPECA INNOVATION STRATEGY FOR SUSTAINABLE DEVELOPMENT

The overall objective of the SPECA Innovation Strategy for Sustainable Development is to achieve a sustained improvement in the national capacity and capabilities of the SPECA countries to formulate and implement innovation policies for sustainable development and to raise the level and quality of subregional cooperation in the implementation of innovations that target and support sustainable development.

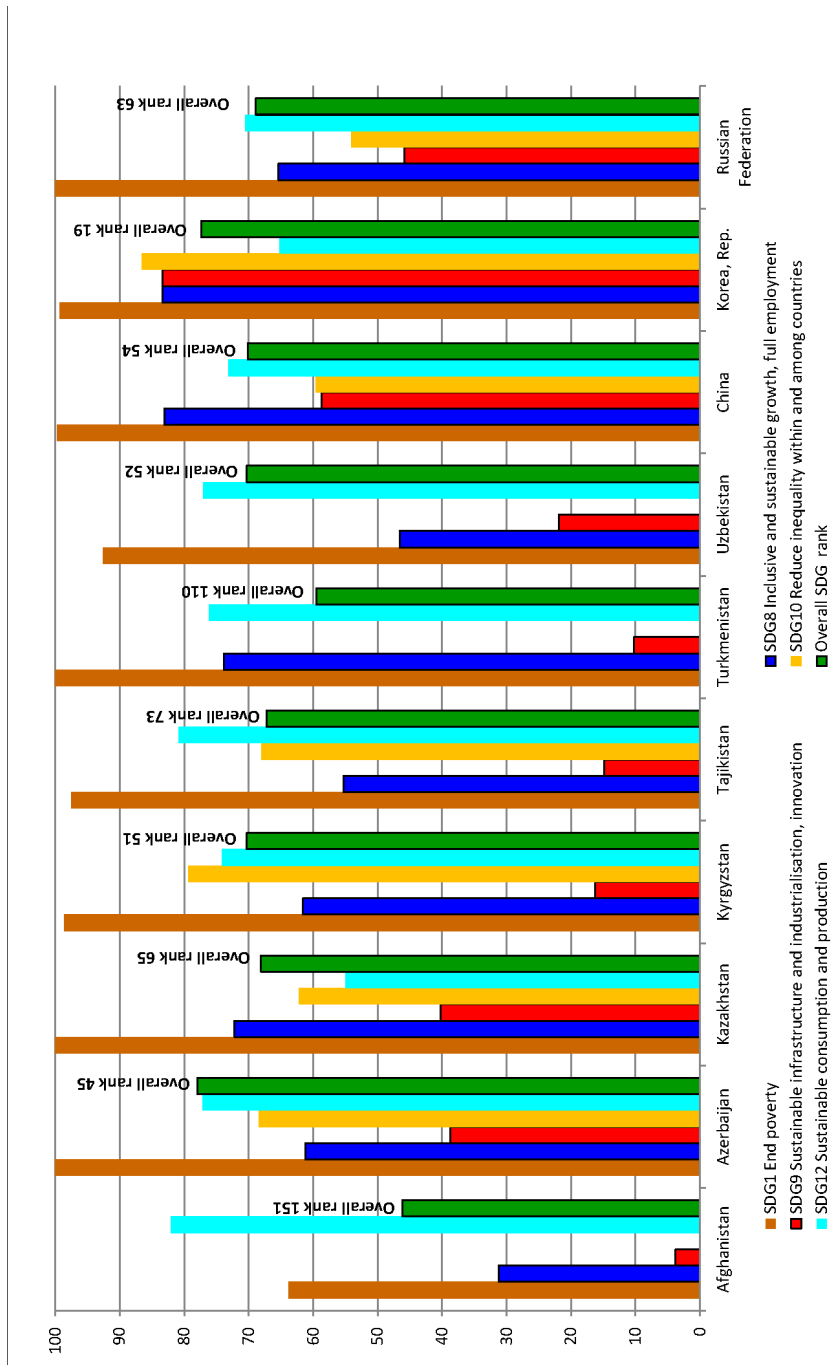
This would be achieved by following a set of specific objectives as follows:

- Upgrade the knowledge and skills base of key stakeholders in the SPECA countries to match the challenges of addressing SDGs with innovative solutions;
- Facilitate the diffusion of innovations and the transfer of technologies addressing sustainable development challenges in the subregion;
- Enhance the institutional framework for subregional cooperation for implementing innovation addressing sustainable development challenges of common interest;
- Contribute to improved performance of the SPECA countries in the degree of SDG achievement.

To achieve these objectives the SPECA countries will be applying the following key cooperation mechanisms:

- Strengthening the subregional policy dialogue and the sharing of good policies and practices, including the attraction of leading international expertise in innovation for sustainable development;
- Working together in identifying subregional and transboundary sustainable development challenges of high priority and common interest that call for innovative solutions;
- Raising awareness in the SPECA countries on the role of innovation in the efforts to achieve the SDGs.
- Strengthening cooperation with existing platforms and mechanisms for international collaboration in promoting innovation for sustainable development within the United Nations family of organizations.

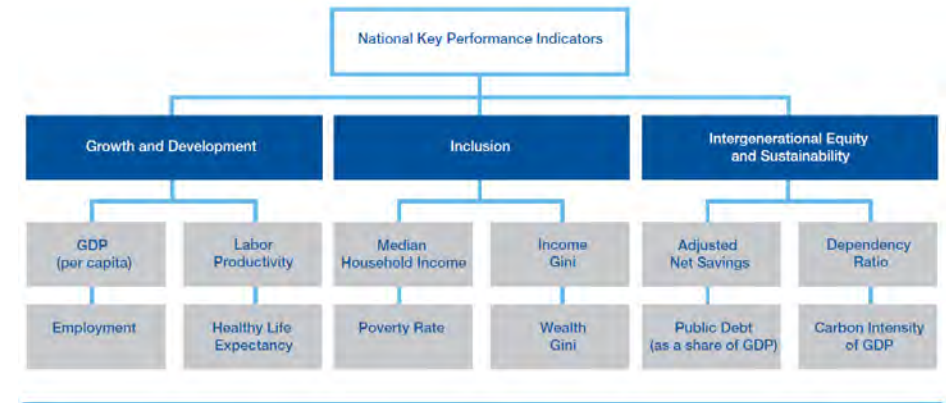
FIGURE 1. SELECTED SDG SCORES FOR THE SPECA COUNTRIES, 2018 (100=OPTIMUM)



Source: Bertelsmann Stiftung and Sustainable Development Solutions Network, SDG Index and Dashboards Report 2018. Global Responsibilities Implementing the Goals.

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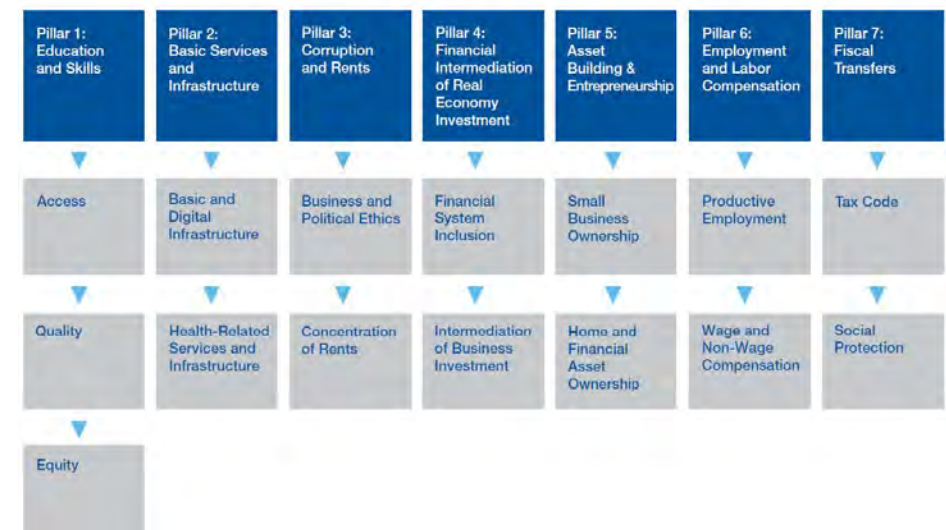
FIGURE 2. COMPOSITION OF THE WEF INCLUSIVE DEVELOPMENT INDEX



Source: World Economic Forum, The Inclusive Development Index 2018.

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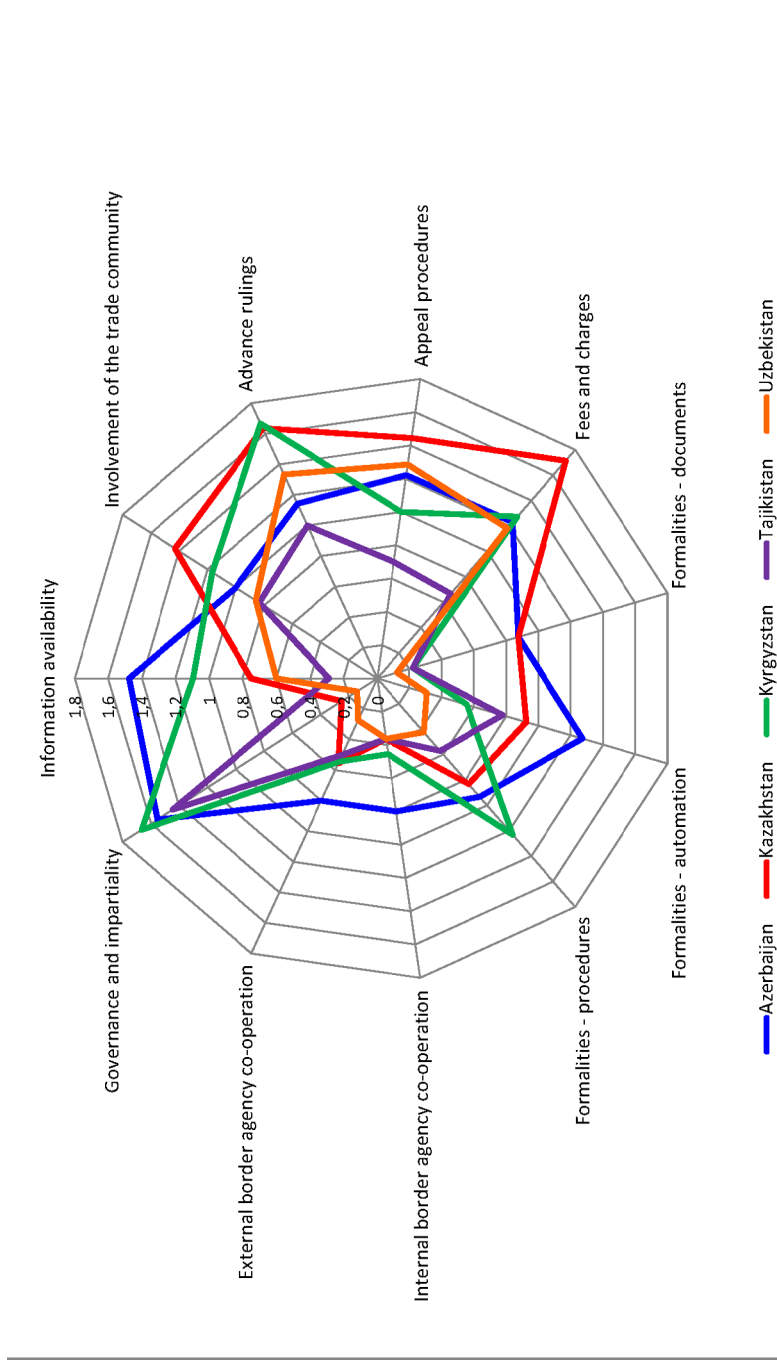
FIGURE 3. POLICY-ORIENTED FRAMEWORK FOSTERING INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH



Source: World Economic Forum, The Inclusive Development Index 2018.

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FIGURE 4. OECD TRADE FACILITATION INDICATORS FOR SELECTED SPECA COUNTRIES (2.0 = INTERNATIONAL BEST PRACTICE)



Source: <http://www.oecd.org/trade/topics/trade-facilitation/>

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TABLE 1. SPECA COUNTRIES PERFORMANCE BY SELECTED SUSTAINABLE DEVELOPMENT INDICATORS, 2018

Sustainable Development Indicators	AF	AZ	KZ	KG	TJ	TM	UZ	CN	KR	RU	World
1.1.1 Proportion of population below international poverty line (%)	..	0	0	1.4	4.8	(0.2)	..	..	0	0	9,0
1.2.1 Proportion of population living below the national poverty line (%)	30.0	5	2.7	25.4	(31.5)	..	(14)	3.1	..	12	..
8.1.1 Average annual growth rate of real GDP per capita, 2008-2017 (%)	2.8	2.2	2.7	2.7	3.8	8.0	6.3	7.9	2.7	0.8	1.1
8.2.1 Average annual growth rate of real GDP per employed person, 2008-2017 (%)	2.1	1.2	2.6	3.3	3.8	7.3	5.4	8.2	2.1	1.0	1.3
8.5.2a LFS unemployment rate, 15+ years, 2008-2017 average (%)	(23.9)	5.3	5.5	8.0	..	(11.0)	..	..	3.5	6.3	5.3
8.5.2b LFS youth unemployment rate, 15-24 years, 2008-2017 average (%)	..	14.2	5.3	15.3	..	..	..	..	9.8	15.5	12.5
8.10.1a Number of automated teller machines (ATMs) per 100,000 adults, 2017 or latest available year	1	33	74	31	12	..	22	81	276	169	..
8.10.1b Number of commercial bank branches per 100,000 adults, 2017 or latest available year	2	11	3	8	7	..	36	9	16	30	..
9.2.1a Manufacturing value added as a proportion of GDP, 2017 (%)	11.6	5.5	10.1	12.8	8.4	38.0	16.5	31.6	28.8	13.3	16.3
9.2.1b Manufacturing value added per capita, 2017 (constant 2010 US dollars)	70	310	1079	138	78	2781	342	2266	7573	1511	1 708
9.2.2 Manufacturing employment as % of total employment, 2017 or latest available year (%)	6.0	5.1	6.4	7.6	5.5	..	..	..	16.8	14.4	13.1
9.5.1 Research and development expenditure as % of GDP, 2016 or latest available year (%)	..	0.21	0.14	0.12	0.11	..	..	2.06	4.22	1.10	1,70
9.c.1 Proportion of population covered by a mobile network, by technology (%)	90	100	97	98	90	76	98	100	100	90	96

.. – data not available.

Source: United Nations Global SDG Indicators Database (<https://unstats.un.org/sdgs/indicators/database/>). Numbers in brackets come from other sources.

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TABLE 2. SUSTAINABLE DEVELOPMENT GOALS DASHBOARDS FOR THE SPECA COUNTRIES, 2018

	Sustainable development goals	Afghanistan	Azerbaijan	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
1	End poverty							
2	Food security, sustainable agriculture							
3	Healthy lives and wellbeing							
4	Inclusive education, lifelong learning						n.a.	
5	Gender equality, women empowerment							
6	Sustainable water and sanitation							
7	Sustainable and modern energy							
8	Inclusive and sustainable growth, full employment							
9	Sustainable infrastructure and industrialisation, innovation							
10	Reduce inequality within and among countries	n.a.					n.a.	n.a.
11	Smart and sustainable cities							
12	Sustainable consumption and production							
13	Combat climate change and its impacts							
14	Sustainable use of oceans, seas and marine resources	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
15	Sustainable use of ecosystems and forests							
16	Peaceful, inclusive societies for sustainable development							
17	Global partnership for sustainable development							n.a.

Note :

	Sufficient
	Compatible
	Insufficient
	highly insufficient

Source: Bertelsmann Stiftung and Sustainable Development Solutions Network, SDG Index and Dashboards Report 2018. Global Responsibilities Implementing the Goals.

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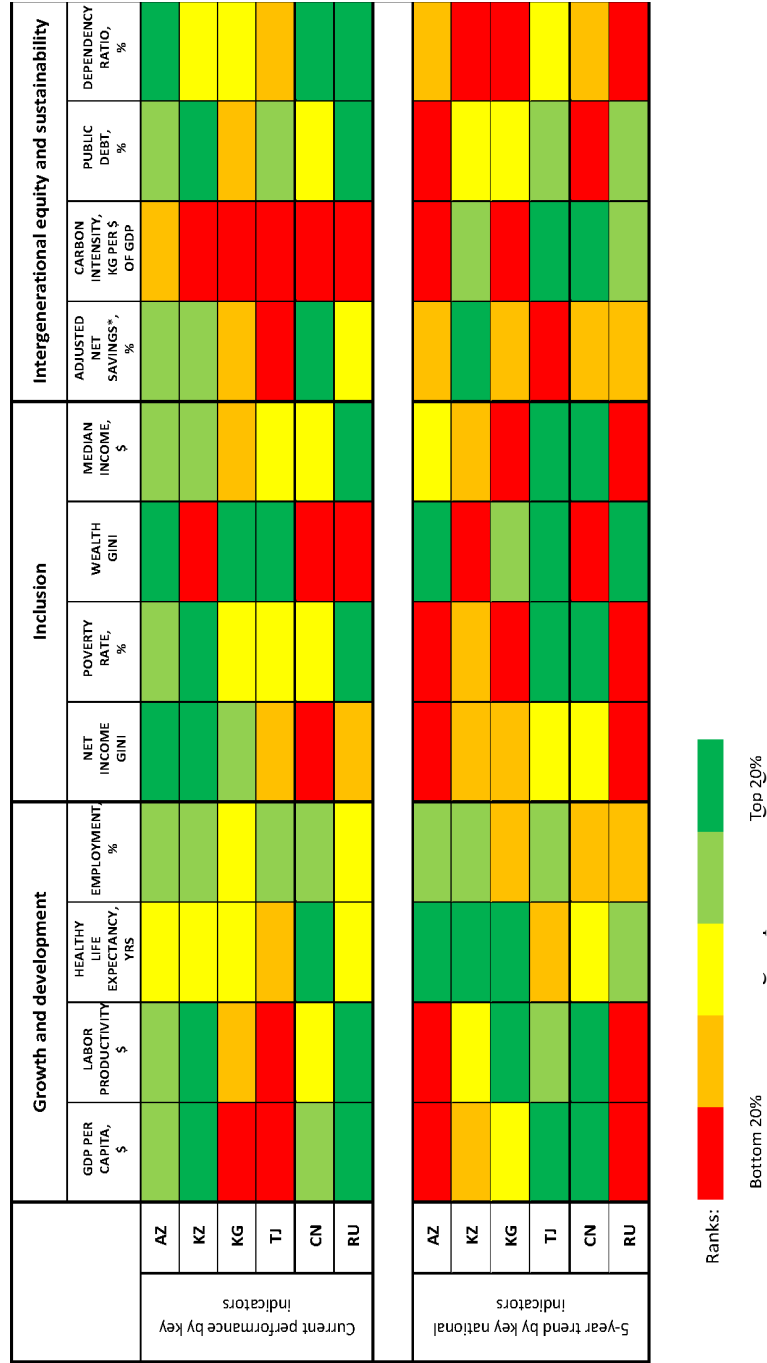
TABLE 3. INCLUSIVE DEVELOPMENT INDICATORS FOR SELECTED SPECA COUNTRIES, 2018

	Growth and development					Inclusion				Intergenerational equity and sustainability			
	GDP PER CAPITA, \$ and %	LABOR PRODUCTIVITY \$ and %	HEALTHY LIFE EXPECTANCY, years and trend	EMPLOYMENT, % and trend	NET INCOME GINI and trend	POVERTY RATE, % and trend	WEALTH GINI and trend	MEDIAN INCOME, \$ and trend	ADJUSTED NET SAVINGS, % and trend	CARBON INTENSITY, kg per \$ of GDP and trend	PUBLIC DEBT, % and trend	DEPENDENCY RATIO, % and trend	
AZ	6116	34886	64.7	63.2	30.9	2.5	68.3	8.5	18.4	145.4	28.3	38.0	
KZ	10547	46769	63.3	69.7	27.2	0.3	89.2	10.6	4.6	285.1	21.9	50.3	
KG	1017	7610	63.9	62.4	32.4	17.5	71.6	4.6	-4.7	469.2	66.0	55.4	
TJ	917	6466	62.1	60.7	31.1	56.7	71.0	2.9	14.7	1104.6	34.1	60.9	
CN	6416	21630	68.5	68.0	50.0	11.1	81.9	6.6	35.7	201.1	42.9	36.6	
KR	25023	68416	73.2	58.8	29.8	14.4	71.9	N/A	19.2	68.8	37.9	37.2	
RU	11039	46903	63.4	60.5	32.8	0.5	92.3	18.8	13.1	213.5	16.4	43.1	
AZ	0.9	0.9	2.7	2.3	11.8	2.2	3.8	0.6	7.9	9.7	16.9	-1.2	
KZ	3.1	4.2	3.0	2.3	-0.9	-2.3	2.9	2.9	7.3	-13.7	12.1	4.6	
KG	3.0	3.2	3.8	1.8	-2.4	-3.9	7.0	0.0	-10.9	23.3	16.7	2.7	
TJ	4.3	3.9	0.1	1.3	-1.5	33.2	8.1	0.3	6.8	-221.7	-1.4	-2.0	
CN	7.3	7.2	2.1	0.2	-1.5	-21.9	11.5	N/A	0.0	-37.7	9.8	2.1	
KR	2.5	1.8	2.0	0.7	-0.7	-0.5	-0.6	N/A	-1.4	2.3	6.4	-0.2	
RU	0.7	2.0	2.4	2.1	-1.0	0.0	4.5	3.2	-0.3	-13.8	5.5	3.8	

Source: World Economic Forum, The Inclusive Development Index 2018.

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TABLE 4. INCLUSIVE DEVELOPMENT DASHBOARD FOR SELECTED SPECA COUNTRIES, 2018



Source: World Economic Forum, The Inclusive Development Index 2018.

TABLE 5. DESCRIPTION OF THE PILLARS OF THE WEF POLICY-ORIENTED FRAMEWORK FOSTERING INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH

Pillar	Coverage and content
Pillar 1: Education and Skills Development a) Access b) Quality c) Equity	<ul style="list-style-type: none"> What is the breadth of enrolment in early, basic, vocational, and tertiary education as well as the availability of training services? What is the quality of the education system in terms of the proficiency of secondary students, pupil-teacher ratio, internet access, public expenditure levels, and employer perceptions? What are the pre-primary, primary, and secondary completion rates, basic reading and math proficiency by quintile of parental income? Is there equity of educational opportunity in a society?
Pillar 2: Basic Services and Infrastructure a) Basic and Digital Infrastructure b) Health-related Services and Infrastructure	<ul style="list-style-type: none"> To what extent does a country provide its citizens with a core, common endowment of infrastructure and other basic services that enable productive engagement in the economy and provide often budget-relieving and quality-of-life-enhancing contributions to their standard of living?
Pillar 3: Corruption and Rents a) Business and Political Ethics b) Concentration of Rents	<ul style="list-style-type: none"> To what extent do the country's policies and institutions foster broad-based economic opportunity and efficient allocation of resources through zero tolerance of bribery and corruption, low barriers to entry, and fair competition in product and capital markets?
Pillar 4: Financial Intermediation of Real Economy Investment a) Financial System Inclusion b) Intermediation of Business Investment	<ul style="list-style-type: none"> To what extent are private savings being channelled to productive purposes and generating new capital formation in the real economy?
Pillar 5: Asset Building and Entrepreneurship a) Small Business Ownership b) Home and Financial Asset Ownership	<ul style="list-style-type: none"> To what extent is the enabling environment conducive to broad-based asset accumulation and employment- and productivity-enhancing entrepreneurship?
Pillar 6: Employment and Labour Compensation a) Productive Employment b) Wage and Non-wage Labour Compensation	<ul style="list-style-type: none"> To what extent is the country succeeding in fostering widespread economic opportunity in the form of robust job creation, broad labour force participation and decent working conditions? How well does its enabling environment support a close correlation between growth in the productivity and compensation of labour, helping to ensure that a rising tide lifts all boats?
Pillar 7: Fiscal Transfers a) Tax Code b) Social Protection	<ul style="list-style-type: none"> To what extent does a country's tax system countervail income inequality without undermining economic growth? How much of its tax burden falls on labour, capital, and consumption relative to its peers? To what extent are a country's public social protection systems engaged in mitigating poverty, vulnerability, and marginalization?

Source: World Economic Forum, The Inclusive Development Index 2018.

TABLE 6. WEF POLICY-ORIENTED FRAMEWORK FOSTERING INCLUSIVE AND SUSTAINABLE GROWTH: SCORES AND DASHBOARD FOR SELECTED SPECA COUNTRIES, 2018

Pillars and subpillars	Education and skills			Basic Services			Corruption / Rents			Fin. intermediation, real investment			Asset building, entrepreneurship			Employment			Fiscal Transfers			
	Pillar	Subpillars		Pillar	Subpillars		Pillar	Subpillars		Pillar	Subpillars		Pillar	Subpillars		Pillar	Subpillars		Pillar	Subpillars		
		Access	Quality		Equity	Infrastructure		Health	Ethics		Rents	Finance inclusion		Intermediation	Home owners		SMEs	Employment		Compensation	Tax code	Social protection
AZ	4.50	5.10	3.59	N/A	5.31	5.10	5.51	3.78	3.78	2.80	3.51	2.09	4.55	4.47	4.62	4.71	4.95	4.47	3.62	3.58	3.66	
KG	4.27	4.78	4.02	6.34	5.14	3.88	4.92	3.97	2.93	3.09	3.31	2.25	4.43	4.12	3.84	5.25	4.32	3.61	3.23	3.25	3.88	
KZ	5.05	5.31	3.80	3.69	4.40	4.77	5.50	2.76	3.93	2.78	4.06	2.13	3.98	4.52	4.34	3.96	5.36	5.14	3.57	3.09	3.37	
TJ	4.82	4.28	4.22	5.94	4.13	3.55	4.71	3.78	4.24	2.63	3.17	2.09	3.52	4.28	2.76	4.83	4.68	4.97	2.87	2.89	2.84	
CN	4.93	5.41	4.36	5.02	4.95	5.05	4.84	4.38	4.19	4.38	4.28	4.48	4.26	4.75	3.77	4.78	5.10	4.46	3.53	3.22	3.84	
KR	5.46	5.93	4.78	5.67	5.31	5.16	5.46	4.04	3.56	4.73	4.75	4.71	4.84	5.46	4.21	4.17	4.55	3.79	4.42	4.24	4.59	
RU	5.33	6.27	4.36	5.37	5.12	5.22	5.03	4.08	3.38	3.04	3.73	2.36	4.00	4.67	3.34	5.00	5.25	4.75	3.80	3.09	4.51	
AZ				N/A																		
KG																						
KZ																						
TJ																						
CN																						
KR																						
RU																						

Ranks:  Bottom 20%  Top 20%

Ranks are defined within subgroups of countries by level of income.

Notes: Scores (numbers in the table) are presented on a scale of 1 to 7; 1 = entirely inadequate performance; 7 = fully adequate performance.

Source: World Economic Forum, The Inclusive Development Index 2018.

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TABLE 7. FOREIGN TRADE OF THE SPECA COUNTRIES BY SOME KEY TRADING PARTNERS, 2017, % OF TOTAL

	Main trading partners		CN	DE	IN	IR	IL	IT	KZ	NL	RU	TR	CH	UZ
	Exports	Imports												
AF					56.5									
AZ				5.0			6.1	23.2			5.4	13.6		
KZ			11.9					17.9		9.8	9.3		6.4	
KG									5.1		4.9		59.1	9.4
TJ			17.7			7.1					13.4	27.5	12.5	
TM			83.7									5.1		
UZ			15.5						7.7		10.7	8.6	38.7	
AF			21.1			20.5			11.0					6.8
AZ			9.9	5.1							17.7	14.8		
KZ			16.1	5.1							38.9			
KG			32.6						16.4		24.8	4.8		
TJ			8.7			4.4			19.0		38.0			
TM			8.9	9.8							8.0	24.2		
UZ			23.7	5.6					10.7		22.5	5.8		

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TABLE 8. THE OECD TRADE FACILITATION INDICATORS

Indicator	Definition
Information Availability	Enquiry points; publication of trade information, including on Internet
Involvement of the Trade Community	Structures for consultations; established guidelines for consultations; publications of drafts; existence of notice-and-comment frameworks
Advance Rulings	Prior statements by the administration to requesting traders concerning the classification, origin, valuation method, etc., applied to specific goods at the time of importation; the rules and process applied to such statements
Appeal Procedures	The possibility and modalities to appeal administrative decisions by border agencies
Fees and Charges	Disciplines on the fees and charges imposed on imports and exports; disciplines on penalties
Formalities – Documents	Acceptance of copies, simplification of trade documents; harmonization in accordance with international standards
Formalities – Automation	Electronic exchange of data; use of automated risk management; automated border procedures; electronic payments
Formalities – Procedures	Streamlining of border controls; single submission points for all required documentation (single windows); pre-arrival processing; release of goods separated from final determination and payment of Customs duties; treatment of perishable goods; post-clearance audits; authorised operators
Internal Co-operation	Control delegation to Customs authorities; institutionalised mechanism supporting co-operation between various border agencies of the country; coordination / harmonization of data requirements and documentary controls; coordination of inspections; coordinated / shared infrastructure and equipment use
External Co-operation	Co-operation with neighbouring and third countries; alignment of procedures and formalities; coordination / harmonization of data requirements and documentary controls; risk management co-operation; joint controls
Governance and Impartiality	Customs structures and functions; accountability; ethics policy

Source: OECD Trade Facilitation Indicators: An Overview of Available Tools, 2018.

UNITED NATIONS TRANSPORT-RELATED LEGAL INSTRUMENTS – AN EFFICIENT TOOL TO IMPROVE TRANSPORT CORRIDORS IN THE SPECA REGION

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ACRONYMS AND ABBREVIATIONS

ADB – Asian Development Bank
ADR – European Agreement concerning the International Carriage of Dangerous Goods by Road
AEB – Automated Emergency Breaking
AETR – Eur. Agreement concerning the Work of Crews of Vehicles engaged in Int. Road Transport
AGC – European Agreement on International Main Railway Lines
AGR – European Agreement on Main International Traffic Arteries
AGTC – Eur. Agreement on Important Int. Combined Transport Lines and Related Installations
ANDS – Afghanistan National Development Strategy
ASYCUDA – Automated System for Customs Data
ATP – Agreement on the International Carriage of Perishable Foodstuffs
BISP – Baku International Sea Port
BOMCA – Border Management Programme in Central Asia
BRI – Belt and Road Initiative
BTK – Baku-Tbilisi-Kars Railway
CAREC – Central Asia Regional Economic Cooperation
CIM – Uniform Rules concerning the Contract of International Carriage of Goods by Rail
CIS – Commonwealth of Independent States
CMR – Convention on the Contract for the International Carriage of Goods by Road
CRT – Council for Rail Transport
CTC – Centralised Traffic Control
EAEU – Eurasian Economic Union
EEC – Eurasian Economic Community
EBRD – European Bank for Reconstruction and Development
ECMT – European Conference of Ministers of Transport
ECO – Economic Cooperation Organization
EIB – European Investment Bank
ESCAP – Economic and Social Commission for Asia and the Pacific
EU – European Union
EY – Ernst & Young
FEA – Foreign Economic Activity
FEU – Forty-foot Equivalent Unit
FEZ – Free Economic Zone
GFPRS – Global Framework Plan of Action for Road Safety
GDP – Gross Domestic Product
GIZ – German Corporation for International Cooperation
GLONASS – Global Navigation Satellite System
GPS – Global Positioning System

HSL – High Speed Lines
IBM – Integrated Border Management
ICT – Information and Communications Technology
IMO – International Maritime Organization
IRU – International Road Transport Union
ITC – Inland Transport Committee
ITF – International Transport Forum
ITS – Intelligent Transport System
IWG – Interdepartmental Working Group
JICA – Japan International Cooperation Agency
LDC – Least Developed Country
LOGMOS – Logistics Processes and Motorways of the Sea project
LPI – Logistics Performance Index
OECD – Organization for Economic Cooperation and Development
OSCE – Organization for Security and Co-operation in Europe
OSJD – Organization for Cooperation of Railways
PCA – Partnership and Cooperation Agreements
PPP – Public-Private Partnerships
RID – Regulation concerning the International Carriage of Dangerous Goods by Rail
SCO – Shanghai Cooperation Organization
SDG – Sustainable Development Goal
SEZ – Special Economic Zone
SNiP – Building Codes and Regulations
SPECA – UN Special Programme for the Economies of Central Asia
TAR – Trans-Asian Railway
TC – International Transport Corridors
TEN-T – Trans-European Transport Network
TEU – Twenty-foot Equivalent Unit
TIR – International Road Transport
TRACECA – Transport Corridor Europe Caucasus Asia
TWG-STTC – SPECA Thematic Working Group on Sustainable Transport, Transit and Connectivity
UK – United Kingdom
UN – United Nations
UNDP – United Nations Development Programme
UNECE – United Nations Economic Commission for Europe
UNGA – United Nations General Assembly
UPU – Universal Postal Union
USA – United States of America
WHO – World Health Organisation
WTO – World Trade Organization
WCO – World Customs Organization

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EXECUTIVE SUMMARY

The following report has been commissioned by UNECE to support the activities of SPECA Thematic Working Group on Sustainable Transport, Transit and Connectivity (TWG-STTC), and assist SPECA countries in achieving the transport-related SDGs.

The study analyses the state of implementation of the most critical conventions and agreements for SPECA countries and provides practical and results oriented policy recommendations for legal framework in inland transport industry.

This report aims to identify gaps in the transport-related legal frameworks of the SPECA countries and raises public awareness of the importance of efficient national and international transport connectivity, which promotes economic development in the subregion.

The current analysis reflects the need to identify and evaluate efficiency of international transport corridors (TC) in the SPECA subregion as an important part of national and international transport networks, including the assessment of technological, organisational and legal instruments for transport in the SPECA countries. The key objectives of the report are:

- analysis of legislative acts regulating enforcement and implementation of international conventions and agreements ([list of UN conventions in Appendix, Table 1](#));
- assessment of the national policy measures taken to implement UN transport-related legal instruments and conventions;
- analysis of measures aimed at improving transport efficiency and connectivity for national and international transport, including measures to strengthen national capacities on UN legal instruments and raise awareness on the benefits of their effective implementation;
- study of aspects related to principles of infrastructure development along TC, including inland transport intermodality (rail, road and water transport);
- assessment of TC efficiency factors and the main indicators of TC development;
- development of proposals and recommendations to build a better-connected transport corridor infrastructure that would increase both efficiency of international traffic and transit potential of the SPECA countries;
- implementation of best international practices in the field of technological processes, digitalization and communications.

Research methodology was based on theoretical analysis, scientific literature and topic-related specific periodicals review, and statistical data.

In addition, a deep insight was obtained by consulting with transport and logistics

experts and research institutes, as well as members of Central Asian Transport and Logistics Partnership Association and Cold Chain Supply Association. Furthermore, investigative surveys were conducted with carriers, freight forwarders and foreign trade participants in the form of round tables or workshops during conferences and forums on trade, transport and logistics.

Section 2 of the report provides a country-by-country overview and analysis of the current situation and development prospects for transport sectors of SPECA countries, as well as transport concepts, national policies, strategies and government programs aimed at improving transport connectivity and infrastructure development in the SPECA subregion, and their impact on transport-related Sustainable Development Goals (SDGs). Section 2 also reviews the current situation and development prospects within major transport modes in SPECA countries, including rail, road and inland water transport. It also covers measures that can be taken to improve road safety and environmental protection. National policies and strategic policies aimed at implementing UN transport-related legal instruments are investigated in each country sub-section.

Conclusions and recommendations on measures to achieve sustainable transport are presented in Section 3. An analysis of the most critical transport-related UN legal instruments – conventions and agreements – and the state of their implementation in SPECA countries has been performed divided into 6 groups: railway and intermodal transport, transport infrastructure, border crossing facilitation, transport of dangerous and special cargoes, road transport and road safety, and vehicles. National legal frameworks and policy measures taken to implement UN conventions and agreements have been assessed. It was found that, at times, even if the UN legal instruments have been acceded to, their provisions have not been implemented fully for various reasons ranging from administrative to infrastructural or technical. Recommendations were given on the use of best international practices when developing logistics, improving infrastructure efficiency, and tackling environmental and social issues in terms of accessibility, safety and environmental sustainability in transport. Proposals aimed at supporting industrial research, development, and innovations in the field of domestic technologies were made.

The study shows that sophisticated, better-connected inland transport infrastructure and more efficient transport operations can lead to improved transport corridors in the SPECA subregion, which plays a crucial role in their economic and social development. It highlights that efficient implementation of UN transport-related conventions and agreements significantly enhances national legal framework on inland transport, transport safety and security, as well as on facilitation of trade and border crossing.

Meeting certain requirements necessary for promoting transport potential of the SPECA countries together with eliminating existing physical and non-physical bottlenecks will

create favourable conditions for mutually beneficial economic relations, and the UN General Assembly's resolution on "Strengthening regional and international cooperation to ensure peace, stability and sustainable development in the Central Asian region" fully supports it.

To conclude, promotion of economic cooperation among SPECA countries and facilitation of free trade will be an important step towards creating a shared market for goods and services in prospect, operation of which will contribute to sustainable development, deeper involvement into global community, economic stability and security in the SPECA subregion.

SECTION 1 INTRODUCTION

The level of development of the transport sector is a direct indicator of the degree of technological progress, economic growth and society development in a country. Integration to global economy implies a need for a highly developed transport system. Key determinants of a successful transport system integration are sustainable infrastructure, applied advanced information and communication technologies and high quality, safe and environmentally friendly transport services.

The SPECA subregion has once again become the focus of attention, a promising transit corridor system that contributes to the growing increase of flow of goods and people between world's major production centres in Asia and Europe through a number of strategic mega-regional investment and infrastructure projects, such as the Investment Plan for Europe, the Belt and Road Initiative, UN Euro-Asian Transport Links¹ and many other transport-related projects and intergovernmental forums.

SPECA countries need to join their efforts towards active regional policymaking creating an enabling policy environment and building constructive and mutually beneficial relations in the field of international transport. It is possible to achieve these goals through the modernization of transport infrastructure and border crossing points, and ensuring efficient operations within the transport sector. This will require changes in the institutional and regulatory frameworks and economic management of transport and trade. In this regard, it will be of great importance to bring current legislative and regulatory documents in line with international standards and UN conventions, agreements and recommendations in order to improve national and international connectivity and raise transport corridor efficiency in the SPECA subregion.

Among key factors promoting cooperation between Europe and the SPECA countries, is the pursuit of well-developed transport connectivity. The potential for collaboration between the parties is broad and mutually beneficial. To start with, as of February 2019, the volume of trade between the EU and Central Asia amounted to mere 1.2 billion euros, making it rather low. However, the European enterprises are keen to assist with infrastructure development in the subregion, which will bring the trade to a high and mutually beneficial level. Furthermore, the implementation of the “electronic Silk Road” between Europe and China, using the transit potential of the SPECA subregion, will create a promising “China – SPECA subregion – Europe” transport axis. In order to bring the above plans to life, SPECA countries need to ensure a better transport connectivity, developed infrastructure and logistics, better road safety, more efficient corridors, and the removal of physical and non-physical barriers.

¹ <http://www.unece.org/trans/main/eatl.html>

Therefore, SPECA countries should learn from the experience of developed countries, which have succeeded at developing effective systems of robust multi-level state regulation frameworks for the transport sector. In most of the developed world, the definition of transport system efficiency as a sector of economy is not limited only to financial, operational, and technical indicators, but is reflected by the share of its contributions to the social and economic life of the population. Therefore, it is important to establish efficient logistics to support market interlinkages.

Intermodality is often a key success factor for the transport systems, as it increases transport integration, drives down the handling costs, lowers carbon footprint, and has reliability, capacity and traffic safety advantages.

In developed countries, public-private partnerships (PPPs – widely successful in Germany, United States and France) are commonly used in infrastructure development and the service industry. Countries with strong sustainable economies pay special attention to development of transport infrastructure. By doing so, they promote further economic growth, which is reflected in expansion of their economic relations, transportation hubs, and mobility of goods delivery.

UK, Germany, Netherlands and Sweden have achieved the greatest success in developing integrated transport infrastructure in Europe. In the United States, there are more than 500 successful private freight railway companies, seven of which are first class companies with a total annual revenue of about \$400 million. American railroad companies carry out a full range of transportation services, including maintenance and development of infrastructure facilities, rolling stock operation, dispatching and monitoring the haulage process. China's railways have committed to new construction and advanced technologies as a response to the country's fast-developing economy; as a result of undertaken regulatory reforms, such technical and technological indicators, as throughput capacities, transport efficiency and service quality have significantly improved. In Tokyo, the Transportation Management Centre uses intelligent systems to optimize the operations of inland transport, the work of which has made it possible to increase transport speeds, optimize routes and most importantly reduce accident rates and minimize deaths on the roads.

Undoubtedly, all of the successes mentioned above have been achieved thanks to the efficient legal and regulatory frameworks of those countries. Many of them chose to follow constructive guidelines of UN transport-related conventions, agreements, and recommendations.

Being land-locked, to secure transit competitiveness and, therefore, economic prosperity, the SPECA subregion needs to improve its connectivity to the international network of transport routes. In order to boost the efficiency of their transport corridors, SPECA countries must achieve intergovernmental cooperation and meet certain international

standards. This study reports on the opportunities to update and improve the legislative framework in transport sector of the SPECA subregion, and shows how UN transport-related legal instruments can play a role in that.

SECTION 2

REVIEW AND ANALYSIS OF THE CURRENT STATE, AND DEVELOPMENT PROSPECTS FOR TRANSPORT SECTOR IN THE SPECA SUBREGION.

Important transport routes connecting major international markets pass through the SPECA subregion. The subregion's substantial transport and transit potential is determined by its geostrategic position at the heart of the Great Silk Road, which had historically served as a bridge between East and West, North and South.

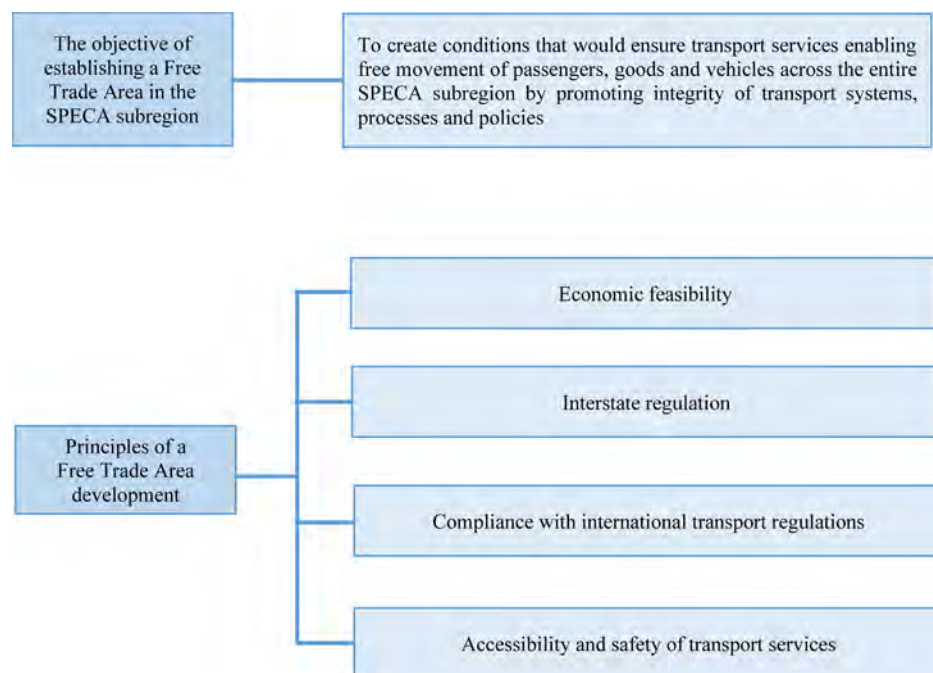
The SPECA subregion can benefit from developing new transport and transit corridors that would attract additional cargo flows; the countries should consider international experience and expertise in transport and logistics when training specialists, creating international logistics centres, as well as effectively using foreign seaports and dry ports to drive the transport and logistics potential of the SPECA subregion and to create an integrated transport hub on its territory that will serve as a key transit link between South and Southeast Asia, Europe, and Middle East, (*See: Establishment of an integrated trade and transport area in SPECA subregion, Figure 1*).

Considering the rapid growth of the trade flows between China and Europe, the Euro-Asian Transport Links (EATL) have been promoted by the UNECE to complement the existing maritime with inland transport routes. The EATL project aims to operationalize inland transport corridors between Europe and Asia, capitalizing on their significant untapped transit potential. Its intermodal routes run by land through the Russian Federation, Turkey, South Caucasus and Central Asian countries. Based on the willingness of around 40 countries involved to cooperate (including all 7 SPECA countries) as well as on inputs and proposals made by their national experts, the EATL project has identified 9 road and rail routes for priority development and cooperation.

The EATL project has achieved a number of tangible results to date, numerous capacity building workshops have been organized in order:

- to facilitate border crossings through the implementation of UN transport conventions;
- to identify missing links and bottlenecks and accelerate, in cooperation with governments and International Financial Institutions, their prioritization and construction; and
- to strengthen cooperation among railway undertakings in order to develop common and integrated rail services along EATL corridors.

Figure 1. Establishment of a unified trade and transport area in the SPECA subregion²



The project has shown that road and rail transportation along Euro-Asian corridors provides alternative delivery options, especially for high value and time-sensitive cargo, including in the context of growing e-commerce. The EATL project paved the way for the operation of container “block trains”; they made the Euro-Asian corridors operational. A number of the world’s biggest companies, mainly of the automotive industry, have already begun operating regular block trains on different EATL routes. The project showed that there are specific commodity groups, traded between Europe and Asia, for which inland transport can compete with maritime and air modes. All of the above gives a great chance to the SPECA countries to fully benefit from the development of the transport corridors, and help each other access the biggest international markets, where they can show themselves as viable and competitive transit options.

² An adapted proposal of a unified trade and transport area for the SPECA countries based on the model proposed in the report “Development of the transit and transport potential of the Eurasian Economic Community (EEC): status and prospects”, 2010

Further development and expansion of mutually beneficial trade and economic relations between the SPECA countries should be addressed, primarily, through the determination to create a fully functioning free trade zone, to foster entrepreneurship and investment cooperation, to implement a unified customs policy in SPECA countries and their neighbouring countries, to harmonize monetary and exchange rate policies, and to taking active measures to unify national legislations in order to implement free trade agreements. In so doing, it is necessary to utilize the practical and result-oriented UN policy recommendations and legal instruments and strengthen national capacities for implementation.

The implementation of the above goals should be based on the development of quality, reliable, resilient, and environmentally sustainable regional and cross-border infrastructure that provides affordable, equitable and safe transport access for all, and reduces the number of deaths and injuries from road traffic accidents (in line with the Sustainable Development Goal Targets 3.6, 9.1 and 11.2).

Since 1998, the United Nations Special Programme for the Economies of Central Asia (SPECA) Thematic Working Group on Sustainable Transport, Transit and Connectivity (TWG-STTC) presents a regional forum to discuss inland transport infrastructure development, facilitation of border-crossing procedures, railway and intermodal transport development and improvement of road safety. In the last decade, the TWG-STTC programme of work was focused on addressing topics related to sustainable development of transport systems and promotion of regional cooperation, with special emphasis on connectivity and more efficient international transport.

Another important step towards acknowledging mutual interests and promoting closer cooperation between SPECA countries was achieved during the international conference “Central Asia in the system of TC: strategic prospects and unrealized opportunities” held in Tashkent in September 2018, which became a global expert platform for the elaboration of ideas and proposals for the further development of transport projects, strategic objectives and infrastructure programs in SPECA countries. The conference defined priority areas for active regional policy making, creation of a favourable political atmosphere in the SPECA subregion, building constructive and mutually beneficial relationships in the field of transport, transit and trade, as well as developing and implementing joint programmes integrated into international transport systems that meet worldwide standards and requirements. The President of Uzbekistan proposed to create a Regional Council on transport communications for Central Asian countries, the activity of which will undoubtedly consolidate the work in the region towards implementing sustainable development goals on infrastructure, transit, and addressing social and environmental issues.

Such matters as readiness of the SPECA countries to practically implement the abovementioned goals, the current state of existing transport infrastructure, the role of

national policies in the development of the transport sector, the existing state of the legal framework and transport-related regulatory documents will be covered in the following country-specific sections of this chapter on review and analysis of the development prospects for the transport sectors of Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

2.1 THE ISLAMIC REPUBLIC OF AFGHANISTAN

2.1.1 Transport concepts, national policies, strategies and programs of Afghanistan

Following almost three decades of war, the challenges facing Afghanistan's development remain immense. Afghanistan needs to restore and rebuild its physical infrastructure and transport services to promote the country's economic recovery and help its people to avail themselves of new social and economic opportunities. The sustainable development of the transport sector and its supporting infrastructure will contribute to the development of the local manufacturing sector, and to the increase in population employment in the service sector, as well as the establishment of trade links with neighbouring countries.

Afghanistan is located at the point where four of the most densely populated and resource rich regions in the world converge: South Asia, Central and North Asia and the Middle and Far East. The main purpose of the Afghan National Trade and Transport Facilitation Committee, as well as the Afghanistan National Development Strategy 2008-2013 (ANDS), is to bring the modernization of trade, transit and transport to international best-practice and technology levels in Afghanistan, ([Afghanistan's Strategies are listed in Appendix, Table 3](#)). The ANDS strategic vision and goal for the transport sector is to have a safe, integrated transportation network that ensures connectivity and that enables the low-cost and reliable movement of people and goods domestically as well as to and from foreign destinations. This will give impetus to economic growth, generate employment and help integrate Afghanistan in the global economy. A high priority is to have in place an efficient and viable road transportation network for achieving economic growth and poverty reduction, particularly in rural areas. One of the key expected outcomes of the transport sector strategy is an efficient and safe road transportation system, through:

- improved connectivity throughout Afghanistan;
- lower road user costs;
- improved business environment for private sector development, creating jobs and reducing poverty;
- lower accident and fatality rates, measured by personal injuries per million vehicle kilometres;
- reduced journey times due to congestion.

The Afghanistan National Peace and Development Framework 2017-2021 (ANPDF) highlights that work is underway to improve transportation authorities by establishing systems that would allow them to harmonize responses to the country's expanding transport needs. This includes the establishment of a Road Authority, a Road Fund, and a Transport Institute.

Together with ADB, Afghanistan has set the Transport Sector Master Plan Update for

2017–2036; it is a guide for the government and donors in allocating and programming future funds to raise the efficiency of Afghanistan’s transport system. It provides a program of prioritized investments and recommends urgent capacity-building measures. As transportation in Afghanistan is central to social stability and peace-building efforts, the development results generated by the master plan will extend beyond the boundaries of the transport sector³.

The Government of the Islamic Republic of Afghanistan (GoIRA) has prepared its first Voluntary National Review (VNR); the report describes the nationalization process of the Sustainable Development Goals, targets and indicators, considering the specific circumstances and context of Afghanistan. Despite strong countervailing circumstances, Afghanistan has made progress in its social, economic and political transition. The Government continues with its reform agenda to build capacity and modern institutions. Emerging from decades of conflict, Afghanistan has managed to adopt 111 targets out of 169 global targets on SDGs. Afghanistan has nationalized 178 SDG indicators (out of 232), the implementation of which is the responsibility of 29 government entities. The Ministry of Economy (MoEc) leads the coordination, monitoring and reporting on SDGs in the country. The SDGs targets and indicators have been integrated with national projects and programmes: around \$5.48 billion has been allocated for the implementation of 538 projects until 2020. To fully attain the SDGs targets, 1,344 projects and programmes have been proposed by line ministries, including in the transport sector (infrastructure and transport corridors), with estimated cost of around \$4.46 billion⁴.

The international community is showing significant support for Afghanistan’s economic development with a total financial aid from donor countries of \$100 billion (as envisaged in SDG 9.1). International subsidies are mainly invested in the industrial sector, communication technologies and transport. The economy of Afghanistan has shown sustained growth in recent years. As per the Asian Development Bank (ADB) report, economic growth in 2019 is 2.5%, compared to 2.2% in 2018.

Afghanistan was the last country to have joined SPECA in 2005, and it is the only least developed country (LDC) participating in the Programme. In the 1970s and 1980s, in order to facilitate international transit, Afghanistan has joined the following three UN international agreements on border crossing facilitation:

1. 1971: TIR Convention, 1959
2. 1977: Temporary Importation of Commercial Road Vehicles, 1956
3. 1982: TIR Convention, 1975

This has enabled Afghanistan to use the TIR system; the country has since been

³ Afghanistan Transport Sector Master Plan Update (2017-2036), ADB, 2017

⁴ Afghanistan Sustainable Development Goals country presentation, United Nations Conference Center, Bangkok, 8-10 May 2019

benefiting from the access to the only existing universal customs system, as well as from the regional SPECA infrastructure development initiatives. The TIR Convention is one of the critical tools for creating an enabling environment for the private sector, thus, creating new jobs, as stated in the ANPDF.

Currently, however, Afghanistan faces the following major challenges:

- weak capacity of relevant ministries (Ministry of Public Works, Ministry of Transport and Civil Aviation, Ministry of Rural Rehabilitation and Development);
- insufficient and unreliable funding for the reconstruction and development of the transport system and inability to mobilize and manage locally collected funds;
- a poorly developed consulting and contracting industry;
- war-damaged roads and structures and significant deterioration due to lack of maintenance;
- shortage of a qualified workforce.

Conflicts and weak security that still exist in the country represent major constraints to the reconstruction and development of the transport sector.

As it is in the interest of Afghanistan to promote international trade and transit, the UNESCAP 48/11 Resolution on road and rail transport recommends that the country considers acceding to the following international agreements:

- 1968 Convention on Road Traffic;
- 1968 Convention on Road Signs and Signals;
- 1972 Customs Convention on Containers;
- 1982 International Convention on the Harmonization of Frontier Controls of Goods;
- 1956 Convention on the Contract for the International Carriage of Goods by Road (CMR).

By joining the above-listed harmonized transport facilitation measures, Afghanistan can significantly improve its chances of simplifying intergovernmental agreements within the resourceful and ambitious SPECA subregion and enhancing its international connectivity and trade.

2.1.2 Rail transport of Afghanistan

Since April 2014, Afghanistan has been a member of the Organization for Cooperation of Railways (OSJD), and therefore the work of the railway transport is regulated by the rules and agreements of OSJD.

At present, there are only two operating railway links in Afghanistan, (*See: Map of Afghanistan railways, Figure 2*):

- Termez (Uzbekistan) to Hairatan (Afghanistan) in the north – 10 km;
- Serhetabat (formerly Kushka, Turkmenistan) to Tourghundi (Afghanistan) – 120 km.

Figure 2. Afghanistan railways⁵

Currently under construction, the railroad between Herat (Afghanistan) – Khaf (Iran) is 191 kilometres long. Consisting of four phases, it started in 2007, and is to be completed soon. The Herat – Khaf railway will connect Afghanistan through Iran (Islamic Republic of) to 11 international corridors, including Europe as well as to multiple seaports. Thus, Afghanistan has a real opportunity to become a three-railway system junction point: European-Middle Eastern gauge (1435 mm), CIS wide gauge (1520 mm) and Indo-Pakistani gauge (1676 mm).

In April 2016, a feasibility study was commenced for the extension of the Serhetabat – Tourghundi line south to Herat. According to earlier decisions, the line is to be built with European gauge, with a junction station in Tourghundi. To the south (Herat - Kandahar - Jalalabad with possible access to Kabul), the railways are likely to be built by Iranian companies with a gauge of 1435 mm. Two junction stations will be required: one in Herat or Tourghundi (1435 mm and 1520 mm gauge joints), and one at the border station on the Afghanistan-Pakistan border (1435 mm and 1676 mm gauge joints). The junction of the standard European and Indian gauge (1435 mm and 1676 mm) may also be either at Torkham station west of Peshawar, or at Chaman station northwest of Quetta, or at Zahedan station in Iran, where there already is a junction of 1435 mm and 1676 mm gauges. There

⁵ <https://www.skyscrapercity.com/threads/afghanistan-railways.1604143/>

is a possibility that Pakistan will be doing the construction works; in this case, the 1676 mm gauge will run through southern Afghanistan to Herat. Hence, Herat will become the regional railway junction point, where wagons and locomotives of three different track sizes will be serviced. Construction of the railway leading to Herat is not solely strategically important for Afghanistan, it will change the entire region of Central Asia.

At the meeting of the Tajik-Afghan Intergovernmental Commission on Trade and Economic Cooperation in Dushanbe (July 17, 2019), agreement was reached on the construction of the Tajikistan – Afghanistan – Turkmenistan railway (the Memorandum between the three countries was signed in 2013). A joint project implementation Working Group was established. The route has been agreed upon by the parties and will run from the Jaloliddina Balkhi district to Panj (Tajikistan), and on to the Afghan Sherkhan Bandar - Kunduz - Mazar-e-Sharif - Sheberghan – Andkhoy - Aqina. The first stage of this (85 km long) road Atamyrat - Ymannazar (Turkmenistan) - Aqina (Afghanistan) was launched in late 2016. In July 2019, construction of the Aqina – Andkhoy section began. The remaining parts of the project are at the stage of approval.

Tajikistan has offered Afghanistan two route options for the railway section between the two countries, giving priority to the shorter route (160 km): Aivaj – Kaldar (Tajikistan) - Hairatan (Afghanistan). Uzbekistan built the middle of this route through Afghanistan's Hairatan - Mazar-e-Sharif with ADB investment. The work is hindered by the shortage of wagons, locomotives, cargo handling equipment, and modern warehouse facilities.

The Mazar-e-Sharif – Kabul - Peshawar railway project is also of strategic importance; it will contribute to closer economic cooperation, including between SCO and SPECA countries. China is ready to join the project. Undoubtedly, the new Mazar-e-Sharif - Kabul - Peshawar (the “Kabul Corridor”) railway will promote trade, increase imports and exports between Europe, Central Asia, Pakistan, India, and Southeast Asia.

It is also economically expedient to establish a through (end-to-end) tariff for rail transport along the route: ports of the Yellow Sea - Central Asia - Europe. The current tariff policy and rates are detrimental to the development of transit traffic, in particular along the Hairatan - Galaba route. A serious factor limiting the speed of cargo movement is not only infrastructure barriers, but also institutional bottlenecks. In some cases, cargoes may move faster than the document workflow. This is the case in Hairatan and Tourghundi stations, especially while crossing the border between Afghanistan and Pakistan, where the capacity is very low; as a result, vehicles are idle for 7 to 10 days at the border crossing.

2.1.3 Road transport of Afghanistan

Afghanistan faces the major challenge of post-war reconstruction. As of 2005, the length of roads amounted to 34,782 km, of which 6.8% were paved, representing overall road density

of 53.3 km per 1,000 km², (*Map of Afghanistan motorways, Figure 3*). The condition of the roads is not satisfactory, with planned repair works rarely being undertaken.

Figure 3. Afghanistan motorways⁶



Moreover, 3,300 km represent regional highways that foster regional trade and economic linkages with neighbouring countries. The restoration of an efficient transport infrastructure is essential to strengthen the unity of the country and promote economic recovery and development.

Of strategic importance is the “ring road” which begins in Kabul, goes north through a tunnel at the Salang Pass towards Hulma, then turns west to Mazar-e-Sharif, continues on to Meimene and Herat, then to Kandahar and from the north-east comes back to Kabul. The Kabul-Kandahar highway is 483 km long and links Afghanistan’s two largest cities. Of 20.6 million Afghans, 13.6 million or 66%, live within 50 km of the ring road. Approximately 35% of the population lives within 50 km of the Kabul to Kandahar portion of the ring road. In addition, the Kandahar-Herat highway is a 557 km road that links the cities of Kandahar and Herat. This highway is also part of the larger ring road network⁷.

⁶ Source: United Nations Geospatial Information Section, 2021

⁷ EATL, Phase II Report, UNECE, 2012

The country’s main roads connect to Pakistan’s transport network through the Khyber Pass and the Khojak Pass. From Herat, there is a road connection to Iran. Cargoes from the Russian Federation, Central Asia and European countries are mainly transported by rail to the state border at Termez, then continue to Hairatan, where goods are unloaded into warehouses, from where they are either transported to consignees by road or shipped in wagons to Mazar-e-Sharif (75 km).

Afghanistan’s efforts are currently focused on building resilient road infrastructure, promoting sustainable industrialization, and introducing innovations.

The Master Plan for Road Network Improvement has been developed in 2004 with assistance of the Asian Development Bank (ADB). The total cost of the programme is estimated at \$360 million; the amount is invested into road transport development through two major projects. The first project (worth \$330 million) is to build a road (151 km long) connecting the Qaisar district of Faryab province to existing Dari Bum motorway (2,200 km long motorway provides transport links between Afghanistan’s largest cities) - one of the key transport routes of the country. The construction project incorporates traffic safety measures in various climatic and landscape conditions, development of local transport infrastructure, and it creates additional jobs. The second project (worth \$30 million) is the reconstruction of the Ghazni - Kandahar section of the motorway (240 km long).

With the support of the World Bank, a number of projects have been completed:

- The Emergency Transport Rehabilitation Project, focusing on roads and highways (80%) and aviation (20%), with lending project costs of approximately \$117.5 million plus a supplement grant of \$44.5 million exclusively for roads and highway reconstruction.
- The National Emergency Employment Project for Rural Access that focused on repairing provincial and district roads and highways (50%) and on other social services (50%). The project costs amounted to \$39.2 million.

Unfortunately, there is neither a lead agency for road safety in Afghanistan, nor a comprehensive legislation for it. The Afghan National Police (ANP) has five subdivisions, two of which are partially responsible for law enforcement in road traffic: the Afghan Uniform Police (AUP) includes local traffic police departments, and the Afghan Highway Police (AHP) is responsible to provide traffic safety and overall security of the “Ring Road” highway that connects most of the major population centres in Afghanistan. According to the WHO “Global status report on road safety 2018”, the road traffic fatality rate per 100,000 population was at 15.1 mark (5230 people estimated by WHO) in 2016. The UN General Assembly resolution on “Improving global road safety” encourages all Member States to accede to the seven road safety priority instruments to build national legal frameworks, which prevent deaths and injuries from road traffic crashes. Apart from

the 1968 Convention on Road Traffic and the 1968 Convention on Road Signs and Signals previously mentioned in section 2.1.1, these include: the three “Vehicles Regulations” (1958, 1997, 1998), the 1957 European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), and the 1970 European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR).

2.1.4 Transport corridors of Afghanistan

Afghanistan has significant transit potential and borders with Iran in the west, Pakistan in the south and in the east, Turkmenistan, Uzbekistan and Tajikistan in the north, and China in the easternmost part of the country. In order to maximize the benefits of its geographical position, Afghanistan needs to be assisted in consolidating a national transport system.

SPECA countries are extremely interested in trade and transport cooperation with Afghanistan, as Afghanistan is a key transit country with access to seaports of India, Pakistan and Iran, and markets of South Asia and the Middle East, (See: *Map of transport corridors in Afghanistan, Figure 4*). Developing short and safe routes to China, India, Iran and Europe will lead to the growth of Afghan exports, and thus stimulate the development of the country’s economy. The construction of the “model highway” (Model Highway Initiative) will increase the efficiency of humanitarian cargo transportation, speed up their delivery, and make transport safe (in the framework of UN General Assembly Resolution “Role of transport and transit corridors in ensuring international cooperation for sustainable development”).

In this regard, the opening of the “Lapis Lazuli” transit route is of strategic importance for Afghanistan as it is the shortest way to the Caucasus and Europe; it includes sections of the CAREC-2 corridor from the city of Aqina in the northern province of Faryab and the city of Tourghundi in the western province of Herat to Ashgabat, and further to the port of Turkmenbashi on the Caspian Sea. From there, cargoes will be shipped to the port of Baku, and then to Georgian ports of Poti and Batumi. Eventually, the corridor will connect the Turkish cities of Kars and Istanbul, providing access to Europe. In December 2018, a pilot truck caravan launched along the Lapis Lazuli transit corridor arrived at the Tourghundi station from Herat, and then proceeded through the port of Turkmenbashi through Azerbaijan and Georgia, to Turkey. The Afghanistan – Turkmenistan – Azerbaijan – Georgia - Turkey transport corridor is a key element for resolving a number of economic issues of Asia. The route will promote the development of the manufacturing sector in the SPECA region, and as a result, will create additional jobs.

An inland corridor from Afghanistan to the port of Chabahar (Iran) connects it to India by sea (the first cargo carriages from Afghanistan to India were made in February 2019), and more work is under way to establish a corridor from the Persian Gulf to the Caspian Sea. The Afghanistan-Iran trade corridor is equally interesting for both India and China.

The East-West axis between China and Iran is important for Beijing’s interests in the broader “Belt and Road” project, designed to maintain geo-economic balance in Central Asia and the Middle East. At the same time, a large number of opportunities have emerged for Afghanistan to modernize its infrastructure along the North-South, East-West, and South-South axes. Moreover, plans were announced by Afghanistan to connect Iran and China. For Afghanistan, the link between China and Iran is the focus of a tripartite dialogue between Afghanistan, Iran and India on trade facilitation through the port of Chabahar. Afghanistan enjoys preferential tariffs in the Iranian port, with trade in goods enjoying export tariff concessions of 80% and import tariffs of 75%. On the Iranian side, goods aimed for Afghanistan are delivered by road to the Iranian-Afghan border town of Milak.

Figure 4. Transport corridors in Afghanistan⁸



Afghanistan plans to expand the Hairatan - Mazar-e-Sharif railway. The railway extension project to Herat (346 km) is considered to be the key factor for the development of Afghanistan’s economy; it will connect Afghanistan’s Northern provinces to the global railway network. Once fully operational, the railway will help Hairatan handle up to ten times as much cargo as before, from 4,000 tonnes to 25,000 – 40,000 tonnes per month.

⁸ www.afghanembassyturkmenistan.com/tripartite-agreement-of-chabahar-among-afghanistan-india-and-iran-finalized-and-made-ready-for-signature/

After arriving at Mazar-e-Sharif, goods can be immediately transferred to most parts of Afghanistan by road. According to preliminary estimates, the railway will generate \$40 million in revenue for Afghanistan and create over 30,000 additional jobs. Future rail links are also planned to Pakistan, Tajikistan, and Turkmenistan. The project will thus add capacity to CAREC Corridor 3 and CAREC Corridor 6, and open up new routes for domestic and international cargo transport⁹.

As of December 2018, the CAREC Program has invested more than \$4.45 billion in 37 projects in Afghanistan, on the principle that better connections will be key to unlocking the region's vast resources and human potential. Membership in the CAREC Program is putting Afghanistan on the path to full integration into a prosperous region, with infrastructure — the backbone of development — laying the foundation for sustainable economic growth.

The establishment of the Special Economic Zone (SEZ) in Afghanistan pairs well with connectivity initiatives in Central and South Asia to bring economic and political stability across the region; joint SEZ initiatives could change trade across the region. A joint SEZ could bridge the demand and supply gap. The joint SEZ concept can also be integrated into China's Belt and Road Initiative (BRI). Trade, transport and logistics development issues are often raised at the international level. The launch of a SEZ at the Hairatan border area was recently discussed at the Almaty Forum "Afghanistan: New Trade Horizons" (02.08.2019).

Six-countries – Afghanistan, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan – participated in the Central-South Asian Transport and Trade Forum. This undertaking was expected to reopen a series of road corridors centring on Northwestern Afghanistan at a cost of US\$ 5.7 billion, which would come mainly from international donors.

Thus, collaborative efforts to improve the transport sector of Afghanistan through coordinated regulatory procedures and international standards, as well as facilitated administrative process will allow the country to introduce effective technologies, improve infrastructure, and strengthen national capacity on UN legal instruments, which in return will improve Afghanistan's national and international connectivity with SPECA countries, the rest of Asia and Europe.

⁹ www.carecprogram.org

2.2 THE REPUBLIC OF AZERBAIJAN

2.2.1 Transport concepts, national policies, strategies and programs of Azerbaijan

Azerbaijan's strategic projects on transport and sustainable infrastructure are oriented towards the implementation of standards and inclusion in the Trans-European Transport Network (TEN-T). At the moment, the Azerbaijan network is part of a tentative extension of the TEN-T (through the Eastern Partnership). TEN-T is an ambitious infrastructure project of the EU, which envisages the creation of a new transport system in the EU by 2050. Azerbaijan and Georgia are of great importance as transit countries, as they are located between the Caspian and the Black Seas.

The development of the transport sector of Azerbaijan is carried out in accordance with state legislative documents ([Transport-related legislative framework of Azerbaijan is given in Appendix, Table 2](#)). The state policy of Azerbaijan on transport is implemented through membership in a number of international organizations:

- Council for Rail Transport of CIS States from 1992;
- Economic Cooperation Organization (ECO) since 1992;
- Economic and Social Commission for Asia and the Pacific (UNESCAP) since 1992;
- TRACECA programme since 1993;
- United Nations Economic Commission for Europe (UNECE) since 1993;
- International Road Transport Union (IRU) since 1993;
- Organization for Cooperation of Railways (OSJD) since 1993;
- International Maritime Organization (IMO) since 1995;
- International Union of Railways (UIC) since 1995;
- European Conference of Ministers of Transport (ECMT) since 1998 and other organizations.

In 2002, the Azerbaijani Government established the Ministry of Transport with a broad range of policy and regulatory functions. In 2005, the comprehensive Transport Sector Development Strategy for Azerbaijan was prepared by the Ministry of Transport with the assistance of international consultants and financial support from the Asian Development Bank. The Strategy sets the sector's strategic agenda and development priorities and proposes the necessary reforms in transport policies, regulations and organizational structures.

Azerbaijan has been a full member of the United Nations since March 1992, and it is currently a contracting party to fifteen UN transport-related agreements and conventions:

1. 1996: European Agreement on Road Network (AGR), 1975
2. 1996: European Agreement on Work of Crews (AETR), 1970
3. 1996: TIR Convention, 1975

4. 2000: Temporary Importation of Commercial Road Vehicles, 1956
5. 2000: Perishable Foodstuffs (ATP), 1970
6. 2000: Dangerous Goods by Road (ADR), 1957
7. 2000: Harmonization of Frontier Controls of Goods, 1982
8. 2002: Vehicles Regulations, 1958
9. 2002: Global Vehicles Regulations, 1998
10. 2002: Convention on Road Traffic, 1968
11. 2005: Customs Container Convention, 1972
12. 2006: Contract for the International Carriage of Goods by Road (CMR), 1956
13. 2011: Protocol Road Markings, 1973
14. 2011: Road Signs and Signals, 1968
15. 2011: Supplementing 1968 Convention Road Signs & Signals, 1971

Nine of the above-named legal instruments are on road safety. This indicates the country's growing contribution to global safety, security and connectivity. Through efficient implementation of the UN legal instruments, Azerbaijan has reached out to the international community, especially Europe, and has improved its transport network and transport services sector.

2.2.2 Azerbaijan transport sector overview

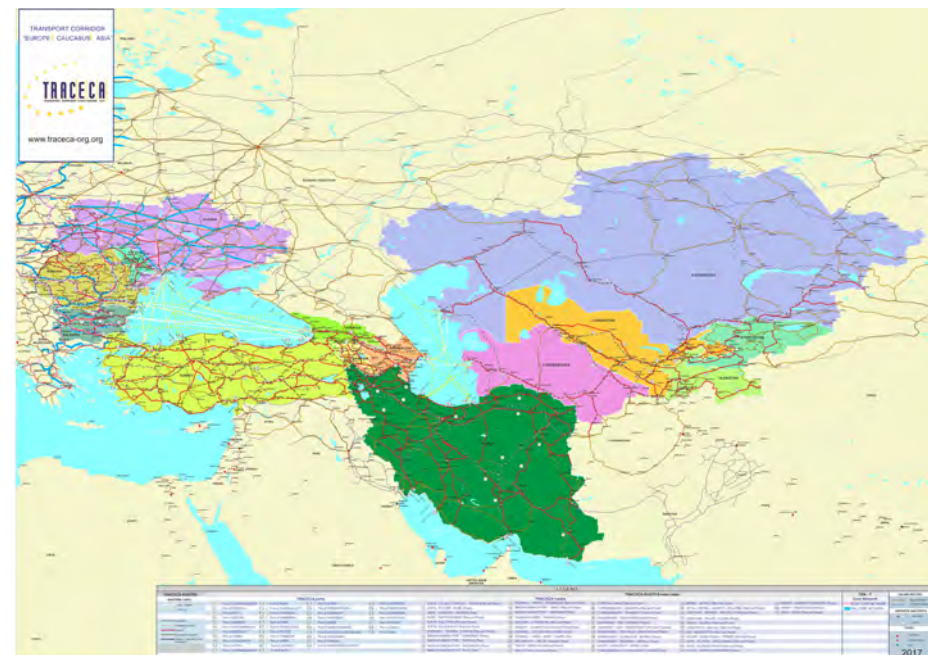
The development of the transport sector in Azerbaijan is one of the essential conditions for further restructuring of the economy, increasing competitiveness of transport services and the country's integration into the dynamically changing system of international relations.

The Ministry of Transport, Communications and High Technologies of Azerbaijan considers it a priority to expand international cooperation to boost the country's transit potential and, in this regard, Azerbaijan's cooperation with the EU is of particular importance. Within the framework of technical support, numerous joint projects have been implemented by the EU. The expansion of the Trans-Eurasian transport network, including the extension of cooperation with the Eastern Partnership countries until 2030, and the adoption of a long-term investment plan, will contribute to the development of the SPECA subregion¹⁰.

The shortest route from Europe to countries of Central Asia, Middle East and Far East passes through Azerbaijan; in particular, the TRACECA and the North-South transport corridors, road and rail arteries, connecting the basins of the Black Sea and the Caspian Sea (*Map of TRACECA routes, Figure 5*). One of the biggest international logistics centres, "Absheron", has been successfully operating in Baku.

¹⁰ High Level Transport Dialogue Meeting between Azerbaijan and the European Union, 19.02.2019

Figure 5. TRACECA routes¹¹



In June 2016, Azerbaijan joined the Shanghai Cooperation Organization (SCO) as a dialogue partner, which enabled implementation of transnational transport projects, in particular the Belt and Road Initiative, which opens up opportunities to use Azerbaijan's transit potential in the carriage of goods between South-East Asia and Europe.

Azerbaijan is actively working with China, Turkey, India and the United States to attract cargo flows through the international East-West, North-South and West-South transport corridors passing through it, which will allow the country to become a major regional transport hub. China, in particular, is interested in cooperating with Azerbaijan in the oil and gas, transport and communication sectors.

A positive factor in the increase in transit traffic was the reform of the customs administration, with special attention paid to the passage of goods through border crossing points, which is produced through the Unified Automated System, which has reduced the time of vehicle passage to 20 minutes.

According to the State Statistics Committee, over the recent years, the annual volume

¹¹ http://www.traceca-org.org/fileadmin/fm-dam/Routes_Maps/MAP_TRACECA_ROUTES_10_09_2017_300DPI.png

of cargo transportation was around 180 million tonnes a year, 48% of which is road transport, 17% is railroad, 7% is water transport, and 31% is transport by pipelines (including 18.2% through Baku-Tbilisi-Ceyhan pipeline, and 1.8% through the South Caucasus pipeline).

Currently, the volume of transit cargo transportation through the territory of Azerbaijan has reached more than 11 million tonnes, which is 4 million tonnes or 60% higher than in the previous year. The volume of freight traffic along the TRACECA corridor amounted to 26.5% of all freight traffic in the country (55.1% of cargo was transported by rail, 31.2% by road and 13.7% by sea). Speaking on neighbouring countries, transit shipments from Turkmenistan amounted to over 4 million tonnes of oil and 190,000 tonnes of oil products in 2018.

The fast growth in trade over the last decade opens up new opportunities for the development of the transport infrastructure of Azerbaijan and, therefore, promotes intensive economic growth. In order to reduce trade costs, Azerbaijan is following these simple basic guidelines:

- to fully implement WTO Trade Facilitation Agreement commitments;
- to apply an integrated supply chain model;
- to improve procedures, infrastructure and services;
- to develop a national monitoring mechanism to facilitate trade and transport.

Azerbaijan's strategic goal is to become a regional trade centre by using the country's strategic and geographic location, developing transit and transport services, and creating state-of-the-art logistics centres. Azerbaijan expects to benefit from the expansion of global trade and globalization in general. Azerbaijan plans to increase the attractiveness of the country as an industrial and investment centre, open up new business and employment opportunities, and improve local and international transportation. The transport system will be better integrated into the extended international network. To achieve these goals, Azerbaijan faces the challenges of implementing SDG 9.1 in its industry, innovation and infrastructure to provide a suitable cross-border infrastructure for neighbouring countries and to strengthen trade relations and connectivity in the SPECA subregion.

2.2.3 Rail transport of Azerbaijan

The key guiding documents for the rail transport of Azerbaijan are the "Transport Sector Development Strategy" and the "Railway Sector Development Program of Azerbaijan". The latter document reflects development priorities for all segments of rail transport. The program framework plans for the purchase of new locomotives and wagons, an increase in freight traffic, improvements in railway infrastructure, etc. Around \$1 billion will be invested to take these measures. Negotiations are currently under way with International Financial Institutions.

The programme's priorities are the following: corporate reforms, improvement of the railway management system and legislative and regulatory framework, modernization of infrastructure network, and expansion of international relations.

According to the "Development Program for Azerbaijan Railway" works on design and construction of the high-speed railway line Baku-Georgian border with 503 km length, which is the central segment of the TRACECA corridor, are carried out. As a result, it is planned to increase the speed of rail transport from 80 km/hour to 120-150 km/hour. It should be noted that the major part of the program consists of infrastructure projects introducing up-to-date standards to the state railway network and the reconstruction of existing tracks.

In Azerbaijan, the Law on Railway Transport was developed on the basis of the State Program on Development of the Railway Transport System, 2010-2014. The Law regulates legal, organizational and economic relations associated with the activities of railway transport and defines the principles of state regulation and tariff policy. The Railway Law allowed for the acceleration of the work with International Financial Institutions to attract investments in modernizing the railways, as well as strengthening the national capacity on UN legal instruments.

The Azerbaijan Railway carries out a significant volume of freight and passenger transportation, and has an extensive network of rail lines across the Republic. The length of the main railways exceeds 3,000 km, of which more than 1,000 km are double-track lines, (*Map of Azerbaijan railways, Figure 6*).

The work of the Azerbaijan railways is regulated according to the rules of the Organization for Cooperation of Railways (OSJD), which is focused on increasing efficiency of international freight traffic and promotion of transit potential for the development of existing transport corridors between Europe and Asia. To achieve these goals, it is necessary to operate digital technologies, facilitate infrastructure development, increase the speed of transit trains, and ensure traffic safety and security.

The Azerbaijan Railway has a fleet of 234 electric locomotives and 278 diesel train and shunting engines, but many of them need major repairs. The rest of the rolling stock fleet is comprised of 25,000 units of different types of wagon and 4,000 containers.

There has been a steady increase in traffic volume recently. An important factor contributing to this growth was the construction of an oil transshipment marine terminal and an oil loading station in Dubendi in 1998, based upon an agreement between the governments of Azerbaijan and Kazakhstan. Thanks to this large oil transshipment base in Dubendi, about 12 million tonnes of oil (including transit volumes) are shipped annually to the port of Batumi and from there to European countries. In order to increase transit volumes of Kazakhstan's oil, petroleum products and gas, an agreement has been

reached on their transportation by Azerbaijan Railway¹². Kazakhstan is also interested in the active use of the Baku-Tbilisi-Kars railway line, a pilot freight train with 32 containers from Kokshetau (Kazakhstan) to Mersin (Turkey) has already been sent along this route. The Baku-Tbilisi-Kars line is also of significant importance as it:

- promotes the development of the Trans-Caspian international transport route;
- provides a link between the Trans-European and Trans-Asian railway networks;
- revives the historic Silk Road;
- serves the common interests of SPECA countries and meets the strategic needs of all participants of the transport process;

Figure 6. Azerbaijan railways¹³



Another promising transport corridor is Lapis Lazuli, which connects Afghanistan through Turkmenistan, Azerbaijan and Georgia to the Black Sea and eventually through Turkey to the Mediterranean Sea and Europe. The development of the Lapis Lazuli corridor triggered the integration of customs procedures in the region, increased transit and trade, and reduced administrative barriers at border crossings. This railway link

¹² Meeting of the Kazakhstan-Azerbaijan Working Group, Baku, 18.09.2019

¹³ https://en.wikipedia.org/wiki/File:Azerbaijan_railway_map.png

shortens the transport connection between Asia and Europe by 600 km and increases efficiency of transit traffic and, therefore, the competitiveness of the TRACECA corridor. The “Strategy for development of the international transport corridor Europe – the Caucasus – Asia for the period 2016–2026” (01.06.2016, Odessa)¹⁴ provides for ensuring a sustainable multimodal network that facilitates smooth and uninterrupted carriage of goods, making full use of the transit potential of the corridor, increasing functionality of the TRACECA corridor, making it a major alternative to other TC ([Azerbaijan’s Strategies are given in Appendix, Table 3](#)).

It should be noted that Azerbaijan, Turkmenistan and Kazakhstan are also currently implementing large-scale infrastructure projects within the framework of their national strategic programs for further development of the Trans-Caspian route, which is of great importance in increasing the transit potential of SPECA countries (implementation of SDG 9.1).

2.2.4 Road transport of Azerbaijan

The total length of public roads of Azerbaijan is over 25,000 km; approximately 92% of the roads are paved. The road network was primarily designed under the former Soviet Union for higher than current traffic volumes. Due to a lack of resources for maintenance, about 60% of the network is in poor condition.

The main roads with international traffic flow are the following: 503 km long Baku – Alyat – Ganja – Gazakh – Georgian border (Azerbaijani segment of the TRACECA corridor), and 521 km long Russian Border – Baku – Astara – Iranian border (Azerbaijani segment of the “North-South” corridor), (*Map of Azerbaijan motorways, Figure 7*).

Road transport in Azerbaijan is fully privatized. In 2015, the road sector accounted for 71% of transport freight turnover. In 2018, the Ministry of Transport, Communications and High Technologies established the State Road Transport Service, which participates in developing a state policy in the field of road transport and implements state regulation in this field, controls compliance with international norms and standards of road transport entities engaged in international cargo transportation, as well as compliance with conventions and agreements.

International cargo transportation to Azerbaijan and transit through its territory is carried out by freight forwarders from 40 countries of Europe and Asia, the largest number of which are from Iran, Turkey and Russia.

Currently, the number of domestic vehicles participating in international transportation in Azerbaijan reaches 2,000 trucks, the goal is to increase this number to 10,000 vehicles,

¹⁴ <http://www.traceca-org.org/ru/glavnaja/strategija-mpk-traseka-2016-2026-gg/>

reaching this result will create 30,000 new jobs¹⁵. After the introduction of amendments to the “Law on Road Transport” (28.08.2019), Azerbaijan signed the Protocol Concerning the European Conference of Ministers of Transport (ECMT). After the introduction of amendments, a number of projects were developed and approved to protect the interests of Azerbaijani carriers and increase the competitiveness of the local service market.

Figure 7. Azerbaijan motorways¹⁶



With the growing number of road vehicles, the number of road traffic accidents increases. According to the WHO Global Status Report on Road Safety (2018), the number of people killed per 100,000 population is 8.7, which is several times higher than the best performing countries. In order to improve road safety, Azerbaijan has developed:

- a national strategy and an action plan on road safety;
- a system for coordinating, managing and financing road transport at the national level;
- a road traffic database for monitoring road safety;
- road technical standards in line with the international requirements.

¹⁵ As reported by State Road Transport Service of Azerbaijan

¹⁶ Source: United Nations Geospatial Information Section, 2021

2.2.5 Maritime transport of Azerbaijan

The Azerbaijan Caspian Shipping Company is one of the largest ship-owning companies in the Caspian Basin. It is a multisectoral transport organization, which includes transport, technical, service and auxiliary vessels, the ship repair industrial association “Kaspmorsudoremont” and educational, trading, supplying and forwarding organizations.

The main activity of the company is cargo shipping, mainly oil and oil products. Its transport reach includes the Caspian Sea, the Black Sea, the Mediterranean Sea and the Marmara Seas. Azerbaijan remains the dominant carrier of cargo on the Caspian Sea and has a commercial fleet of 274 ships for this purpose (as of August 2019).

The strategy for the development of maritime shipping is aimed at optimal use of the Eurasian Transport Corridor. In July 2019, in order to ensure the growth of cargo traffic along the Trans-Caspian International Corridor, Kazakhstan and Azerbaijan established a single operator of maritime transportation on the Caspian Sea.

Azerbaijan has a “State Investment Program for Modernization of the Azerbaijani Fleet”, which provides significant financial resources for the renovation of tankers and vessels, which should lead to an increase in marine transportation. In particular, it is planned to purchase and build 11 tankers, 6 state-of-the-art ferries, 10 dry-cargo vessels and other additions to the fleet. It is planned to establish a radar-training centre, a secure communications centre and a training centre that will meet the requirements of the “International Convention on Standards of Training, Certification and Watchkeeping for Seafarers”.

In May 2018, the first phase of the construction of the Baku International Sea Port (BISP) was completed, which is the largest port complex in the Caspian Basin and plays an important role in connecting the North-South and West-East transport corridors. BISP operates all year round (*BISP port, Figure 8*).

The development of the TRACECA corridor has benefited from private capital from the very beginning, and oil transshipment terminals have been built recently in Baku and Sangachal ports through investments of private companies. The Dubendi oil terminal with a total capacity of over 20 million tonnes per year has also benefited from private funding for its reconstruction (SDG 9.1).

All transit cargo traffic is exempt from value added tax, and the preferential tariff (reducing the cost by 50%) for railway transit through the territory of Azerbaijan is strictly maintained in Azerbaijan. Port charges in Baku International Sea Port are 3-4 times lower than in other ports of the Caspian Sea or the Black Sea.

The new port, built to international standards, will increase capacity to 11.5 million tonnes of cargo and 50,000 TEU containers per year by the end of the first phase of construction, and it will reach 25 million tonnes of cargo and about 1 million TEU per year by the end of the third phase of construction¹⁷ (SDG 9.1).

Figure 8. Baku International Sea Port¹⁸



¹⁷ <https://portofbaku.com/ru/The-New-Port-in-Alat/>

¹⁸ <https://www.lafargeholcim.com/holcim-azerbaijan-port>

2.3 THE REPUBLIC OF KAZAKHSTAN

2.3.1 Transport concepts, national policies, strategies and programs of Kazakhstan

Kazakhstan's Strategy of innovative industrial development "Kazakhstan-2050", the "Nurly Zhol-2025" ("Path to the Future-2025") Program, the action plan to improve the country's LPI by the year 2020 (Kazakhstan is placed 71st in the Logistics Performance Index benchmark), along with the program "Transport Strategy-2030" – all together cover rail, road, urban passenger, air and water transport systems, as well as logistics, infrastructure, and improvement of the legal framework ([Kazakhstan's Strategies are given in Appendix, Table 3](#)). The abovementioned programs and strategies are designed to (i) increase transit traffic, exports and transit potential; (ii) improve quality and enhance existing demand for transport services; (iii) ensure growing trade links between countries, creating beneficial, secure and accessible transit routes; (iv) modernize existing and create new "straightening" transport corridors, that would improve international connectivity in the SPECA subregion (SDG 9.1); (v) develop and modernize transport routes and infrastructure facilities along with renewing the entire vehicle fleet, aimed at improving the LPI rank to ensure at least the 40th place by 2025 (SDGs 3.6, 9.1, and 11.2); (vi) transpose international commitments and UN legal instruments into national legislation and policies.

The goal of the Transport Strategy-2030 is the accelerated development of the transport sector that satisfies the needs of the economy and population for transport services. The mission of the Strategy is to create a sophisticated transport system that would contribute to the effective implementation of the state-level agenda, provide transit opportunities for the country and minimize transport costs. In accordance with the long-term socio-economic and geopolitical priorities of the state, the strategic objectives of the transport system development are:

- integration of the transport system of Kazakhstan into the world transport system, through the increase of the level of development of transport infrastructure, competitiveness of domestic carriers in external markets for transport services, as well as increased efficiency in capturing transit traffic;
- formation of a unified externally integrated transport space and creation of a modern and sustainable national transport infrastructure on the basis of a modified model of longitudinal and latitudinal arrangements of the main transport arteries, connecting routes and junctions in the East-West and North-South directions;
- achieving the highest efficiency of transport processes and reducing the proportion of transport component in the final costs of goods in domestic, transit and export-import traffic by improving the system of state regulation, increasing and effectively implementing transit potential and using modern technologies;
- harmonization of national transport legislation with provisions of international norms and standards within the framework of regional and world-wide organizations;

- strengthening of the common economic space and development of interregional ties, as well as ensuring transport accessibility at a level that guarantees social stability through the development and effective use of transport infrastructure;
- increasing the competitiveness of Kazakhstan's transport system through innovative technologies and the development of cluster infrastructure;
- ensuring transport safety and security, reducing the number of road accidents and fatalities;
- ensuring environmental safety and rational use of energy resources, through implementation of a government policy dedicated to setting local environmental standards in line with international ones and monitoring their implementation;
- creating a favourable investment climate within the transport sector.

Kazakhstan has created the basis for the development and adoption of a number of industry-specific laws, in particular, in rail and road transport, which are currently being developed by the permanent expert commissions with a view to introducing necessary amendments, taking into account the latest trends in transport and recommendations of international organizations, such as UNECE, UNESCAP, CAREC, and others.

Thanks to the implementation of the Nurly Zhol-2025 program, transport infrastructure quality has improved, throughput capacities of the national motorways and main railways have increased, transport accessibility has been improved and transport costs for businesses have been reduced. In 2018 alone, the real growth of investments in fixed assets grew by 6.1% and amounted to 1.5 trillion KZT¹⁹. The volume of transport services increased by 4.6%, and labour productivity increased by 3.4%. In the course of implementing all projects on transport, 127,000 temporary and about 34,000 permanent jobs were created²⁰.

The implementation of the Sustainable Development Goals methodology provides an opportunity for the planned adaptation and evaluation of strategic planning and monitoring system of the Republic of Kazakhstan compared to existing global standards, and taking into account the consonance of the abovementioned programs (primarily the “Strategy - 2050”) with the 2030 Agenda for Sustainable Development Goals. On July 16, 2019, Kazakhstan presented its first Voluntary National Review (VNR). The UNDP's Rapid Integrated Assessment showed that about 80% of SDG targets have been integrated into the governmental programs and strategies such as the Strategy Kazakhstan-2050 and the 2025 Strategic Plan²¹.

In Kazakhstan, current technical standards do not comply with the international ones and

¹⁹ USD:KZT= 1:386 (01/12/2019)

²⁰ From the report of the Minister of Industry and Infrastructure Development of Kazakhstan at the Governmental Meeting, March 2019, Nur-Sultan

²¹ <http://www.kz.undp.org>

need to be harmonized. Many regulatory documents need to be optimized. For instance, Kazakhstan's railways are governed by 28 regulatory acts, whereas in developed countries there are usually no more than 5 instruments in force, i.e. there is an excessive number of regulatory documents that govern the same sectors. In addition, Kazakhstan's transport legislation should adopt the provisions of international agreements. In order to improve the legal framework on transport, currently Kazakhstan is working towards developing a new Transport Code.

To date, Kazakhstan is a contracting party to eighteen transport-related UN conventions and agreements, which is the highest number of accessions to UN instruments across the SPECA subregion. Below is the full list of acceded legal instruments as of January 1, 2020:

1. 1994: Road Signs and Signals, 1968
2. 1994: Convention on Road Traffic, 1968
3. 1995: European Agreement on Road Network (AGR), 1975
4. 1995: Contract for the International Carriage of Goods by Road (CMR), 1956
5. 1995: European Agreement on Work of Crews (AETR), 1970
6. 1995: TIR Convention, 1975
7. 1995: Perishable Foodstuffs (ATP), 1970
8. 2001: Dangerous Goods by Road (ADR), 1957
9. 2002: European Agreement on Combined Transport Network (AGTC), 1991
10. 2003: Collision Inland Navigation, 1960
11. 2005: Harmonization of Frontier Controls of Goods, 1982
12. 2005: Customs Container Convention, 1972
13. 2010: Vehicles Regulations, 1958
14. 2011: Technical Inspection of Vehicles, 1997
15. 2011: Global Vehicles Regulations, 1998
16. 2011: Supplementing 1968 Convention Road Traffic, 1971
17. 2011: Supplementing 1968 Convention Road Signs & Signals, 1971
18. 2011: Protocol Road Markings, 1973

This is a good result for the SPECA subregion, but Kazakhstan should aspire to join the majority of developed European states, which are contracting parties to over twenty and in many cases even thirty UN transport agreements. Adoption of the available international legislative and regulatory frameworks is an essential step for any developing country towards facilitating international transport connectivity and economic relations.

2.3.2 Transport sector in Kazakhstan

For Kazakhstan, it is of critical importance to maintain a high-quality transport sector. Geographical conditions of the country (its vast territory, being landlocked, uneven distribution of human settlements and natural resources) make its economy one of the most dependent on freight mobility in the world, causing high dependence on the

transport system. Located at the junction of Europe and Asia, Kazakhstan has significant transit potential, providing Asian countries with geographically non-alternative land transport links with the Russian Federation and Europe. The proximity to countries with major world markets makes the development of domestic transport system rather promising. A flat landscape and large reserves of natural resources demand for efficient rail and road transport links.

The transport sector accounts for more than 5% of Kazakhstan's GDP²². Transit revenues amounted to \$1.5 billion in 2018, and they are on course to reach \$3 billion target in 2019, and a \$5 billion in 2020²³.

Being a land-locked country, Kazakhstan's major priority is to develop a sustainable transport infrastructure and a reliable transit system. The state of the transport system is currently neither optimal, nor sufficient, in both rail and road. The unbalanced distribution of transport networks hinders the harmonized development of the economy throughout the country. The industry-oriented network of railways and motorways has been developed without taking into account territorial boundaries, in particular with the SPECA countries. Therefore, incompatibility of certain technical parameters of Kazakhstan's transport infrastructure (such as low rail density – 5.5 km/1,000 km², ageing rolling stock, absence of high-speed tracks, and lack of sustainable logistics) with international standards and internal systems of the existing trading partners is one of the obstacles for regional integration and growth of trade and transport connections.

The main share of the inland transport network belongs to roadways and railways (88,400 and 14,000 km respectively) with the length of functioning waterways amounting to 3,900 km. The density of the transport network per 1,000 square kilometres of territory is: 5.5 km of railways, 32.4 km of paved roads, and 1.5 km of inland waterways. More than 2,500 km of rail tracks and more than 2,000 km of paved roads have been built during the last 5 years.

The economic development of remote regions suffers from significant inconsistency in the transport network. It is necessary to upgrade transport infrastructure and facilities throughout the country to create favourable conditions for the development of a competitive market for commercial freight-forwarders. On transit routes, it is necessary to involve local communities in the road maintenance and roadside and dispatching services. This would create additional jobs for the local population residing in close proximity to the routes, and ensure better road safety and environment protection.

Along with infrastructural problems, transit traffic passing through the territory of Kazakhstan faces a number of additional barriers, the most significant of which are delays and procedural

²² From the report of the Deputy Prime Minister of Kazakhstan at the Governmental Meeting on the results of 2018.

²³ From the report of the Prime Minister of Kazakhstan at the Governmental Meeting, July 2019, Nur-Sultan

complications at border controls. For that reason, it is most critical to accede to and fully implement the provisions of the UN border crossing facilitation legal instruments.

2.3.3 Rail transport of Kazakhstan

The length of the main railway lines is more than 17,000 km, 6,000 km of which are double-track and about 5,000 km are electrified, (*Map of Kazakhstan railways, Figure 9*). The fleet of freight wagons is more than 120,000 units, and the fleet of locomotives is more than 1,500 units.

Figure 9. Kazakhstan railways²⁴



One of the key projects of the reviving of the Silk Road is the Eurasian Trans-Continental Multimodal International Transport Corridor, which is being implemented as part of the Nurlu Zhol project. The Eurasian Transport Corridor has three main directions:

- China – Kazakhstan – Russia – Europe, with access to the Baltic Sea;
- China – Kazakhstan – Azerbaijan – Georgia – Turkey – Europe with access to the Black and the Mediterranean Sea (as part of TRACECA route);
- China – Kazakhstan – Turkmenistan – Iran – Pakistan with access to the Persian Gulf and the Indian Ocean.

Kazakhstan has established a sustainable transport network that has optimized the North-South and East-West transport corridors passing through the country. Thus, the newly built railway line Zhezkazgan – Beineu (1039 km) reduced the main route of the TRACECA

²⁴ [https://commons.wikimedia.org/wiki/File:Railway_Map_of_Kazakhstan_\(kk\).png](https://commons.wikimedia.org/wiki/File:Railway_Map_of_Kazakhstan_(kk).png)

transport corridor “Europe – Caucasus – Asia” by 750 km, and is integrated with the Georgian-Turkish railway line Akhalkalaki – Kars (98 km). The launch of the new railway line Uzen – Bereket – Gorgan (928 km), together with Turkmenistan and Iran, marked a new route for the North-South corridor. As a result of the operation of these new lines, transportation costs were reduced by 10-30%, the delivery time by 1-3 days, and the transit potential has increased²⁵.

The Eurasian Economic Commission is actively developing the “Main Directions and Stages of the Coordinated (Agreed) Transport Policy” document. Their implementation should be the next concrete step in moving towards a unified transport space, creating a common market for transport services, which will reduce the transport component in the final price of goods, increase connectivity of transport services, address the bottlenecks and, ultimately, make the Eurasian region more economically attractive for trade and transit.

A number of reforms ensured the separation of transport operations and infrastructure on the national railway level to create a liberated and market-oriented spectrum of services in multimodal cargo carriage that could be competitive on a global scale. Infrastructure, while remaining a natural monopoly, will pursue the strategy aimed at improving production efficiency. Such a model of railway transport can be observed in the EU, Australia and Latin America. Based on the new operating model, a new organizational structure of the national railway company is being implemented to achieve the strategic goals of sustainable business development based on product orientation; such models are used by the Deutsche Bahn (Germany) and the Union Pacific (USA), they both assure a maximum level of customer service orientation. In the restructuring process, the UNECE recommendations on safety and accessibility of transport services, as well as environmental and social issues have been considered (SDGs 9.2, 11.2).

The work of the rail sector is subject to a complex transit tariff policy. According to the study “Building a better working world” (EY, 2015/2016), conducted for the railway sector, the quality of rail infrastructure has been found to be low, and it was found that the current tariffs do not cover the actual operating costs and are not sufficient to support the necessary modernizations, reconstructions and further railway developments.

At the present stage of development, the overall quality of the railway sector can be characterized as “satisfactory” rather than “good”. Some infrastructure projects are operating on outdated equipment and use ineffective technologies and means of communication, which directly affect wagon handling, loading and discharge times, and spoilage of cargoes, leading to the delivery of shipments to consignees ultimately being compromised. These problems are common to all SPECA countries to some extent. A substantial increase in the volume of all freight shipments, including those related to the export of coal, oil cargoes, metal production, chemical and petrochemical products, and other goods, is hindered by insufficient throughput of some railway sections.

²⁵ From the Kazlogistics report at the Central Asian Trade Forum, Almaty, 2017

Kazakhstan steadily builds a unified trade-and-transport strategy with SPECA countries. An agreement has been signed on creating a transport infrastructure for the international corridors shared with Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and Azerbaijan. In July 2019, the “Beineu” international border crossing was opened under the agreement. Trade between Kazakhstan and Uzbekistan amounted to \$3 billion in 2018, and is continuing to grow. The same is true with other SPECA countries and such a strategy will facilitate regional trade-and-transport cooperation.

The strong growth of the Chinese economy, in particular its western regions, has generated shipments of a diverse range of goods to the world markets. At the same time, according to experts, the level of Kazakhstan’s transit traffic is steadily increasing. The linking of “Nurly Zhol” program with the “Belt and Road Initiative” allowed Kazakhstan to accelerate its transit potential and make it a profitable sector of the economy. Cargo shipments from China to Europe via Kazakhstan and back take four times less time than by sea. In 2018 alone, more than 3,000 container trains passed through Kazakhstan from China to Europe, the Russian Federation and the countries of Central Asia. In 2019, container cargo transit has amounted to 352,000 TEU in just seven months, which is 38% higher than in 2018. The growth of container transportation along the China – Kazakhstan – Europe transit corridor amounted to 23%, along the Trans-Caspian International Corridor to 60%, and along the China – Central Asia route to 57%²⁶.

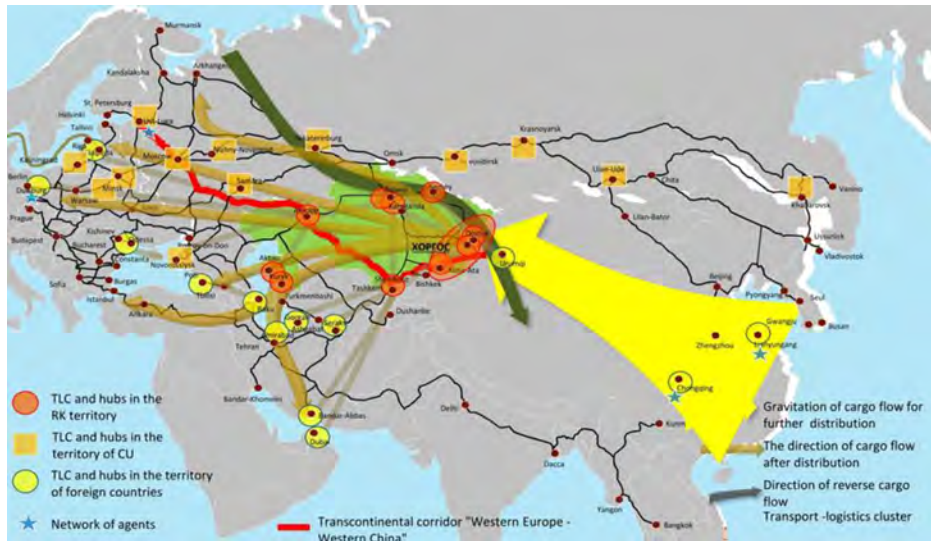
Therefore, Kazakhstan should focus on putting into practice the provisions of the “Convention on the Harmonization of Frontier Controls of Goods” and the “Customs Convention on Containers”, and to do that, it should regulate the work of customs services and develop a joint, agreed process and technical standard. To accelerate the passage of goods through China-Kazakhstan border control, Kazakhstan’s border crossing points are equipped with an automated goods delivery control system, which increases the efficiency of customs controls and eliminates the “human factor” in the process. Modern technology has been introduced at border crossing points including automated radiation monitoring systems (for radioactive materials), and stationary and mobile inspection and monitoring equipment. To increase the attractiveness of the trans-Kazakhstan routes, constant efforts are made on container trains to ensure a high-quality service, safety and security of cargo. As a result of this work, container traffic between China and Europe has increased by almost forty times compared to the 2011 levels. Transit through Kazakhstan reduces delivery times to 13-15 days with container trains covering as much as 1,200 km/day. By 2020, it is planned to increase the volume of transit on this route to over 800,000 TEU²⁷. Another way to increase the transit of goods, especially containers, is the opening of the Altynkol terminal, in addition to the existing international terminal at Dostyk; a large

²⁶ From the report made by the President of JSC “NC KTZH”

²⁷ From the International Conference “Argus Caspian and Central Asian Petroleum Markets 2019”, Abu Dhabi, UAE

transport and logistics complex named “Khorgos - Eastern Gate” is located there; 49% owned by COSCO (“Khorgos – Eastern Gate” FEZ, Figure 10). China’s Lianyungang port has a logistics centre that processes 2 million tonnes of cargo destined for Europe and the SPECA countries. Currently, Kazakhstan is developing the Dostyk-Iletsk project under the Strategy. Its goal is to increase transit traffic to 2 million TEUs by 2020, increase the speed of transit trains to 1,500 km/day, and double the throughput. However, to achieve these goals, it is necessary to carry out a considerable amount of maintenance work on the roads and railways, renewal of the rolling stock, improvement of technological processes and the introduction of new technical equipment.

Figure 10. “Khorgos – Eastern Gate” FEZ²⁸



Unfortunately, 50% of Kazakhstan’s rail transport facilities are in a poor state of repair²⁹, this caused a shortage of vehicles and a decrease of traffic capacities of some railway sections to an extremely low level. Such a low quality of infrastructure is the result of a prolonged insufficient investment in the railway infrastructure development and maintenance (there are more than 1,000 engineering structures in Kazakhstan, 80% of them require major repairs)³⁰.

Progress must be made in the development of the arterial railway network, especially the

²⁸ Source: The round table report “Industrial logistics hub of “Khorgos – Eastern Gate” FEZ” of the National Center for Transport Logistics Development, Astana, 11 May 2012.

²⁹ EY Building a Better working world 2015/2016

³⁰ From the report of the Transport Prosecutor’s Office of Kazakhstan, 2017-2018

access tracks to industrial terminals/ports, where 95% of loading and discharge is carried out. To optimize the process, it is necessary to build new railway lines in the East-West direction.

Taking into account the positive global trend in the containerization of shipments (55% of the total freight traffic), it is crucial for Kazakhstan to develop intermodal transportation and build transport and logistics centres that would comply with international quality standards and ensure an efficient use of the transport network. Given the above, it is safe to assume that there could be a potential problem with the shortage of wagons available to carry containerized traffic.

2.3.4 Road transport of Kazakhstan

Thanks to the Nurlu Zhol programme, road construction is developing rapidly in five main directions: Centre-North, Centre-East, Centre-South, Centre-West and Almaty-East, forming a developed national road network, integrating into the international network of transit corridors. 9,800 km of roads that are going to be reconstructed within the next 5 years, which will require \$10 billion of investment.

Figure 11. Kazakhstan motorways³¹



³¹ Source: United Nations Geospatial Information Section, 2021

Over the past 5 years, more than 5,000 km of motorways have been built in Kazakhstan (Map of Kazakhstan motorways, Figure 11). It is expected that by 2022, 48% of the roads of the republic's network will fall into the 1st and 2nd technical categories. As the length of the motorways increases, the requirements for its operation become stricter. To finance maintenance at the appropriate level of service, it is planned to introduce a toll system. According to the plans of the Ministry of Investment and Development, about 30% of all republican roads will be tolled by 2022, which includes about 11,000 km (or 33 road sections). The total income from collected tolls is expected to exceed \$110 million by 2022, which in return should fully cover the costs of toll roads maintenance and reduce the burden on the country's budget. Large budget funds are directed at the development of roads, but the amounts spent on their maintenance are not sufficient. Improvement of roadside service plays a key role in achieving road transport development goals. Currently, about 2,500 service facilities are located along the country's main roads. In addition, total demand within the republican motorway network is for more than 400 integrated service facilities (gas stations, motels, parking lots, service stations). However, fully functioning roadside facilities most often do not meet international requirements neither on quantity, nor on the quality of services. To date, there are only about 50 such facilities providing a full package of services.

Figure 12. Western Europe – Western China corridor³²



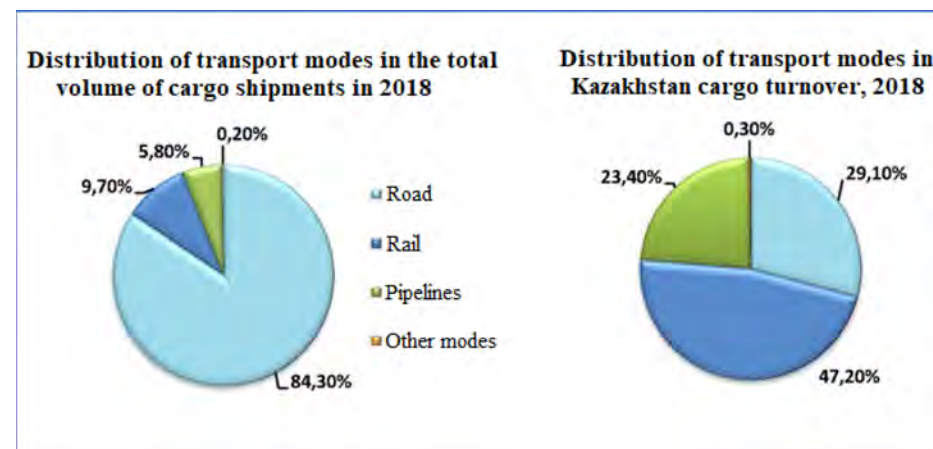
Construction of the international road corridor “Western China – Western Europe”

³² Source: JSC National Company “Kazakhstan Temir Zholy”

(2,787 km) has been completed (Map of the Western Europe – Western China route, Figure 12), as well as some sections of the road connecting to neighbouring states. A good example is Kazakhstan's partner in the EEC – Belarus. It has road service facilities that meet European standards. Favourable conditions have been created for businesses and, in particular, land and property tax exemption have been introduced for the period of construction and the first two years of operation of the roadside service facilities. It shows that when it comes to ensuring a European level roadside service in Kazakhstan, appropriate mechanisms of state support are necessary, with possible use of funds from the “Damu” Entrepreneurship Development Fund.

About 20% of buses and 30% of trucks are over 10 years old. The continued depreciation of the motor vehicle fleet increases repair and maintenance costs, affects the level of services and has a negative impact on the environment. The total number of trucks is over 400,000 units. More than 4,000 enterprises with a total fleet of over 16,000 vehicles participate in domestic and international cargo transport; more than 400 of these companies use TIR Carnets. Cargo turnover has increased by more than 30% in 2018 compared to 2017, a further annual increase of 0.2 million tonnes is expected, with an overall increase to 3 million tonnes by 2025 (Cargo turnover in Kazakhstan by mode of transport, Figure 13).

Figure 13. Cargo turnover in Kazakhstan by mode of transport³³



The technical characteristics of the majority of vehicles operated in Kazakhstan are significantly lower than the parameters advised by the most developed countries.

³³ Source: The railway industry subcommittee meeting of the “Atameken” National Chamber of Entrepreneurs of the Republic of Kazakhstan named “New approaches to development of railway transport”, Astana, 29 April 2019.

Although the vehicle fleet is being gradually updated, allowing for some increase in the level of safety and quality of transportation, a number of problems in this area remain unresolved. Vehicles often do not meet Euro-2 requirements, creating a significant emissions problem for domestic road transport, while at the same time, in Europe, most freight vehicles are of, at least, Euro-4 standard. Thus, given Kazakhstan's plans to develop the country's transit potential, domestic transport companies are faced with the challenge of a massive fleet renewal. Currently, to update the vehicle fleet, transport companies performing international road carriage between Kazakhstan and Europe annually require about 800 vehicles of environmental class "Euro-4" or above.

Figure 14. International freight road traffic passing through Kazakhstan in 2016-2018³⁴



Attracting transit traffic is a priority for Kazakhstan, but the growth of transit traffic does not only bring benefits, but also burdens associated with a significant increase in the cost of infrastructure repairs and maintenance. Moreover, transit entails further negative consequences, such as environmental pollution, traffic congestion and reduced road safety, (See: *Volumes of Kazakhstan's international road freight traffic in 2016-2018*, Figure 14). Transport safety performance indicators, particularly on road safety, are below international standards. Each year, more than 2,000 people are killed in road traffic accidents in Kazakhstan; that is twice as much as in developed countries. Over the past 5 years, the annual increase in the number of victims of traffic accidents has remained at around 10-15%. If this trend continues, and the government fails to take comprehensive measures to improve safety, including infrastructure modernization, safer vehicles, better drivers training and testing,

³⁴ Source: Adapted from the railway industry subcommittee meeting of the "Atameken" National Chamber of Entrepreneurs of the Republic of Kazakhstan named "New approaches to development of railway transport", Astana, 29 April 2019.

promotion of educational materials on transport safety, and strengthening law enforcement in this area, the number of victims of road traffic accidents may increase further at a much higher rate. Moreover, the share of transport in environmental pollution is close to 30%, this exceeds the same indicator of developed countries by more than 1.7 times³⁵.

2.3.5 Maritime transport of Kazakhstan

The Strategic Development Plan of the Republic of Kazakhstan until 2020 defines the goals for maritime transport, which should cover 2/3 of the volume of oil transportation and 1/2 of the volume of dry cargo transportation from the ports of Kazakhstan on the Caspian Sea, taking into account the existing growth levels of cargo traffic across the Caspian Sea (in 2018, cargo traffic in the Caspian region increased by 38%).

Figure 15. Aktau international seaport³⁶



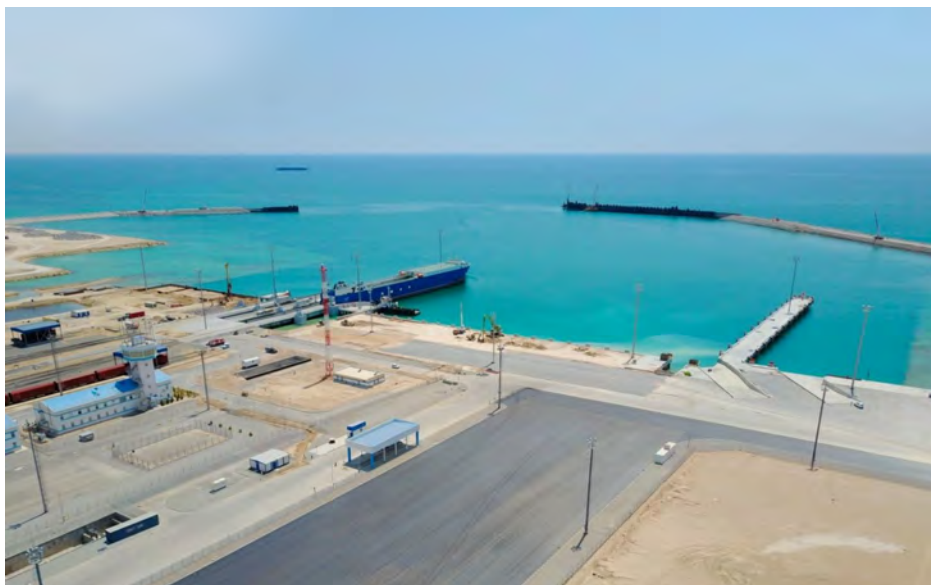
At present, Kazakhstan is represented in the Caspian region by the international commercial seaport of Aktau, the cargo turnover of which is planned to increase up to 22 million tonnes by 2020, (Aktau seaport, Figure 15) and the multimodal transport hub Kuryk, through which liquid and bulk cargoes can be passed, (Multimodal seaport of Kuryk, Figure 16). The capacity of Kuryk port is 6 million tonnes of cargo per year.

³⁵ From the "Order of the Ministry of Transport of the Russian Federation № 45 on the approval of the Transport strategy of the Russian Federation for the period till 2020", 12.05.2005.

³⁶ <http://www.portaktau.kz/ru/infrastructure>

The international TRACECA route and North-South corridor have become more attractive since the connection to the Baku – Tbilisi - Kars railway line. The Caspian Sea fleet grows in all of the bordering countries – Azerbaijan, Iran, Turkmenistan and the Russian Federation. They are acquiring new ships, such as tankers and dry-cargo ships, and developing port infrastructure. In order to support the development of inland water transport, Kazakhstan should respond appropriately by continuously renewing the marine fleet and attracting modern ships; this will increase the speed and quality of services provided and, as a result, will have a competitive advantage. In order to develop the China – Azerbaijan – Georgia – Turkey transport route, a feeder connection between the ports of Aktau and Baku was launched in the spring of 2019, which allowed to increase the volume of container traffic and to reduce the delivery time by 20-25%.

Figure 16. Kuryk multimodal seaport³⁷



In order to attract additional volumes of transit cargoes, the Caspian Sea countries need to develop a common tariff policy, tax standards, phytosanitary requirements, strengthen human resources and logistics. The Convention on the Legal Status of the Caspian Sea signed between the Caspian littoral states, which creates the basis for cooperation between the SPECA countries, inspires optimism in increasing freight traffic. The development of cooperation in this direction was once again confirmed by the participants of the 1st Caspian Economic Forum (Turkmenistan, “Avaza”, 11.08.2019), with the implementation of the Belt and Road Initiative, the Caspian region is perceived as an important transport artery of Eurasia.

³⁷ <https://kurvk.kz/>

2.4 THE KYRGYZ REPUBLIC

2.4.1 Transport concepts, national policies, strategies and programs of Kyrgyzstan

The strategic goal of Kyrgyzstan is to become a regional transit hub, reflecting the geographical position among the countries of Central Asia ([Kyrgyzstan's Strategies are listed in Table 3](#)). The National Development Strategy of Kyrgyzstan for 2018-2040 (approved in Bishkek on 01.10.2018) contains infrastructure plans to transform Kyrgyzstan to a successful transit country.

The Strategy for the Development of Railways for 2014-2020 defines key areas for the development of rail transport and its implementation plan. The planned construction of railroads should drive the development of regional economies, give access to mineral deposits, and promote sustainable transport links with neighbouring countries (SDG 9.2).

By 2040, Kyrgyzstan plans to implement 244 projects worth \$21 billion (the source of funding has yet to be announced), including \$7.1 billion allocated to road construction, development transport and logistics, \$95 million allocated to development of information technologies, and \$50 million allocated to environmental protection³⁸. The Strategy-2040 includes “Priority directions of development of Kyrgyzstan for the period up to 2022”, taking into account proposals and comments of the National Sustainable Development Council of Kyrgyz Republic.

Addressing these issues will allow Kyrgyzstan to increase the employment rate and improve economic well-being of the population, provide additional North-South and South-South transport links for the country, and strengthen international connectivity. Kyrgyzstan is a member of the World Trade Organization (WTO, since 20.09.1998) and joined the Eurasian Economic Union (EAEU) on 12.08.2015.

According to the Strategy-2040, Kyrgyzstan’s performance in the international rating system will be improved. By 2023, Kyrgyzstan plans to be among the forty best countries in the World Bank’s Doing Business rating, among seventy best of the Global Competitiveness Index, in the top thirty countries of the Global Happiness Index, and in the top fifty countries of the Information Society Index and the Global Competitiveness Index.

Kyrgyzstan plans to further cooperate in all aspects with the EU to put the country on the path of sustainable development on infrastructure, environment, social and economic development and increase human potential.

³⁸ 7th meeting of the National Council of Kyrgyzstan, Bishkek, 13.08.2019

Kyrgyzstan is currently a contracting party to eleven UN international agreements and conventions on transport:

1. 1994: Convention on Road Traffic, 1949
2. 1994: Protocol on Road Signs and Signals, 1949
3. 1998: Contract for the International Carriage of Goods by Road (CMR), 1956
4. 1998: Protocol to CMR, 1978
5. 1998: TIR Convention, 1975
6. 1998: Temporary Importation of Commercial Road Vehicles, 1956
7. 1998: Harmonization of Frontier Controls of Goods, 1982
8. 2006: Road Traffic, 1968
9. 2006: Road Signs and Signals, 1968
10. 2007: Customs Container Convention, 1972
11. 2012: Perishable Foodstuffs (ATP), 1970

During the 2000s, Kyrgyzstan acceded to all the UN conventions facilitating road transport and recommended by UNESCAP Resolution 48/11. Positive outcomes have been achieved almost immediately. After joining two core UN transport conventions on road safety in 2006, the country has seen a significant decline in road traffic accident and fatality rates. This is particularly important to Kyrgyzstan, since 99% of all passenger traffic is transported by road³⁹.

The Kyrgyz authorities should continue improving national policies and gradually strengthen legal regulations on transport in close cooperation with interested industry representatives and with SDG targets included in national and sectoral plans.

2.4.2 Rail transport of Kyrgyzstan

Railways are an integral part of the transport system, and they must address the needs of population and the economy by providing connectivity on both domestic and international scale in a timely and efficient manner, in cooperation with other modes of transport. However, the Kyrgyz rail network is geographically divided into two unconnected sections - the northern (323.4 km) and the southern (101.2 km) parts, which provide the link to the rail networks of neighbouring countries - Kazakhstan and Uzbekistan, (*Map of Kyrgyzstan railways, Figure 17*). Lately, the volume of cargo traffic has been increasing annually by 4-7%.

Due to limited budgetary resources, the state of rolling stock, equipment and other fixed assets of rail transport have reached a critical level. A significant part of it is operated beyond the nominal working life and the other part is approaching it, which limits the operating speed of cargo trains. As a result of this situation, operating on certain international routes has become economically inefficient (unprofitable) and traffic

³⁹ <https://www.unece.org/trans/main/wp6/infocards.html>

frequency has decreased on these routes. The difficult financial situation of Kyrgyz Railways does not allow for the renewal of rolling stock and other technical equipment through its own resources. As a result, the rail industry cannot provide freight forwarders with sufficient capacity, especially open wagons.

Figure 17. Kyrgyzstan railways⁴⁰



The primary purpose of rail transport is to provide a quality transport service and to assist the development of trade and traffic. To achieve this, the following tasks have to be prioritized:

- to develop a comprehensive integrated plan for the renewal of the Kyrgyz railway, with the aim of increasing volumes of cargoes in foreign trade;
- to introduce systematic maintenance checks for rolling stock (cargo wagons, passenger wagons, and locomotives);
- to transit to a system of guaranteed carriage of goods under contracts and long-term agreements;
- to organize a system of competent transport services based on extensive use of modern means of information systems and digital technologies;
- to build an education system aimed at training transport workers and the development of educational and scientific base;
- to make rail cargo transport attractive for small and medium sized businesses;
- to ensure implementation of a flexible tariff policy;

⁴⁰ <http://ostkraft.ru/ru/maps/261>

- to ensure safety of trains, especially at level crossings without automatic barriers, and during shunting operations on access roads and station tracks, in order to reduce the number of fatalities and injuries on railway tracks (SDGs 3.6, 11.2);
- equip avalanche-prone mountainous areas with protective structures that protect the railway tracks from rockfalls and avalanches, in full compliance with the Sendai Framework for Disaster Risk Reduction 2015-2030.

The coordination of works for Kyrgyzstan railways is carried out within the framework of the OSJD, which determines the transport development strategy, its tariff policy, enhances the core industry documents, and determines the plan and program of work. Kyrgyzstan is also a member of the Central Council for Railway Transport of the Commonwealth of Independent States and Baltic States (CRT CIS).

Currently, major international projects for the construction of the following railway lines are under consideration: China - Kyrgyzstan - Uzbekistan and China - Kyrgyzstan - Tajikistan - Afghanistan – Iran.

The structure of the Kyrgyz railway network and the lack of direct links to international markets increase the cost of national exports. For this reason, Kyrgyzstan intends to develop railway infrastructure despite the mountainous terrain. The main project continues to be the construction of the China-Kyrgyzstan-Uzbekistan railway line. This railway line is both a part of ESCAP's Trans-Asian Railway Network and CAREC Corridor 2.

2.4.4 Road transport of Kyrgyzstan

The total length of roads in Kyrgyzstan is more than 34,000 km, of which about 19,000 km are public roads (*Map of Kyrgyzstan motorways, Figure 18*). Within the entire network of roads, international arteries are of the greatest importance for the functioning of the economy. Due to the continuous expansion and strengthening of the country's economic ties, the traffic volume for road transport has increased significantly. The main transit corridor of Kyrgyzstan is the Osh - Kashgar road, which connects East and West Asia.

Roads are the most important part of the unified transport infrastructure system in the economy of Kyrgyzstan. Motorways account for 95% of total freight traffic. Built through numerous mountain passes, they are the only transport routes that connect economic regions separated by mountain ranges.

A long-standing road network has been established in Kyrgyzstan, which connects all regions of the country and provides access to the neighbouring countries of Central Asia and through those to the Russian Federation and European countries, and to China and through it to Pakistan and India. The main international road transit corridors used by Kyrgyz road carriers are the following:

- Bishkek – Jalalabad – Osh (North-South);
- Bishkek – Naryn – Torugart – Kashgar (China);
- Osh – Sary Tash – Ishkertam – Kashgar (China);
- Osh – Kok Tala – Pulgon – Batken – Isfana.

An alternative road project connecting the north and the south of Kyrgyzstan has been initiated (as set out in the National Sustainable Development Strategy of the Kyrgyz Republic, SDG 9.1). The new international highway Jala-Abad - Kazarman - Balykchi is going to be 433 km long. Unlike the Bishkek-Osh route, there are no mountain passes on the alternative road, instead a 3,815-meter-long tunnel and two overpass bridges that have been built to address altitudes.

Figure 18. Kyrgyzstan motorways⁴¹



According to information provided in the Strategy, at least 500 kilometres of road need to be repaired annually, including about 200 kilometres of road of national importance, and about 500 kilometres of road of international importance. In order to achieve road maintenance targets, toll roads are being considered as a potential source of funding for

⁴¹ Source: United Nations Geospatial Information Section, 2021

road operation and maintenance and the provision of modern equipment. The ongoing expansion of the economy has led to a significant increase in traffic. De facto, the entire network of roads is open for the passage of all types of vehicles from other countries, which causes significant wear of the road surfaces. The critical issue of improvement and maintenance of road conditions can be addressed via public-private partnership projects in the road construction sector; it is an effective tool of the country's economic policy.

Kyrgyzstan has already made some progress in improving the level of service and maintenance of public roads. With financial support from the Asian Development Bank, the Islamic Development Bank, and the government of Japan (JICA), a project on the rehabilitation of strategically important roads, such as Bishkek – Osh, Bishkek – Naryn – Torugarti, Osh – Batken – Isfana, which will provide links to remote areas of the Batken province (implementation of SDGs 9.1, 11.2), as well as strengthen regional economic ties with China, Tajikistan, Uzbekistan and Kazakhstan. In addition, the reconstruction of the Tyup – Kegen, Kochkor – Aral, and Balykchy – Karakol highways is under way within the framework of the Strategy. In addition, investment has also been focused on the rehabilitation of the Bishkek – Almaty highway. Furthermore, an urban transport development project, funded by the World Bank, has been undertaken focusing on reconstructing roads in the cities of Bishkek, Osh, and Jalal-Abad.

At the same time, the quality of public roads is extremely low. Performance indicators and the technical condition of roads along main traffic arteries do not meet current requirements for road safety and transportation. More than 60% of the total length of the road network is not paved, and only less than 20% of it has a suitable surface for heavy goods vehicles.

As of the beginning of 2016, a total of 80% of public roads are characterized as deteriorated with more than 70% of road structures requiring major repairs and rehabilitation⁴². More than 75% of the existing road-construction equipment shows a high degree of wear, to the extent that more than half of it cannot be repaired. Annually, the allocated funds for maintenance only manage to cover 18-20% of the total annual requirements of the road sector.

The main objectives of the country's road network development are ensuring sustainable road connectivity between all human settlements, and bringing the roads in line with international technical requirements. In this regard, it is necessary to:

- develop legal, regulatory and institutional measures to engage the private sector in charging road tolls to direct at road maintenance (to create a favourable environment for public-private partnership development);
- develop a road development strategy and create mechanisms to ensure adequate technical service and maintenance of the road network;

⁴² Decision of the Committee on Transport, Communications, Architecture and Construction of the Supreme Council of the Kyrgyz Republic "On ensuring the safety of public roads in the Kyrgyz Republic", 24.06.2016

- increase the efficiency of the transport sector through accelerated development of private businesses;
- invest into modernization of border control points, especially the shared facilities with the adjacent countries, increase throughput, and reduce vehicle downtimes at borders.
- take the necessary measures to ensure year-round transport operation in rural areas.

At present, the vehicle fleet of Kyrgyzstan is constantly growing, but at the same time it is aging. The lack of proper centres for technical service, inspection and certification of vehicles contributes to the fleet being in a poor state. Although some technical regulations exist (with respect to working hours, vehicle safety standards and axle-load limitations), these are enforced mainly on international transport, as inspections are usually carried out near customs border points. Authorities report that domestic trucks are often overloaded, which accelerates road deterioration. Local interviews have also indicated that companies operating on the domestic market do not always comply with international standards regarding safety, operational efficiency and environmental impacts⁴³. Kyrgyzstan needs to consider strengthening the law enforcement in vehicle weight control by introducing "weight-in motion" equipment and by implementing anti-overloading checks and corresponding penalties.

Regarding transportation of dangerous goods in Kyrgyzstan, the government approved the "Rules for Transportation of Dangerous Goods by Road" (11.04.2016). However, it is also necessary to develop a technical regulation on "Requirements for vehicles safety" in accordance with the provisions of the European Agreement on the International Carriage of Dangerous Goods by Road (ADR, 1957).

Kyrgyzstan needs to consider the implementation of a licensing system for truck drivers engaged in freight haulage. Such license should require professional qualifications, continuous work experience, a good business reputation and an appropriate financial standing. Since 2013, in order to coordinate actions to promote initiatives aimed at the development of trade, transit and transport links in Kyrgyzstan, a governmental Interdepartmental Working Group (IWG) has commenced its operation, and it addresses the following main issues:

- training of truck drivers engaged in international transportation in special training centres;
- accession of Kyrgyzstan to the European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR).

This work is carried out within the framework of "The main directions and stages of implementation of the coordinated (agreed) transport policy for the period 2018-2020", approved by the Decision of the Eurasian Intergovernmental Council on 25.10.2017.

⁴³ Enhancing Connectivity and Freight in Central Asia, ITF, 2019

In general, the road transport industry of Kyrgyzstan is poorly regulated. Gaps in legal regulation have given unlicensed domestic operators an unfair competitive advantage over international ones, which hinders the development of higher-quality services. Not many trucking companies can offer special services in line with ATP Agreement, such as refrigerated transport (Exotica, UBS Transit). There are no specialized logistics companies that could provide a continuous cold supply (Global Cold Chain). There is very limited data on the trucking industry because it is heavily fragmented and largely informal. In particular, there is no information on the cost structure of companies, and very little is known about the geography of traffic flows.

With the increase of mobility, one could assume a growth of the number of road traffic accidents and fatalities. It is worrying, because the overall road safety situation is already poor with 15.4 people killed per 100,000 population (WHO, 2018).

2.4.5 Transport corridors of Kyrgyzstan

Kyrgyzstan is developing mutually beneficial regional cooperation to integrate road and rail networks into existing international transport networks, thus gaining additional benefits and advantages of the country's strategically important geopolitical location. Integration of the national road infrastructure into regional and international networks is a priority for the Kyrgyz government. The territory of Kyrgyzstan is crossed by a number of TC:

- CAREC corridors: 1c, 2a, 3b, and 5;
- EATL routes 4 and 5;
- 4 Asian Highways AH5, AH7, AH61, and AH65.

The priority to further develop the national railway network is the creation of the South corridor of the Euro–Asian transcontinental railroad, which will connect the ports of the Pacific to the Persian Gulf and to the Mediterranean by passing over the territory of Kyrgyzstan.

Through the rail network of Kyrgyzstan run three EATL corridors:

- Northern line:
 - Corridor from Lugovaya station (Kazakhstan) - Rybachye station (Balykchi, Kyrgyzstan);
- Southern line:
 - Corridor from Uchkyrgan station (Uzbekistan) - the border Shamaldy_Sai station (Uzbekistan) - Tach-Kumyr station (Kyrgyzstan);
 - Corridor from Savai station (Uzbekistan) - Kara-Cuu-Osh station (Kyrgyzstan) and Xanabad (Russian Federation) - “Kok-Jangak” (Kyrgyzstan).

Kyrgyzstan's accession to international conventions and agreements of the United Nations will largely help to achieve the set objectives on international transport and lead to more efficient transport systems including facilitation of border control, harmonization of standards, improvement of transport safety and environmental protection. In particular, the following should be considered:

- European Agreement on Main International Transport Arteries (AGR);
- European Agreement on International Main Railway Lines (AGC);
- European Agreement on Important International Combined Transport Lines and Related Installations (AGTC, 1991);
- European Agreement Concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR, 1970);
- European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR, 1957).

2.5 THE REPUBLIC OF TAJIKISTAN

2.5.1 Transport concepts, national policies, strategies and programs of Tajikistan

Tajikistan's transport system, given the current market conditions, and taking into account the geographic position of the country (93% of the territory is mountainous), plays a major role in the development of national economy, domestic and international connectivity ([Tajikistan's legislative framework on transport is given in Appendix, Table 2](#)). One of Tajikistan's strategic goals is to achieve sustainable development of the country's industry and infrastructure (SDG 9.1) ([Tajikistan's Strategies are listed in Table 3](#)).

Tajikistan adopted the "National Development Strategy of the Republic of Tajikistan for the Period up to 2030" (NDS-2030) and the "Medium-term Development Programme for the period 2016-2020" (MtDP). One of the goals of the NDS-2030 is to overcome the communication deadlock and turn the country into a transit one.

In the transport sector, the NDS 2030 is committed to:

- construct and reconstruct transport infrastructure;
- create transit transport corridors;
- develop transport support provided to industrial areas of economic growth, primarily in the framework of investment projects of national importance;
- develop the transport sector, aimed at creating new jobs; improve the efficiency of the national sectors of the economy and improve the quality of living of people;
- ensure efficient operation of transport and transport infrastructure that contribute to the socio-economic development of regions of the country;
- ensure affordability of public transport for people with disabilities;
- minimize the negative impact of the transportation industry on the environment and human health.

In order to achieve these goals, the Government of Tajikistan places the transport sector and road construction, in particular, among the priority objectives of the Strategic Program. Already, the work carried out on the development of transport infrastructure has led to a stable growth of cargo traffic. Implementation of adopted programs undoubtedly contributes to a way out of transit dependence, an increase in the level of safety and accessibility of transport services, and expansion of intergovernmental economic ties, which depicts the practical implementation of SDGs 3.6, 9.1, 11.2.

Taking into account the need to develop transport and logistics infrastructure, the state sector-specific program "Development of transport complex of Tajikistan until 2025" defines the following targets:

- creation of logistics networks in cities, regional and district centres, international logistics centres; construction of frontier facilities;

- support for private entrepreneurship in intercity and international transportation;
- preferential loans for the purchase of vehicles that meet international standards;
- attraction of investments for the development of railway infrastructure (new lines, locomotives, wagons, etc.);
- construction of new railway networks;
- rehabilitation and maintenance of existing, and construction of new international and national roads, bridges and other infrastructural facilities;
- digitalization of transport and logistics infrastructure.

However, currently, Tajikistan's infrastructure remains inefficient (World Bank index of 2.17 out of 5), which causes high costs for trade and limits the country's access to nearby markets, such as China and Afghanistan. Tajikistan ranks 147th out of 167 countries in the World Bank Logistics Performance Index with a score of 2.29 (out of 5), which is the lowest in the Central Asia.

To change the immediate situation for transport, Tajikistan has significantly increased the amount of funding dedicated to transport infrastructure and has set ambitious investment targets for the 2016-2030 period. In its transport masterplan ("Development of transport complex of Tajikistan until 2025"), Tajikistan's Ministry of Transport is considering an investment program of \$9 billion over a 15-year period, including road, railways and airport infrastructure investments. This amounts to more than 15% of the country's annual GDP and greatly exceeds the current level of spending (2%).

Tajikistan actively cooperates with international organizations such as UNECE, UNESCAP, CAREC, SCO, OSCE, GIZ (Germany), JICA (Japan), Economic Cooperation Organization (ECO) and other agencies, thanks to which the country is developing its transport network and conducting legal and institutional reforms within its industry.

Tajikistan is a contracting party to ten UN transport-related instruments, they are:

1. 1994: Road Signs and Signals, 1968
2. 1994: Convention on Road Traffic, 1968
3. 1996: TIR Convention, 1975
4. 1996: Contract for the International Carriage of Goods by Road (CMR), 1956
5. 2011: European Agreement on Work of Crews (AETR), 1970
6. 2011: Perishable Foodstuffs (ATP), 1970
7. 2011: Dangerous Goods by Road (ADR), 1957
8. 2011: Harmonization of Frontier Controls of Goods, 1982
9. 2011: Global Vehicles Regulations, 1998
10. 2019: Additional Protocol to CMR, (e-CMR) 2008

Because of its geographical location, Tajikistan represents a bridge for the transit of

goods and services between China and Central Asia, South Asia and the Middle East. The development of TC on the territory of Tajikistan is preconditioned by the necessity to improve the efficiency of transit transportation and by provision of guarantees of its functioning, based on international agreements, in particular, by acceding to the UN legal instruments.

2.5.2 Rail transport of Tajikistan

The railway network covers 951 km (*See: Map of Tajikistan railways, Figure 19*). The main operator of railway transport is the State Unitary Enterprise “Tajik Railway”.

There are three domestic networks: northern, central and southern. The northern line dominates freight transit traffic, the central line is mainly for imports and the southern line has a low volume of freight traffic.

Figure 19. Tajikistan railways⁴⁴



Tajikistan’s rail network has one of the lowest densities in the Central Asian region, mainly due to topographical constraints. Apart from the topography, restricted network

⁴⁴ Source: United Nations Geospatial Information Section, 2021

interconnectivity, too few and ageing rolling stock and locomotives, and heavy dependence on the Uzbek and Turkmen railway systems hinder the expansion of the railway network.

Until recently, Tajikistan’s rolling stock was rather scarce and aged progressively. However, the government of Tajikistan has approved a railway modernization program, which requires \$109 million for its full implementation. According to ADB, at the end of 2012, the rolling stock of the “Tajik Railway” consisted of 2,119 freight wagons, 439 passenger wagons and 59 diesel locomotives. As of January 2018, the Tajik government had already replaced 900 freight wagons and 8 diesel locomotives.

In Tajikistan 90% of foreign cargo traffic is carried by rail (domestic railway transport is limited due to the mountainous nature of terrain). Tajikistan has access to Uzbekistan and other countries with 1520 mm gauge through the Khujant - Kokand line.

One of the key goals for Tajikistan is the construction of new railway lines that will provide access to Afghanistan, which would enable connections through Pakistan (port Karachi) to India, and through Turkmenistan to Caspian Sea, Iran and further ports of Persian Gulf. Another important railway link is Tajikistan - Kyrgyzstan - China.

The international corridor Turkmenistan - Afghanistan – Tajikistan is currently in the planning phase. Tajik experts believe that this project represents a great benefit for the region. From the economic point of view, it will increase the flow of investment and trade between countries of the region; the rail line will connect Central Asia through Afghanistan with the South Asian markets of Pakistan and India, and it will create additional jobs.

Currently, 190 km of new railways have been made operational in Tajikistan. The construction of Vakhdat – Yavan rail line (40 km) has been completed. Commissioned in August 2016, it has opened a connection with Afghanistan.

2.5.3 Road transport of Tajikistan

The Tajikistan road network includes 27,767 km; the road density is 194 km per 1,000 km², (*Map of Tajikistan motorways, Figure 20*). The Ministry of Transport and Communications, Tajikistan’s central governing body for the transport sector, has jurisdiction over roughly 14,000 km of the country’s road network. About 29% of these roads are paved in asphalt.

Tajikistan’s road transport is the main driver for economic and social life of the country’s regions. Road transport holds a dominant position in Tajikistan for both passenger and cargo traffic; it is about 90% of the total volume of traffic. Challenging natural and

climatic conditions make it difficult to build railways, airports and other transport facilities. Under such circumstances, constructing roads is cheaper, it allows for passage of the necessary cargo and passenger traffic. Tajikistan has rehabilitated 2,000 km of roads, 31 km of tunnels and 200 bridges. At the stage of transitioning to a market economy, road transport remains the most dynamically growing mode.

Road transport mainly oversees domestic transportation of freight (industrial, construction, trade and agricultural goods), passengers and, to a lesser extent, international transportation.

Figure 20. Tajikistan motorways⁴⁵



The reasons for smaller volumes of international carriage of goods and passengers are the following:

- non-conformity of the existing vehicle fleet with international standards;
- the levels of training and knowledge of truck drivers do not meet the requirements as per agreement on Work of Crews of Vehicles Engaged in International Road Transport (AETR), and International Carriage of Dangerous Goods (ADR), and Perishable Foodstuffs (ATP);

⁴⁵ http://www.orangesmile.com/common/img_country_maps_560/tajikistan-map-1.jpg

- Tajik cargo transport market is being actively engaged with foreign carriers, such as Belarus and Turkey.

At the same time, projections indicate that road transport in Tajikistan could expand its share in the overall transport market, particularly due to inevitable growth of road construction in the country and further expansion of the vehicle fleet. The socioeconomic reforms of recent years have also led to noticeable structural changes in road transport as an industry. One of the main trends in advancement of road transport is the integration of resource distribution and transport processes in logistics chains. As a result, the role of road transport has become even greater. According to a 2019 OECD ITF study, the number of truck-kilometres travelled in the country has been increasing by 6% per year over the last decade.

The development of road freight transport in Tajikistan was hampered by non-compliance of heavy goods vehicles with European standards. The growth of motorization rate, passenger and cargo traffic is significantly greater than the development of transport infrastructure. Until recently, a number of roads in Tajikistan were congested. Only 42% of national motorways and 20% of local roads have asphalt coating, 73% of which are in poor condition, 26% are in average condition, and merely 1% is in good condition. In order to overcome transport route dependence, 45 state programs worth more than \$1.2 billion were implemented.

Poor road conditions in Tajikistan are worsened by the modest spending on road maintenance, less than 0.5% of GDP. Because of the significant backlog of maintenance, about \$1 billion worth of road assets were lost between 1990 and 2010. Over 50% of the road network is rated at an average international roughness index (IRI) of over 7 m per km, which results in lower travel speeds, increased fuel consumption, increased damage to the vehicles and poor road safety. The transport statistics paint a gruesome picture: almost a third of all road traffic accidents in Tajikistan end in human deaths (322 fatalities per 1,000 accidents in 2016), with 18.1 people killed per 100,000 population (WHO, 2018).

In view of the above, Tajikistan has to make it a highest priority to adjust the balance between investment and maintenance spending on roads. It can be advised that Tajikistan follows the best practices of developed countries and creates a road fund to ensure a stable source of road maintenance financing. Tajikistan should consider acceding to the following UN conventions and agreements: 1973 “Protocol on Road Markings”, as well as the 1958 “Vehicles Regulations” and 1997 “Technical Inspection of Vehicles” to improve road safety in the country.

2.5.4 Transport corridors of Tajikistan

Development of transport and logistics system in Tajikistan is hindered for a number of

objective reasons driven by geographic, climatic, geopolitical, and economic conditions. Abovementioned factors also affect the growth of the economy of Tajikistan, which relies on commodity-dependent exports and suffers from an exodus of working age population, as well as the country's remoteness from world trade and transport routes.

To promote international partnerships and integration policies with its closest neighbours, Tajikistan needs to develop its transport infrastructure and the industrial production of competitive domestic products, while attracting investments and using advanced technologies. It is also necessary to remove non-physical bottlenecks at border crossing points, reduce the number of unauthorized stops and inspections of drivers and cargoes, and harmonize vehicle dimensions.

Since 2000, Tajikistan has dramatically improved its transport infrastructure, due to rapid growth in regional trade – especially with China and other Central Asian countries. The major part of roads is within the TRACECA corridors, except for the Nizhniy Panj to the Afghan border (0.2 km) and the Murgab to Kulma Pass (91 km) sections. The country is actively participating in the CAREC programme.

The EATL road network in Tajikistan covers four major routes on three international roads (AH7, AH65, AH66) with a total length of 1,924 km:

- Tursunzade (border with Uzbekistan) to Kofirnigan;
- Kofirnigan to border with Kyrgyzstan;
- Kofirnigan to Kulma Pass (border with China);
- Chavast (border with Uzbekistan) to Nizhniy Panj (border with Afghanistan).

Infrastructure projects implemented over the past decade with the support of development partners (six bridges over the Panj River) have facilitated the transition to a new level of trade and economic relations between the SPECA countries and opened a connection with neighbouring Afghanistan. The Nizhniy Panj – Dushanbe – Khujand transit corridor (565 km) has seen a significant growth in trade. In July 2017, the EU had a commitment to fund the construction of the 7th bridge in this direction.

For further development of transport corridors, the reconstruction of the road Vose – Khovaling, Sairon – Karamik has been almost completed in the framework of the CAREC corridors 3 and 5 development project. The construction of border terminals that meet modern international requirements (Kulma, Guliston, Nizhny Panj, Bobojon Gafurov) is underway. The reconstruction of the Dushanbe – Tursunzade – Uzbekistan border road along (with the sections from the Western gate of Dushanbe to the border of Uzbekistan (CAREC, corridor 3)) is in progress⁴⁶.

⁴⁶ “National report on implementation of strategic documents of the country in the context of the sustainable development goals”, Dushanbe, 2018

It is worth mentioning the positive changes in relations with the strategic neighbour – Uzbekistan, it is planned to increase bilateral trade turnover to \$500 million, which has already increased 2.3 times in 2018. Providing supply of agricultural products to Kazakhstan and the Russian Federation also has a positive impact on the economy of the country. In 2018, trade turnover between Tajikistan and the Russian Federation has increased by 20%, while imports from Russia increased by only 14%, exports from Tajikistan has gone up by four times, most of these goods were shipped through Uzbekistan and Kazakhstan.

In order to effectively address priority issues and further deepen bilateral cooperation in the field of transport and trade, Tajikistan and Kazakhstan have established a stable institutional foundation, the Interstate Coordination Council, and signed a strategic partnership. According to the Statistics Agency, bilateral trade turnover with Kazakhstan exceeded \$500 million.

An agreement has been reached between Tajikistan and Afghanistan on the construction of a railway line connecting the two countries, which will run from Jaloliddin Balkhi to Nizhniy Panj and further to Sher Khan Bandar in Afghanistan.

The prospects for the development of transport and logistics are determined by the strategic location of Tajikistan, which can become a part of the international transit corridor between the largest economies in the world. Already, the road system has seventeen roads of international importance and more than eighty national roads connecting Tajikistan with Afghanistan, Uzbekistan and Kyrgyzstan.

On 12.08.2019, a pilot caravan was sent along the new international road transport corridor Uzbekistan – Tajikistan – China (the caravan consisted of 6 vehicles, 2 from each state, the total length of the route was around 1,500 km) to support the UN Special Programme for the Economies of Central Asia.

However, the achievement of proclaimed goals largely depends on addressing the following internal and external needs:

- sustainable development of external and internal transport logistics and infrastructure (SDG 9.1);
- implementation of advanced technologies and digitalization of transport processes;
- development of communication technologies and information systems;
- attraction of investment into development of the transport complex: support research related to transport and logistics, increase technological potential;
- organization of a sustainable training program to supply qualified professionals, especially in the field of dangerous goods carriage and cold supply chain (by means of attracting experienced European specialists, and using training materials on public-private partnerships developed by UNECE and ESCAP);

- strengthening national capacity on UN legal instruments and raising awareness of the benefits of their efficient implementation; use transport and customs-related UN legal instruments to improve both national and international connectivity.

An important strategic goal in Tajikistan's development is to improve connectivity and ensure the development of the transport system. Enhancing competitiveness of Tajikistan's transport and logistics complex, fulfilling its transit potential, improving investment conditions in transport industry, and ensuring sustainable development of infrastructure will create favourable conditions for improving the country's economy and standard of living of the population.

2.6 THE REPUBLIC OF TURKMENISTAN

2.6.1 Transport concepts, national policies, strategies and programs of Turkmenistan

Turkmenistan recognizes the need to create an extensive transport infrastructure among the most prioritized state policies (in accordance with SDG 9.1), as it is the most important factor in its economic and social development. In this regard, a number of large-scale projects have been successfully implemented, including the modernization of existing and the construction of new roads and railways, a fundamental renewal and expansion of the material and technical base for civil aviation and navigation ([Transport-related legal framework of Turkmenistan is given in Table 2](#)).

Turkmenistan's key state policy in the transport sector is to create the foundation for the new geo-economic space, connecting Central Asia, the Middle East and South and Southeast Asia. To address the challenges associated with achieving efficient TC, an intersectoral commission has been formed to prepare proposals for the development of transport and logistics centres in Turkmenistan. To achieve the objectives of the government, investments in infrastructure projects should be complemented by policies and a robust legislative framework to develop logistics and trade facilitation services.

Turkmenistan has recently adopted the "National Program for Social and Economic Development 2011-2030" (NPSSED). The national goal, as articulated in the NPSSED, is to shift to a growth model based on innovation and sustainable development. The objectives are sustained development of all segments of the economy, continued deepening of integration with the international community, improvements in citizens' well-being, increased investments in human capital, quality enhancements of housing and utilities, and careful use and conservation of natural resources for future generations. Key imperatives are to accelerate economic diversification, improve infrastructure, and increase competitiveness. Modernizing energy, transport, information technology, and agriculture-related industries is a priority. The official projections anticipate an increase in the share of services to 37%–47% by 2030, and the transport sector has been identified as one of the drivers within the service industry.

The development of the road transport sector is included in the "National program on the transformation of social and living conditions in villages, townships, towns and districts centres up to 2020" and the "Master Plan for the Ministry of Road Transport". The programmes planned to double the length of the road network and to pave 70% of all roads by 2020.

The dynamically developing economy of Turkmenistan places additional demands on the country's transport system, not only to increase infrastructure capacity, but also to introduce new technologies and innovative solutions, to improve quality of planning

and services, and to reduce administrative barriers. Key priorities of the transportation sector are aimed at its further improvement, and expansion of the range of provided services, which must meet high quality criteria and international standards.

At the present stage of development in sectors of transport complex, many basic, structural and institutional transformations are being carried out. A legal basis for the transport industry is being created to meet the new socio-economic conditions. The functions of state administration and economic activity are separated, and a system of state regulation of transport activity is created in accordance with market conditions.

The Voluntary National Review of Turkmenistan on the implementation of the SDGs in the country outlined the next steps in this direction. Turkmenistan fully adopted SDGs in its national policy, and currently 84% of SDG targets are reflected in national and sectoral plans; all 17 SDGs have been adopted, and the implementation of 148 out of 169 targets is obtainable for the country and its population. However, there is a need to intensify work on implementation of the SDGs with the support of the United Nations, which is a priority area for the national development strategy, focused on industrial and innovative growth and ensuring greater well-being of the people. The advantageous geographical position of Turkmenistan at the intersection of the main transport corridors of the continent allow the country to efficiently use the transport resources of the country to the benefit of the development of economic relations and to achieve SDGs targets.

Currently, Turkmenistan is a contracting party to seven UN legal instruments on transport. Below is the list of acceded agreements and conventions as of January 1, 2020:

1. 1993: Road Signs and Signals, 1968
2. 1993: Convention on Road Traffic, 1968
3. 1996: TIR Convention, 1975
4. 1996: Contract for the International Carriage of Goods by Road (CMR), 1956
5. 1996: Protocol to CMR, 1978
6. 1996: European Agreement on Work of Crews (AETR), 1970
7. 2016: Harmonization of Frontier Controls of Goods, 1982

To facilitate international land transportation and as a cost-effective prerequisite step towards enhancing road and rail transport routes the UN ESCAP Resolution 48/11 of April 1992 recommends seven legal instruments. Turkmenistan has already joined five of them, and it would be practical to consider the possibility of also acceding to the remaining two: 1956 Customs Convention on the Temporary Importation of Commercial Road Vehicles and the 1972 Customs Convention on Containers.

In November 2016, Turkmenistan organized the first United Nations Global Sustainable Transport Conference and acceded to multiple transport agreements, including intergovernmental agreements on the Asian Highway Network, Trans-Asian Railway

Network, and dry ports⁴⁷. However, the poor road infrastructure and inadequate driver education and respect for road rules are considered to be contributing factors to the high number of road fatalities per capita in Turkmenistan (the annual number of traffic fatalities is estimated at 914 by the World Bank). According to the WHO Global report on road safety (2018) 14.5 killed per 100,000 population. It is highly advised that Turkmenistan gives consideration to acceding to the UN legal instruments on safe vehicles.

In early 2019, Turkmenistan introduced a new institutional structure to facilitate reforms in the transport sector. The Ministry of Industry and Communications was newly established; it will oversee the organization of transport flows and represent Turkmenistan in international organizations. This will promote the integrated transport infrastructure planning and the readiness to accede to the most critical international agreements.

The establishment of an efficient transport system allows for an accelerated movement of goods to domestic and world markets; it is one of the main conditions for the development of a country's market economy, and the growth of its manufacturing sector.

2.6.2 Rail transport of Turkmenistan

Rail transportation of goods and passengers is one of the most important factors for the development of the national economy. The total length of the railways of Turkmenistan is 5,113 km. Railways retain a dominant position in transit and in the transport of such goods as oil and oil products, and construction materials. Freight and passenger turnover has increased by 1.7% in the first half of 2018, as stated by the Ministry of Railway Transport. During this period, the total revenue from transport services produced by railway enterprises has increased by 9.2% compared to the same period in 2017.

The operation of Turkmenistan railways is governed by the OSJD (Organization for Co-operation of Railways) rules and agreements, which are aimed at improving the efficiency of international rail transport, facilitating border-crossing processes, implementing technical standards and digital technologies (*Map of Turkmenistan railways, Figure 21*).

The country invests in the development of infrastructure facilities, renewal of rolling stock, construction of new railway lines and facilities, which made it possible to increase the volume of transit traffic by 66%. Among the most significant recent projects is the Kazakhstan – Turkmenistan – Iran railway, opened in 2014, which shortens the route from Europe to Persian Gulf by 600 km.

The potential of the multimodal transport system of Turkmenistan is high: the 540 km

⁴⁷ Turkmenistan: Country Partnership Strategy (2017-2021), ADB, September 2017

long Ashgabat – Karakum – Dashoguz railway runs through the Karakum desert, with a motorway parallel to it. Of great strategic importance is the Atamurat – Imamnazar – Akina (Afghanistan) railway, which allows the transportation of goods between Afghanistan, Turkmenistan, Kazakhstan, the Russian Federation, and European countries, as well as the Serhetabat – Tourghundi railway (Afghanistan).

Figure 21. Turkmenistan railways⁴⁸



In this way, Turkmenistan is expanding its international presence along the North-South and South-South routes. In July 2019, construction of a new 35-kilometre-long Akina – Andkhoy railway line has begun; it will extend the Atamurat – Imamnazar – Akina line in the transport corridor between Turkmenistan and Afghanistan.

2.6.3 Road transport of Turkmenistan

In 2001, Turkmenistan had an estimated 22,000 km of roads, about 18,000 km of which were paved, (*Map of Turkmenistan motorways, Figure 22*).

One major highway runs westward from Mary, along the Iranian border through Ashgabat and then to Turkmenbashi on the Caspian Sea, while a second runs north-westward from the Afghan border through Turkmenabat, along the Uzbek border to Dashhowuz.

⁴⁸ <https://turkmenportal.com/images/uploads/blogs/53edeea02add6bd0e16a04af483a2620.jpg>

Figure 22. Turkmenistan motorways⁴⁹



Road transport is the main transportation mode in Turkmenistan. Hence, during the first half of 2018, a total of 257.3 million tonnes of cargo were transported within the country, which is 1.2% more than the level of the corresponding period in 2017; the share of motor transport in the total volume of freight turnover (excluding pipelines) amounted to 51.3%, and in passenger turnover – 83.3%. The volume of transport services provided by entities of the Ministry of Road Transport increased during this period by 22.7%. During this period, over 5 million tonnes of freight was transported with the growth rate of 100.9%, and the freight turnover has reached 150 million tonne-km⁵⁰.

The construction of new and the modernization of existing roads and bridges play an important role in the development of the country. In the early 2000s, major road-building projects improved sections of the highway connecting Ashgabat with Turkmenbashi and Mary. In 2017, construction of the Ashgabat – Turkmenbashi highway started; and in 2019, works on the Turkmenbashi – Karabogaz – Kazakhstan road began, along the Caspian Sea.

⁴⁹ Source: United Nations Geospatial Information Section, 2021

⁵⁰ According to State Statistics Office of Turkmenistan

However, non-adherence to the following UN legal instruments has an adverse effect on the facilitation of multimodal transit through Turkmenistan:

- European Agreement on Main International Traffic Arteries (AGR, 1975);
- European Agreement on Important International Combined Transport Lines and Related Installations (AGTC, 1991);
- European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR, 1957);
- Agreement on the International Carriage of Perishable Foodstuffs (ATP, 1970).

2.6.4 Maritime transport of Turkmenistan

Turkmenistan has ratified ten conventions of the International Maritime Organization (IMO) aimed at facilitating cargo transportation, particularly of petroleum products.

Turkmenistan provides many Central Asian states with access to the Caspian Sea, which gives the country an undeniable advantage and prospects for expanding its role in regional and transit trade.

Figure 23. Turkmenbashi International Seaport⁵¹



The commissioning of the new international seaport in the city of Turkmenbashi has

⁵¹ <http://www.turkmenistan.gov.tm/photo/photos/1511198911.jpg>

driven the development of national transport. It is called to become an essential element of the country's modern transport infrastructure, bringing economic and commercial cooperation between the countries of Asia and Europe to a new level, and optimizing traffic flows on the continent, directing many of them to Turkmenistan.

The passenger and ferry terminal of the port of Turkmenbashi is capable of receiving 300,000 passengers and 75,000 trailers per year. The container terminal has an average annual capacity of 400,000 TEUs (conventional units) and can simultaneously handle three vessels with a total capacity of 5,000 tonnes. The general cargo terminal is designed for handling 4 million tonnes of cargo per year, (*Turkmenbashi International Seaport, Figure 23*).

The main shipping lines cross the Caspian to Astrakhan in the Russian Federation and Baku in Azerbaijan. Smaller Caspian ports are Alaja, Chekelen and Ekarem. Plans call for the expansion of Ekarem into a second major Caspian port.

The main inland waterways are the Amu Darya River, which runs along the northern border, and the Garagum Canal, which runs east to west from the Amu Darya near the Afghan border through Mary and Ashgabat to Turkmenbashi on the Caspian coast. The 1,400-km canal, designed mainly for irrigation, is navigable for 450 km from its Caspian terminus. Because water is withdrawn for irrigation, the Amu Darya is navigable only about 250 km downstream from the Afghan border to Turkmenabat⁵².

2.6.5 Transport corridors of Turkmenistan

In the new historical era, Turkmenistan's importance as a crossroad of transcontinental routes has increased even further. The recently expanded national network of highways and roads not only has strengthened international transport links, but also has given a strong impetus to the dynamic development of all regions of the country.

Special attention is paid to the development of international transit and transport corridors. Due to Turkmenistan's strategic location, several TCs span through the country:

- TRACECA corridor;
- OSJD corridors 6 and 10;
- CAREC corridors 2 and 3;
- EATL Euro-Asian rail routes 3, 4, 5 and Euro-Asian road routes 4, 5, 6.

These corridors, created for international transit, also cover the internal territories with their richest resource base. Those are aimed at creating a multimodal logistic system covering the country's major industrial centres and involving land, air and water routes in their most advantageous combination, which allows for speeding up deliveries, and improving the cargo management process.

⁵² EATL, Phase II Report, UNECE, 2012

Turkmenistan joined CAREC in 2010 and embraces the program's vision of an integrated and globally connected region. CAREC Corridor 2 and Corridor 3 pass through Turkmenistan, connecting the country to a network that extends west through Azerbaijan to Turkey and Europe; eastward to China, north to Kazakhstan and the Russian Federation, and south to Pakistan's warm-water ports of Karachi and Gwadar, on the Arabian Sea⁵³. (See: *Map of CAREC international corridors*, Figure 24). As a result, improvements are planned to certain important regional transport infrastructure, including key Caspian seaport infrastructure projects, along the CAREC corridors, with other International Financial Institutions or key bilateral donors.

Figure 24. CAREC International Corridors⁵⁴



The development of transport communications is becoming one of the most critical conditions for effective international partnerships. In 2006, the government announced its intention to redouble its efforts to integrate its highway and railroad systems more closely with continental East-West routes across Iran, and to begin by upgrading its main roads to both Afghanistan and Iran.

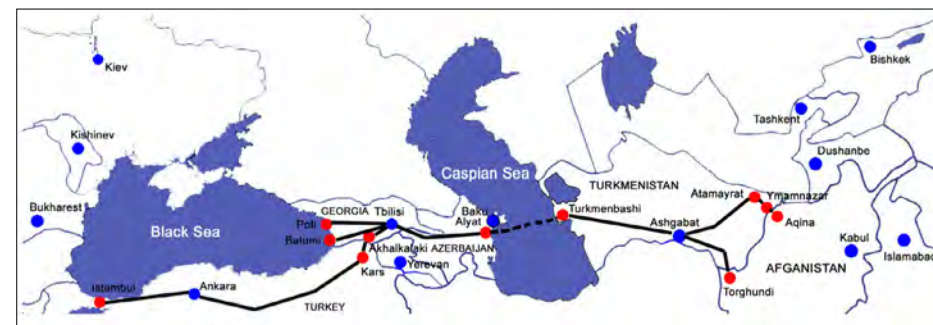
The leaders of Turkmenistan and Azerbaijan have acknowledged the existence of great opportunities and prospects for effective partnership along the transcontinental North-

⁵³ <https://www.carecprogram.org/>

⁵⁴ http://logistika.uz/images/map_carec.gif

South and East-West transit corridors, using the full potential of the sea ports of both countries (Ashgabat, 31.05.2019). Moreover, the need to use the international transit Lapis Lazuli route, which will allow the SPECA countries to diversify their access to major trade markets of the continent, was emphasized in the framework of the First Caspian Economic Forum (Avaza, 12.08.2019), (*Lapis Lazuli transport corridor*, Figure 25). Issues regarding preservation of ecological and valuable biological resources of the Caspian Sea were also addressed.

Figure 25. Lapis Lazuli transport corridor⁵⁵



Likewise, Turkmenistan is intensifying cooperation with Kazakhstan on trade and transport; the volume of mutual trade turnover exceeded \$150 million only in 2018⁵⁶. On 24 October 2018, the first container train departed from the station of Kelif (Turkmenistan) for China, which transited through the territory of Kazakhstan following the route Kelif – Serkhetyak – Bolashak – Altyngol – Khorgos – Qingdao. As part of the train, there were forty-five 40-foot containers with potash fertilizers from the Garlyk mining and processing complex. The overall length of the route amounted to about 8,600 kilometres, of which 1,654 km – across the territory of Turkmenistan (Kelif – Serkhetyak), 3,450 km through the territory of Kazakhstan (Bolashak – Altyngol) and 4,584 km via the territory of China (Khorgos – Qingdao). The cargo was delivered to its final destination (to the port of Qingdao) in 15 days, which is 3-4 times faster than the sea route and competitive in terms of transportation tariff⁵⁷.

Turkmenistan and Uzbekistan have also set new prospects of strategic partnership in the field of economic cooperation, diversification of mutual trade turnover, attraction of regional investments and implementation of joint infrastructure projects.

During the first half of 2018, over 2 million tonnes of transit cargo were transported

⁵⁵ <https://www.iru.org/resources/newsroom/intermodal-digital-tir-set-boost-growth-along-lapis-lazuli-corridor>

⁵⁶ Meeting of the Turkmen-Kazakh Intergovernmental Commission, Nur-Sultan, March 2019

⁵⁷ www.osjd.org

across the territory of Turkmenistan, which is 66.8% more than the corresponding period of 2017. The majority of these goods were transported by rail (64.6%) and road (29.0%) transport.

The development of a modern nationwide transport network is a prioritized state policy of Turkmenistan, aimed at progressive socio-economic advancement of the country and the establishment of broad regional and international cooperation to promote global welfare. Therefore, the transport industry of Turkmenistan is multifunctional, and the Great Silk Road is being revived in the country in a form of a complex multi-and intermodal system, combining road, rail, water, and air transport routes, as well as pipe-and power lines.

2.7 THE REPUBLIC OF UZBEKISTAN

2.7.1 Transport concepts, national policies, strategies and programs of Uzbekistan

At the current stage of development of Uzbekistan, some large-scale reforms have taken place; they are focused on sustainable development of the transport system, guaranteeing a high level of safety, as well as providing professional training for road users. At the same time, modern trends in economic development require formation and application of a unified state transport policy to ensure availability and good quality of transport services, taking into account the geographic position of the country, and introducing modern technologies. In this regard, Uzbekistan is carrying out an urgent modernization and development of its transport infrastructure, including road, rail, and air transport, as well as pipelines. The country prioritizes on updating border crossing regulations for transported goods. In this way, the country is actively working in the direction of sustainable development to create cross-border infrastructure, to promote and deepen trade relations with neighbouring countries, and to improve its economic situation.

As of 01.02.2019, the Ministry of Transport of the country was established by the Decree of the President of the Republic of Uzbekistan in order to successfully accomplish the ambitious tasks set out in the “Strategy of Actions in five priority areas for the development of Uzbekistan, 2017-2021”, ([Uzbekistan’s Strategies are listed in Appendix, Table 3](#)).

The main goal of the Ministry is to develop a unified state transport policy, aimed at stability and a harmonious development of all modes of transport, based on their integration into a single transport network and the use of new efficient transport and logistics systems. The Ministry is responsible for the development of TC, the improvement of the logistics system, an effective use of the country’s transport potential, and minimization of costs for business entities with regard to transport and logistics services. Moreover, due attention will be paid to the development of public-private partnerships, increase of investment attractiveness of transport infrastructure, application of advanced information technologies to digitize the entire transport system and the introduction of a strategy for the long-term development of the country’s Integrated Transport System.

Recently, the “Strategy for the Development of the Transport System of the Republic of Uzbekistan until 2035” was developed (hereinafter “Strategy 2035”), which is important for the development of all modes of transport, including infrastructural facilities. The Strategy 2035 focuses on addressing issues in transport and communications, connectivity of regions and the development of TC that would provide Uzbek freight forwarders access to seaports in the South, East and West of the Eurasian continent.

Uzbekistan is currently a contracting party to fourteen UN transport-related international agreements, they are:

1. 1995: Road Signs and Signals, 1968
2. 1995: Convention on Road Traffic, 1968
3. 1995: Contract for the International Carriage of Goods by Road (CMR), 1956
4. 1995: TIR Convention, 1975
5. 1996: Customs Container Convention, 1972
6. 1996: Customs Pool Containers, 1994
7. 1996: Harmonization of Frontier Controls of Goods, 1982
8. 1996: Protocol to CMR, 1978
9. 1998: European Agreement on Work of Crews (AETR), 1970
10. 1998: Taxation Road Goods Vehicles, 1956
11. 1999: Perishable Foodstuffs (ATP), 1970
12. 1999: Temporary Importation of Commercial Road Vehicles, 1956
13. 2018: Global Vehicles Regulations, 1998
14. 2020: Dangerous Goods by Road (ADR), 1957

Five of those conventions are on road safety. However, Uzbekistan suffers from an insufficient development of its legal framework on road safety; it lacks a mechanism for continuous improvement of technical regulations and standards, as well as effective control of compliance to normative requirements for vehicles and transport infrastructure operation. This is where the UN road safety conventions can serve as a strong foundation to build upon. The UNECE ITC recommends prioritizing the accession to seven road safety instruments. Thus, the 1958 Vehicles Regulations, and the 1997 Technical Inspection of Vehicles should be considered by Uzbekistan in the closest future.

2.7.2 Rail transport of Uzbekistan

In recent years, a new railway network with a total length of more than 1,200 km has been laid in Uzbekistan; over 3,800 km of railways have been modernized and reconstructed, and almost 1,100 km of railways have been electrified. As a result, the current total length of railways that covers all regions of the country is 6,950 km (*Map of Uzbekistan railways, Figure 26*).

The share of container transport of goods by rail in the total volume of cargo transportation is 2.5%. The rolling stock in the country is ageing progressively. According to ADB, a large proportion of the wagon fleet (nearly 90%) will need to be replaced in the coming decade.

The EATL network spans approximately 2,154 km (excluding shared route sections) on the following routes:

- Keles to Karakalpakiya (1,686 km);
- Keles to Hodjadavlet (732 km);

- Havast to Bekabad on the route from Karakalpakiya to Osh, Kyrgyzstan (33 km);
- Karakalpakiya to Termez port (1,732 km).

The work of the Uzbekistan railways complies with the rules and procedures of the Organization for Cooperation of Railways (OSJD), the main purpose of which is to improve and develop international rail transport in the Europe - Asia direction, and to secure competitiveness of rail transport in the region.

Figure 26. Uzbekistan railways⁵⁸



Uzbekistan is currently working towards facilitating customs procedures, modernizing rolling stock, and developing its railway infrastructure, taking into account passenger and goods safety, accessibility of transport services, and use of environmentally friendly technologies (in line with SDGs 9.1, 11.2).

OSJD is also working in cooperation with international organizations on border crossing facilitation procedures; therefore, Uzbekistan needs to pay particular attention to this matter, since there are certain issues that need to be addressed in full conformity with

⁵⁸ Source: United Nations Geospatial Information Section, 2021

the “International Convention on the Harmonization of Frontier Controls of Goods”, (1982). Uzbekistan has not signed either the “European Agreement on International Railway Lines” (AGC, 1985), or the “International Convention to Facilitate the Crossing of Frontiers for Goods Carried by Rail”, (1952).

Over the past period, much work has been done towards building a modern transport infrastructure, accessing new routes to world markets, and creating a new transport infrastructure connecting the country with other regions of the world. Much attention has been given to the construction of new railways and the creation of an integrated railway network of Uzbekistan. The first step was the construction of 700 km long Navoi – Uchkuduk – Sulton Uvays Tog – Nukus railway line, as well as the only modern combined 681 m long railroad bridge across the Amu Darya River in Central Asia. Next, the 223 km long Tash Gozar – Baysun – Kumkurgon railway line was built, which reduced the distance for cargo and passenger traffic to 170 km, and freed the country from the need to pay for transit; on the contrary, the new line enabled earning on transit fees. Among the priority international transport corridor projects are the China – Kyrgyzstan – Uzbekistan and Uzbekistan – Turkmenistan – Iran – Oman routes.

Recently, Uzbekistan has been revitalizing its operations, following significant investments in infrastructure improvements and the procurement of new rolling stock. “Uzbekistan Temir Yollari” was the first company in the Central Asia to launch high-speed passenger trains called “Afrosiyob”, which are based on the Talgo 250 model produced by the Spanish “Patentes Talgo SL” and designed specifically for use on 1520mm-gauge tracks. Since 2011, these trains are successfully operating in Uzbekistan on the Tashkent – Samarkand – Karshi and Tashkent – Samarkand – Bukhara express lines. The “Afrosiyob” high-speed train has proven to reach a maximum speed of 253 km/h and overcomes the distance of 344 km in just 120 minutes, which has been seen during its first test drive from Tashkent to Samarkand on 26.08.2011. To compare, the conventional train running on this route takes at least three-and-half-hours to cover the same journey. In 2020, Uzbekistan owns and operates four of the “Afrosiyob” electric high-speed trains⁵⁹.

2.7.3 Road transport of Uzbekistan

In 2016, almost 256 kilometres of roads were reconstructed; 94.4 km of roads of international and national importance were completely overhauled. At present, the total length of the road network in the republic exceeds 190,000 kilometres. Of these, more than 42,600 km are roads of international, national and local significance. This also includes the Uzbek national motorway, which is about 3,000 km long (*Map of Uzbekistan motorways, Figure 27*). The EATL network spans 3,626 km along AH5, AH7, AH62, AH63 and AH65.

⁵⁹ <https://www.talgo.com/en/projects/uzbekistan-en/afrosiyob/>

The State Committee for Roads (SCR) (former “Uzatoyul”) manages 40,000 km of national and regional roads, which constitutes about 20% of the total network (the rest being under the responsibility of local authorities).

The share of container transport of goods by road in the total volume of cargo transportation is 0.07%.

Figure 27. Uzbekistan motorways⁶⁰



Concerning the improvement of road safety, EU experts proposed that representatives of government agencies of Uzbekistan develop a program addressing the issue⁶¹. UN representatives called on the government to adopt a national strategy for road safety and to set “ambitious targets” for a radical reduction of road fatalities and injuries. According to the WHO estimates, an average of 10 people die daily on the roads of the country. According to the WHO Global report on road safety (2018) Uzbekistan had 11.5 killed per 100,000 population. The number of road accidents should be halved by 2025 in Uzbekistan according to the national goals and objectives on sustainable development, set by the government in 2018. By 2030, the target is “to provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with a special attention to the needs of socially disadvantaged groups of population”. Among the

⁶⁰ <https://digressionsblog.files.wordpress.com/2014/04/uzbekistan-carte-2.gif>

⁶¹ Within the framework of European Mobility Week, Tashkent, 18.09.2019

measures, requiring considerable financial resources, are improvements to the international motorway infrastructure, and street/road network of cities and towns that would take into account a reduction of traffic accident risks, the implementation of intelligent transport systems and operation management systems, and the introduction of dedicated traffic lanes for urban passenger transport and special vehicles.

2.7.4 Transport corridors of Uzbekistan

Regional integration, and consistent and coordinated regional policies open-up opportunities for Uzbekistan to strengthen transit abilities, enable expanding trade within the region, harmonizing a common regulatory framework, cooperating the works of border authorities, and coordinating customs procedures.

Creation of free-economic zones in the regions of the country was a practical step towards the development of an efficient logistics system. The “Navoi” FEZ is an international intermodal logistics centre built at the Navoi airport; it is one of the largest and most high-tech air cargo complexes in the region. Nowadays, it connects Uzbekistan to the main logistics centres of Eurasia - Frankfurt, Milan, Brussels, Vienna, Oslo, Basel, Zaragoza, Dubai, New Delhi, Tehran, Incheon, Tianjin, Hanoi and Shanghai. Another multimodal logistics centre is successfully operating near Andijan, which, among other things, ensures the transshipment of cargoes from railway wagons to heavy goods vehicles carried from Mazar-e-Sharif to China.

At present, Uzbekistan is actively developing economic, trade and humanitarian links with neighbouring countries. Uzbekistan and Kyrgyzstan have signed the “Declaration on Strategic Partnership, Confidence-Building and Good-Neighbourliness”. Uzbekistan’s economic interests in Kyrgyzstan are mainly in the following areas: purchase of certain types of raw materials, development of transit of goods and passengers, establishment of joint ventures and trading forums, using Kyrgyzstan as an additional transit corridor to China.

The largest project of Uzbek-Chinese cooperation, a launch of the Angren – Pap electrified railway line and the Kamchiq tunnel has taken place. As noted at the opening ceremony, this is a great achievement for the Uzbek-Chinese cooperation in creating an economic project resembling Silk Road, a new catalyst for the development of friendship and cooperation between the two nations. Construction of the line, in fact, completed the formation of an integrated railway system in Uzbekistan. The Angren - Pap line will transport more than ten million tonnes of cargo, reducing the time and cost of transportation significantly, which will contribute to sustainable development of the economy of Uzbekistan. Commissioning this railway line dramatically increases the transit capacity of Uzbekistan and, in the future, it can become a key part of the most important TC, e.g. the “Belt and Road Initiative”.

The launch of the China – Central Asia – West Asia economic corridor is of great importance, not only for Uzbekistan. Great prospects are opening-up with the launch of the Tashkent – Andijan – Osh – Irkeshtam – Kashgar motor vehicle corridor. The Uzbekistan – Kyrgyzstan – China and Mazar-e-Sharif – Kabul – Peshawar railway projects are also of strategic importance; the “Kabul Corridor” railway will connect Central Asia and promote closer economic cooperation between SPECA countries, as well as expand trade and increase export and import between the countries of Europe, Central Asia, Pakistan, India, and South-East Asia. The construction of railway lines through Afghanistan was discussed at the meeting of the railway administrations of Uzbekistan, Russia, Afghanistan, Kazakhstan and Pakistan (meeting protocol from 4.12.2018, Tashkent); the goal of the meeting was to promote the construction of TC through Afghanistan.

Uzbekistan’s long-term plans with Afghanistan include extending the Mazar-e-Sharif line to Torkham (border with Pakistan), thus contributing to the development of trade relations between the three countries. Recently, Uzbekistan and China have been developing close cooperation on transport sector development; China is planning to take part in the implementation of projects in both Uzbekistan and Afghanistan.

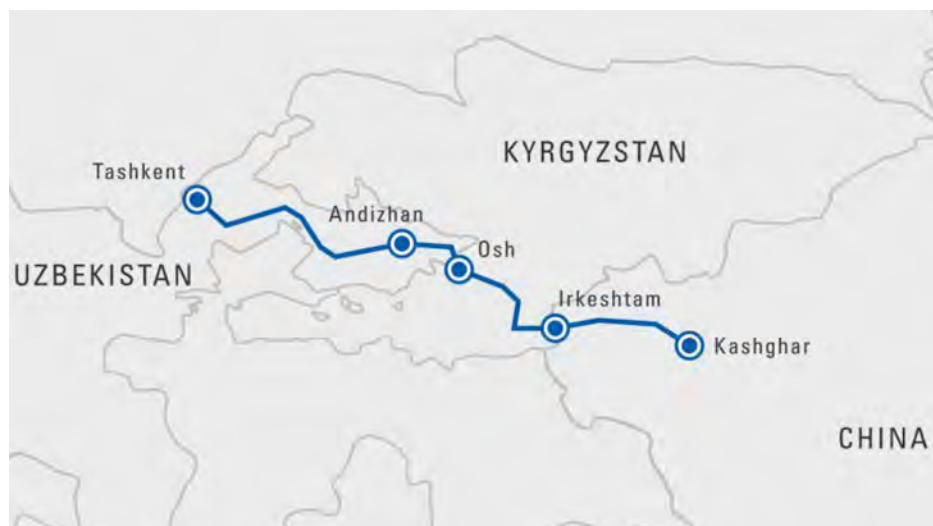
Likewise, Uzbekistan has developed a mutually beneficial cooperation with Turkmenistan, which resulted in the signing of a Joint Statement on the opening of the road-rail Turkmenabad – Farab bridge, a joint operation of which will significantly increase the transit potential of both parties and the volume of traffic to countries of Southern and Central Europe, Middle East and South-East Asia. It is also economically expedient to set a through tariff for rail freight transport along the route: ports of the Yellow Sea – Central Asia – Europe (*Map of Uzbekistan-Kyrgyzstan-China international route, Figure 28*).

Kazakhstan and Uzbekistan take many practical mutual steps towards developing trade and connectivity of transport. In July 2019, the international border crossing “Beyneu” was opened. In October 2018, Tashkent hosted an international trade forum. In August 2019, in Tashkent, the railway administrations of Kazakhstan and Uzbekistan held a joint conference to improve container transport taking into account the use of the “Customs Convention on Containers, 1972”, including containers for perishable goods in accordance with the requirements of “Agreement on the international carriage of perishable foodstuffs and on the special equipment to be used for such carriage” (ATP, 1970), which have been signed by both Kazakhstan and Uzbekistan. The trade turnover between Kazakhstan and Uzbekistan amounted to \$3 billion in 2018, and it is steadily growing.

The international bridge opens the Uzbekistan – Turkmenistan – Iran – Oman transport corridor, which meets the economic interests of all countries equally.

In order to improve competitiveness and attractiveness of international transport routes running through their territories, Uzbekistan and Kazakhstan agreed to continuous and mutually beneficial cooperation aimed at further optimizing tariffs and providing preferential conditions for transit carriage of foreign trade cargoes.

Figure 28. Uzbekistan-Kyrgyzstan-China international route⁶²



In March 2017, Kazakhstan and Uzbekistan signed a joint declaration on further strengthening strategic partnership and good-neighbourliness. It prioritizes bilateral cooperation on transport and development of transit corridors, providing the shortest and the most efficient access to external markets.

The parties concluded that by enabling railway administrations of both countries to promote mutual preference and additional discounts on transit of foreign trade goods through their territories, they would achieve a radical expansion of cooperation in this area, attracting significant volumes of transit cargo. Another area of interest is the speedy implementation of the reconstruction project of “Beyneu - Akzhigit - Uzbekistan border” roadway, as well as other similar joint projects that provide an alternative access to international maritime routes and attractive markets for the countries of the region.

At the summit meeting of heads of state, held 22.03.2017, it was emphasized that the transport sector is among the priority areas for the development of partnership. Road and railways of the countries are mutually integrated historically. This important transport

⁶² Source: Agency of Automobile, Water Transport, Weight and Dimension Control of Kyrgyzstan

network also has a transit function for third countries. The opening of the roadway, passing through the territory of the Maktaaral district of Kazakhstan and connecting Tashkent and Samarkand, and the launch of the Tashkent - Almaty express train and bus connections between the cities of the two countries, would further strengthen transport links between the countries, and promote development of interregional contact, trade and tourism.

Prospects for cooperation between Uzbekistan and Azerbaijan are secured by bilateral agreements in the framework of an intergovernmental commission, which prioritizes the effective use of the Trans-Caucasian transport corridor for transit of Uzbekistan’s export-import cargoes and the Baku-Tbilisi-Kars corridor for access to the European markets.

The Action Strategy of Uzbekistan confirms the intention to consistently create and develop state and regional platforms to ensure sustainable economic growth. Being landlocked, Uzbekistan recognizes that its future is determined by the development of alternative ways of integration, and that it is a crucial task for the country. It is strategically essential, not only for Uzbekistan, to promote the creation of trade corridors.

Uzbekistan has been known to be a state located on the Great Silk Road, connecting West and East since ancient times. To these days, this ancient route continues to exist in a new form, connecting people. At present, modernization of the country’s economy, the renewal and formation of qualitatively new structures, the overall development of the regions are linked to the improvement of the transport system.

SECTION 3 CONCLUSIONS AND RECOMMENDATIONS

The SPECA countries are taking steps towards mutual support and cooperation at the multilateral level, which is strengthening regional security and stability as well as fostering sustainable development. These endeavours are reflected in the UN General Assembly A/RES/72/283 resolution “Strengthening regional and international cooperation to ensure peace, stability and sustainable development in the Central Asian Region”. Moreover, the UNGA A/RES/69/213 resolution “Role of Transport and transit corridors in ensuring international cooperation for sustainable development” recognizes the importance of addressing the special needs of landlocked developing countries to establish and promote efficient transit transport systems that link to international markets, and to identify the physical and institutional infrastructure requirements that would be needed to make them operational. Meanwhile, the UNGA A/C.2/70/L.10/Rev.1 resolution “Towards comprehensive cooperation among all modes of transport for promoting sustainable multimodal transit corridors” and the A/C.2/72/L.2/Rev.1 resolution “Strengthening the links between all modes of transport to achieve the Sustainable Development Goals” call for full implementation of the goals of 2030 Agenda for Sustainable Development in the transport sector.

SPECA countries have developed certain measures to ensure compliance with international agreements on cargo and passengers transport under provisions of UN legal instruments ([the list of the documents is given in Appendix, Table 1](#)); however, not all of the conventions have been applied in the subregion. As such, in accordance with the SPECA Project Working Group on Transport and Border Crossing Facilitation report (from 6-7th of July 2012, Almaty), SPECA countries should take measures to accede to, adopt or ratify UNECE transport-related conventions and agreements, especially those on infrastructure networks (AGR, AGC, AGTC), road traffic and road signs, border crossing facilitation, transport of dangerous goods and perishable foodstuffs, as well as ensuring safe, accessible and ecologically sustainable transport systems (SDG 11.2). This has support from the new EU Strategy on Central Asia (discussed at Joint Communiqué in July 2019 in Bishkek), which aims to promote sustainable connectivity, infrastructure development, and endorsement of existing trade corridors between Europe and Asia. It should be noted that SPECA countries have developed their own strategies linking national Development Agendas with the SDGs. ([List of strategies of SPECA countries is given in Appendix, Table 3](#)).

Taking into account the fundamental role of rail and road transportation in international transport development in the Europe-Asia, East-West, North-South and South-South directions, as well as the sustainable development of transport system, economic and social aspects, the following recommendations to improve transport corridor efficiency are proposed for SPECA countries.

3.1 RAILWAY AND INTERMODAL TRANSPORT

Formation and development of the system of TC takes place within the framework of international transport cooperation of SPECA countries. In this regard, national authorities are responsible not only for ensuring the establishment of functional national corridor sections, but also for coordinating this work with the relevant authorities of the countries participating along the same TC. To address the tasks in railways, along with the coordinated development of infrastructure and its parameters, they should design and implement a coordinated system of measures that would ensure a smooth operation of transport service markets, efficient logistics and use of modern technologies:

- to strengthen communication and expand further cooperation between railways, carriers and freight forwarders across the entire Eurasian territory;
- to start with pilot tests based on the draft provisions of the “UNECE Unified Railway Law”;
- to continue work on the implementation of the CIM/SMGS consignment note to improve the efficiency of rail transport in Eurasia;
- to develop a precise train schedule and strictly adhere to it, as well as to develop a through rail traffic schedule for the passage of regular routes of container trains in order to reduce the time of delivery of cargoes;
- to attempt to increase the operational speed of transit trains to move up to 1,200 km per day;
- to introduce a more effective use of fitting platforms (fitting containers) while complying with the “Customs Convention on Containers”;
- to carry out a coordinated tariff policy for specific TC, which will allow to establish through (end-to-end) tariff conditions;
- to implement a single-window system in regard of customs documents in order to raise the competitiveness of rail transport and customer service;
- to further develop container transport on international Europe – Asia routes, including the Caspian Sea and the Black Sea; concerning transcontinental railway transport corridors: to strengthen connectivity between the SPECA countries, and at the same time to use the provisions of international organizations (UNECE, UNESCAP, WCO, UPU, OSJD) on the facilitation of international railway traffic;
- to accelerate the signing of the UN “Convention on International Customs Transit Procedures for the Carriage of Goods by Rail under Cover of the SMGS consignment Notes”.

Non-tariff barriers in international railway cargo transport can be classified as follows:

- infrastructural (transport and logistics infrastructure);
- border control and customs barriers;
- administrative and legal barriers.

SPECA countries are encouraged to draw on the best international practices in intermodal

and combined transport. For instance, Europe has created favourable conditions for border crossing and tariff rates for intermodal transport. So-called “contrailer” routes have gained great popularity in EU countries. Among the first implemented trailer projects is the Gallarate (Italy) – Muizen (Belgium) route. It is 1,280 km long, 1,110 km of which falls on railways and the remaining 170 km are transported by road – at the beginning and at the end of the route. The standard length train consisting of seventeen wagons runs regularly eight times a week passing through the territories of six EU countries. Similar multimodal routes run between Paris and Marseille, Duisburg (Germany) – Brest (Belarus) – Moscow (Russia). Each wagon is loaded with two removable truck bodies carrying cargo.

3.1.1 Customs Convention on Containers (1972)

Four out of seven SPECA countries have acceded to the Convention: Azerbaijan, Kazakhstan, Kyrgyzstan, and Uzbekistan.

The 1972 Customs Convention on Containers facilitates the temporary use of containers in international transport by deferring payment of taxes and duties in all contracting parties.

In Azerbaijan, railway container transport is managed by the “AZD Container”. In Kazakhstan, the operator of the container fleet is the “KTZ Express”. In Kyrgyzstan, the “Kyrgyz Temir Jolu” is engaged in container cargo transportation. The operator of the container fleet in Uzbekistan is the national company “Uzbekiston Temir Yollari”.

Container transport can reduce the transport component of the final cost of containerized goods by tens of per cents in the SPECA countries while, at the same time, increasing government revenues from transport services. However, a common problem of the countries mentioned above is that the majority of containers transported by road and some transported by rail are subject to customs control, while in most of the Europe no more than 2-3% of the total container traffic is subject to random customs inspections⁶³. An efficient implementation of the provisions of 1972 Customs Convention on Containers will help significantly reduce the number of containers that have to go through customs control. According to Chapter III of the Convention, to qualify for approval for transport of goods under Customs seal, containers shall comply with the provisions of the Regulations set out in Annex 4.

Currently, about 98% of trade cargoes between China and the EU are shipped by sea, 1.5-2% by air and 0.5-1% by rail. Approximately 80% of all goods are transported in containers: 90% of cargoes imported into the EU from China, and 70-75% of cargoes

⁶³ Resolution of the President of the Republic of Uzbekistan “On approval of the Strategy of development of transport system of the Republic of Uzbekistan until 2035”, 12.06.2019

exported from the EU to China. Further growth of container shipments by rail between the EU and China is expected in the near future.

According to the estimates of experts from the Centre for Integration Studies (St. Petersburg, the Russian Federation), it is expected that the container flow will increase to 200,000 -250,000 FEU (forty-foot container equivalent unit) by 2020 and to 500,000 FEU by 2030, provided the tariff is further reduced. Container flows between China and the EU are constrained by the following factors: relatively low rail transport speed on 1,520 mm gauge tracks, and insufficient capacity of border crossing points on the Kazakhstan – China and Belarus – Poland borders. According to expert estimates, more than 90% of all cargo will be transported between China and the EU in containers by 2030⁶⁴.

Containerized cargo transport is in the early stage of its development in Central Asia. The growth of world trade and of Eurasian countries’ economies calls for the expansion of existing and the creation of new international container routes that could ensure sustainable connectivity in the SPECA subregion. Therefore, given the global trend of containerization of cargo, which introduces new solutions for non-standard transportation on the Europe-Asia route, it is essential to recommend that Afghanistan, Turkmenistan and Tajikistan join the “Customs Convention on Containers”. Step one is the implementation of integrated container terminal management systems, in line with the Convention, in cargo hubs to allow (i) controlling loading and discharge of ships, trains, and trucks and their movement on the territory of logistics centres in real time, (ii) collecting and storing information about the location of containers and (iii) ensuring the processing of cargo accompanying documents. In addition, it should be noted that intermodal container transport using the TIR system (TIR Convention, 1975) slowed down considerably in recent years, due to the need for paper TIR Carnets. Therefore, the transition to a digital e-TIR system for road transport will greatly benefit its intermodal use.

The insufficient number of containers represents only one side of the problem, while the lack of uniform through (end-to-end) container tariffs is a major institutional barrier to address. Each railway company participating in the transcontinental carriage applies its own tariffs for transportation, and changes in tariffs of different railway operators are not synchronized. Thus, a single railway company cannot drastically affect the total cost of the transportation process for the customer without exceeding the profitability threshold. In this case, it is only possible either for all participating parties to agree on a synchronized reduction of tariffs, or for the governments to step in and grant preferential conditions (including policies that stimulate development of international rail transport allowing national carriers to significantly reduce tariffs).

In addition, the documentation used for cargo transported by rail differs from that used by customs control in SPECA countries, which makes it necessary to translate

⁶⁴ EDB Centre for Integration Studies, St. Petersburg

the accompanying documents; this causes an additional downtime of freight wagons. Besides addressing customs administration issues, SPECA countries will need to upgrade their infrastructure by removing bottlenecks, electrifying lines, constructing overtaking tracks and passing loops.

Thus, lower tariffs are necessary to support further stable growth, which can be enabled by investments into infrastructure development, construction of transport and logistics centres, border crossing points, as well as by introducing modern digital technologies and setting into coordinated tariff policy at the “Greater Eurasia”⁶⁵ scale, which will ultimately lead to increased connectivity and reduce transport costs among SPECA countries and improve their logistics despite being landlocked.

3.2 TRANSPORT INFRASTRUCTURE

In SPECA countries, the request for highest capital intensity among all types of infrastructures, the complexity of regulation, and the ambiguity of development goals has led to a low priority ranking of transport infrastructure development projects. As a result, underinvestment and technological lagging of the transport sector have worsened (delaying SDG 9.1 achievement).

The existing model of transport and infrastructure development in SPECA countries is mainly oriented towards meeting the transport demands of the commodity sectors of the economy, which means that infrastructure projects are funded on a residual basis, i.e. when problems in the transport supply chain arise. Such an approach is unacceptable and infrastructure development should take into account the wider frame partnership for sustainable development of the SPECA subregion, ([Key challenges and possible solutions for infrastructure development in SPECA subregion are presented in the Table 4](#)).

Currently, the most critical issue of transit freight traffic is the insufficient processing capacity at border crossing points. Furthermore, the development of terminal and logistics infrastructure is of great importance to the SPECA countries. Connected by the EU – China transport corridor, they need to address the challenges related to providing modern transport logistics services to shippers and consignees both on the national and international scale, including transit.

The development of the transport system can contribute to an economic growth rate of +1% to the annual GDP, which will ultimately have a positive impact on social issues, welfare and well-being of the population. To achieve this in the SPECA subregion, the transport system development model should meet up-to-date ecological and technological expectations, and contribute to the sustainable development of industry sectors that would drive their country’s economic growth, ([The legal framework of SPECA countries is given in Table 2](#)).

One of the priorities of ITC is to enable the development of infrastructure for integrated transport systems. The foundations of this activity are laid in the three international agreements (AGR, AGC, AGTC) developed and constantly reviewed and updated by the ITC Working Parties.

3.2.1 European Agreement on Main International Transport Arteries (AGR, 1975)

The AGR defines the international E-road network. Of the SPECA countries, only Azerbaijan and Kazakhstan have acceded to the AGR agreement. Given that the E-road

⁶⁵ A proposed integration plan for EAEU, Silk Road Economic Belt and EU

network has been extended into Central Asia until the border with China in 2001, the rest of the SPECA members with existing or planned E class roads should consider acceding to AGR.

Even though the condition of roads differs throughout the SPECA subregion, the common problem that the countries face is that a lot of them need to recover from years of insufficient maintenance. When investing into road sector, it is important to allocate budget not only for building new roads, but also for rehabilitating and maintaining the existing ones. A good transport infrastructure reduces travel time, increases passenger safety and cuts down vehicle maintenance costs. The AGR agreement specifies time-tested reliable infrastructure parameters to which safe, properly built roads must conform.

The European Agreement on Main International Traffic Arteries (AGR) provides contracting parties with legal framework necessary to establish and develop a harmonized international road transport network. The International E-road network includes three types of roads; each one corresponds to characteristics and requirements of the environment surrounding the road.

Ultimately, the international E-road network will have harmonized infrastructure in the geographical area covered by the AGR agreement, which will help millions of people travel by road from the edge of Atlantic Ocean to Central Asian territories deep inside the continent. As a result, the number of accidents and associated costs should be reduced, as wherever the road users go, they will face familiar infrastructure and similar road signs, which will increase the likelihood of safe traffic.

3.2.2 European Agreement on International Main Railway Lines (AGC, 1985)

None of the SPECA countries is a contracting party to the AGC agreement.

The AGC agreement defines the International E-railway network. The Agreement coordinates the development and construction of railway lines of major international importance. The AGC distinguishes between A-category principal lines and B-category supplementary lines, as well as establishes parameters for the railroad infrastructure. The AGC refers to the International Union of Railways (UIC) track design and calculation parameters. Considering the E-railway network covers the territory of numerous European countries with different railway transport legislation, the use of UIC standardisation and unification simplifies international cooperation. As of 2017, the UIC has over 200 members from 100 countries⁶⁶. The main objective of the UIC is to increase competitiveness of rail across modes of transport, improve its technical and environmental performance.

⁶⁶ <https://uic.org/about/about-uic/>

In the SPECA subregion, the E-railway network passes through Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan. These countries in particular should consider the possibility of acceding to the AGC agreement. However, according to the AGC criteria, railway lines must comply to a number of technical parameters that are different and often incompatible with existing railway construction standards.

The current state of the railway infrastructure on international transit routes going through SPECA countries suffers from insufficient capacities, especially that of Kyrgyzstan and Tajikistan. The development of prospective haulage routes, including container trains, will require the SPECA countries:

1. to develop unified normative parameters, including the weight and the length of freight trains;
2. to construct passing loops at bottlenecks;
3. to upgrade CTC (centralised traffic control);
4. to electrify railway tracks.

The gauge in the CIS countries is of 1,520 mm; design, construction and maintenance of railway tracks with 1,520 mm gauge is done according to building norms and technical regulations of SNiP 3.03-01-2001 (as well as SNiP 1.02.07-87 - Engineering Surveys for Construction, SNiP 2.01.07-85 - Loads and Effects, SNiP 2.01.14-83 – Engineering Hydrology, SNIP 2.01.15-90 - Design); parameters of which significantly differ from those in Europe. For instance, the maximum axle load of a 4-axle locomotive is 25 tonnes, whereas in the EU it is 20 tonnes; the operating speed of freight train according to SNiP is 120 km/h, whereas in the EU this speed varies from 160 km/h to 250 km/h. A similar difference is observed in other parameters, such as maximum permitted locomotive weight, effective station track length and passing loop length.

In addition, there are differences in technological processes during construction and repair of the railway track, as well as in the use of road-building equipment and in materials of the superstructure of the track (sleepers, rails, ballast cushion, etc.). The technical condition and operation of the main railway lines are regulated by the relevant local railway administrations and OSJD.

Taking into account the circumstances described above, it is important to understand that harmonization of development plans on transport infrastructure in line with provisions of the AGC agreement will require a certain administrative, organizational, technical, technological and financial effort from the SPECA countries. To ease the transit to the new system of rules, it would be worth considering an active membership in the UIC. Currently only representative companies from Afghanistan (associate member since 2013), Azerbaijan (associate member since 1995) and Kazakhstan (active member since 2004) have. Given the above, and only with full support of railway administrations, it can be recommended that SPECA countries create a working group of experts and

develop a Roadmap for accession to the European Agreement on International Main Railway Lines.

Taking into account the forecast for the increase of cargo transportation in the Europe-Asia direction, it is necessary to consider implementation of a high-speed lines (HSL) project with the help of international programs and financial support from multinational development banks (ADB, EIB, EBRD, IMF, Islamic Bank, and others).

3.2.3 European Agreement on Important International Combined Transport Lines and Related Installations (AGTC, 1991)

The only SPECA country that has acceded to the 1991 European Agreement on Important International Combined Transport Lines and Related Installations (AGTC) is Kazakhstan (2002).

The AGTC provides the technical and legal framework for the development of efficient international combined road/rail transport in Europe. Combined road/rail transport comprises the transport of containers, swap bodies and entire trucks on railway wagons to and from especially equipped terminals. The AGTC determines important railway lines used for international combined transport, mainly located in Europe, and identifies terminals, border crossing points, ferry links and other installations important for international combined transport services. A few of these railway lines and related installations are located on the territory of the SPECA countries (Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan).

It also establishes internationally acceptable infrastructure standards for those lines and related combined transport installations, and prescribes internationally acceptable performance parameters of trains and combined transport installations and equipment.

Kazakhstan has acceded to the AGTC Agreement by the Law of the Republic of Kazakhstan № 290-II of January 31, 2002. By acceding to the AGTC Agreement, Kazakhstan supported the development of TC running through it, and explored the possibility of their extension to the East (Asia). The AGTC provisions also promoted combined and rail freight forwarding activities in the country by setting the performance parameters and standards for combined transport trains and related installations. In November 2017, the Government of Kazakhstan proposed amendments to the AGTC network to include the new railway lines that have been recently constructed in the country.

Nowadays, in many TC, intermodal mode provides a much better value proposition than road haulage. Rail transportation is often more energy efficient, so “going green” in intermodal means cutting freight costs. Freight-forwarders can significantly reduce their carbon footprint by going intermodal. Moreover, the rail transport in many locations

provides a more consistent service, allowing shippers to choose rail over truck. For the SPECA countries, promoting intermodal logistics will contribute to development of sustainable and resilient infrastructure (SDG 9.1) and ensure the global interest in rail and trucking options for international corridors in this geographic area.

Some of the new Euro-Asian transport corridors running through the SPECA countries already have a great development potential. They do not rival, but rather neatly complement each other. The “Silk Road Economic Belt” forms three economic corridors:

1. China – Central Asia – Russia – Europe
2. China – Central Asia – the Persian Gulf and the Mediterranean;
3. China – South-East Asia – South Asia – Indian Ocean.

China’s “Belt and Road Initiative”, which in fact connects multiple roads into a single infrastructure, has contributed greatly to the development of the transport sector of SPECA countries. The essence of the Chinese initiative is to create common tariff, technology, customs and investment policies across the entire continent, where SPECA countries play a key role.

Rail corridors will make shipping of goods from China to Europe possible in 13-15 days, compared to current delivery of containerised cargo by sea that lasts 45 to 60 days. Already, the Initiative has given a stimulus to the countries of Central Asia to develop infrastructure, modernise communication systems and technical equipment of the transport sector (SDG 9.1). Thus, the markets of SPECA countries are connecting to trade routes in China – Europe, the Persian Gulf, the Caspian basin, the Black Sea and the Mediterranean – Turkey, Southeast Europe and part of Central Europe. For this reason, SPECA countries need large investments in infrastructure projects, including construction of engineering structures, big logistics centres and transport facilities.

SPECA countries need to consider the following:

- efficient implementation of the provisions of the AGTC Agreement to make international combined transport more efficient and attractive to customers;
- improve and develop the infrastructure of arterial roads, railways and border crossing points (SDG 9.1);
- develop information technologies integrated into the international network to access and exchange operational information, and introduce state-of-the-art digital technologies, which will ensure a lower capital intensity of infrastructure improvements and an enhanced quality of transport services;
- increase the share of service sector in transport’s structure: the higher the share of service sector, the higher the employment rate of population, their welfare and well-being.

3.3 BORDER CROSSING FACILITATION

3.3.1 Customs Convention on the International Transport of Goods under Cover of TIR Carnets (1975)

All SPECA countries are contracting party to the 1975 TIR Convention, meet its conditions and comply with the established procedures for border customs control, including exemption from taxes and duties for road and multimodal container transport (provided that at least one part of the transport is carried out by road).

The national freight forwarding associations – such as the Afghan Chambers of Commerce and Industry (ACCI), the Azerbaijan International Road Carriers Association (ABADA), the Union of International Road Carriers of the Republic of Kazakhstan (KazATO), the Association of the International Road Transport Operators of the Kyrgyzstan (AIRTO-KR), the Association of International Automobile Carriers of Tajikistan (ABBAT), the Turkmen Association of International Road Carriers (THADA), and the Association of International Road Carriers of Uzbekistan (AIRCUZ) – play a primary role in complying with the provisions of the TIR Convention and the IRU administration processes.

The TIR system is the best tool for achieving regional integration and economic growth in the SPECA subregion as its implementation grants the benefit of access to 76 contracting parties operating in a single system. The TIR Convention sets up a procedure that permits the international carriage of goods by road vehicles or containers from a customs office of departure to a customs office of destination, through as many countries as necessary, without intermediate checks and payments of taxes and duties for the goods en route and without the deposit of a financial guarantee at each border. The procedure includes the use of secure vehicles or containers that have to be approved by authorities according to standards prescribed in the Convention in order for them to be used for TIR operations.

The international customs transit system under cover of TIR Carnets is currently the only existing universal customs transit system. Time-tested, the TIR system ensures transparency, a reliable level of control, significant time and cost savings, and requires low maintenance costs. The advantages of the TIR system are that it capacitates secure transit between countries of different levels of development of transit procedures; thus, it provides international guarantees along the route across multiple countries, and it is particularly effective at border crossings, where national procedures are discontinued.

The dynamics of international haulage of goods under TIR Carnets can be observed based on the number of carnets distributed by IRU. Within the latest 5 years, the number of TIR Carnets distributed by IRU to national associations in 2013 (and 2018, respectively) was as follows: Afghanistan – 50 (100), Azerbaijan – 10,300 (1,800), Kazakhstan – 25,000 (14,700), Kyrgyzstan – 22,200 (2,000), Tajikistan – 2,950 (3,400),

Turkmenistan – 7,500 (6,000), Uzbekistan – 7,500 (32,400). The overall decline of TIR Carnets in the SPECA subregion is obvious. The issuance of TIR Carnets by national associations to authorized TIR Carnet holders has been in the slump since 2013⁶⁷. One of the reasons is that TIR Carnet prices vary across the countries significantly (e.g. in 2017, a six-voucher TIR Carnet cost \$81 in Kazakhstan and \$180 in Kyrgyzstan⁶⁸), and are not competitive for small carriers in comparison with the Eurasian Economic Union (EAEU) transit system analogue. Another problem is that TIR is still paper-based, and that digitalization of the system will not be completed before 2021, when a new Annex 11, introducing eTIR, will enter into force.

IRU has been assisting UNECE with development of the TIR-EPD (electronic pre-declarations) module, which enables TIR Carnet holders to comply with the requirement to provide customs with advance cargo information on the import of goods free of charge and without having to resort to third party services. The IRU electronic tools are being continuously improved and new ones are regularly implemented. For instance, freight-forwarders in Kazakhstan and Kyrgyzstan are using the TIR+ secure guarantee system, which increases the standard guarantee amount by an additional 100,000 euros⁶⁹. The TIR-EPD programme is operational in Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan⁷⁰.

A seminar held in Baku (05.09.2018) co-organized by the UNECE TIR secretariat on “International trade and transport facilitation through digitalisation” was attended by 65 participants, who reaffirmed the high priority of rapid adoption of Annex 11 to the TIR Convention and gave a push to its use in SPECA countries. The process of adoption of the Annex should be accompanied by the launch of pilot e-TIR projects and operations, which will help to highlight the benefits and support efforts to establish a legal framework for the digital TIR system by demonstrating its practical application. All SPECA countries are also members of the World Customs Organization (WCO) and are granted the “most-favoured nation” status by the EU through Partnership and Cooperation Agreements (PCA).

For more efficient implementation SPECA countries might do the following:

- Afghanistan: to take measures to efficiently implement TIR and eTIR;
- Azerbaijan: to accelerate the practical implementation of automated methods of customs control and clearance, to expand customs border control infrastructure;
- Kazakhstan: in connection with the transition to “ASYCUDA” information system (integrated, automated system for customs and tax administration), it is necessary

⁶⁷ Study of the reasons for the decline in sale of Carnets over the years and action plan to address the underlying causes, September 2019, UNECE, ITC, Working Party on Customs Questions affecting Transport

⁶⁸ Enhancing Connectivity and Freight in Central Asia, ITF, 2019

⁶⁹ Scientific & Technical Journal “Transport Innovations”, No.2(24) 2016

⁷⁰ <https://tirepd.iru.org>

to ensure the integration of the eTIR international system into new transit module;

- Kyrgyzstan: it is necessary to launch eTIR as soon as possible;
- Tajikistan: to accelerate the implementation of the ASYCUDA system;
- Turkmenistan: the transition of customs system to ASYCUDA needs to be accelerated;
- Uzbekistan: the customs authorities of Uzbekistan need to perform pilot tests of the eTIR international system.

The SPECA subregion should consider the possibility of conducting a pilot project with eTIR international system on sub-regional level⁷¹. For this reason, round tables and workshops should be organized to discuss benefits and requirements and, at a later stage, to make progress on the implementation of the pilot project:

- make sure that pilot tests on implementation of eTIR international system are fully performed in each country;
- identify and designate transport corridors for the pilot project;
- sign relevant agreements, in which customs posts and carriers are identified for the implementation of the pilot project on TC.

The purpose of the pilot corridors in trade facilitation is most pragmatic, and further actions in road transport digitalization reflect this process. This leads to adopting the new system by neighbouring countries, thus helping to make digital trade corridors operational.

All that would help the SPECA countries minimize procedures and delays at border crossings, which, therefore, will reduce transport costs and, consequently the total cost of exports and imports of commercial goods.

3.3.2 International Convention on the Harmonization of Frontier Controls of Goods (1982)

Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan (6 out of 7 SPECA countries) have acceded to the Convention on the Harmonization of Frontier Controls of Goods, which provides a legal framework for the harmonization of border control procedures and for international cooperation between the respective border services of adjacent countries.

The Convention establishes the procedures for carrying out efficiently all types of controls that may be necessary at borders, including customs controls, medico-sanitary inspections, veterinary inspections, phytosanitary inspections, controls of compliance with technical standards and quality controls. The Convention provides for a reduction in the number and duration of all types of controls and best practices for efficient

⁷¹ <http://www.unece.org/trans/bcf/etir/welcome.html>

controls of goods at border crossings. It aims at promoting the one-stop-shop principle for border controls. As a result, the Convention reduces border delays, which results in lower transport costs and, therefore, in lower export and import costs.

Common drawbacks for all SPECA countries include: (i) poor technical equipment and facilities for inspection at border crossing points, (ii) lack of joint technological processes, (iii) low capacity, and (iv) weak cross-border infrastructure. The results of surveys on the efficiency of customs clearance process are reflected in the following LPIs (1 is low, 5 is high): Afghanistan 2.01 (2016), Azerbaijan 2.57 (2014), Kazakhstan 2.52 (2016), Kyrgyzstan 1.80 (2016), Tajikistan 1.93 (2016), Turkmenistan 2.0 (2016), Uzbekistan 2.32 (2016); the European average is well above 3.00⁷².

Adjacent SPECA countries should arrive at new arrangements to re-equip shared facilities at common border crossings in full compliance with the Convention and reach certain agreements on reconstruction and modernization of frontier posts.

Currently, one of legal challenges in SPECA subregion is the lack of an in-depth analysis of existing gaps between existing border control practices and international legislation. Thus, in order to understand the current situation and develop appropriate recommendations, it is advisable to conduct an in-depth analysis that should include investigative surveys with carriers, freight forwarders and participants of foreign trade. Many border-crossing points have not developed standard procedures for collaboration of customs control and other regulatory authorities with road transport administrations. In this context, it should also be noted that only Uzbekistan provided (incomplete) results to the biennial survey on the national application of Annex 8 of the Convention on progress made to improve border crossing procedures for road transport. Contracting parties could make more efforts in facilitating transit of goods carried in containers or in other secure packaging, which provides an adequate degree of safety.

A frequent cause of container downtime and delays of vehicles at the national borders of SPECA countries is inaccurately completed and composed transit paperwork (invoices, specifications, packing lists, certificates, etc.). Oftentimes, discrepancies are detected during the border crossing process. To ensure efficient operation of border control points, the “Border Management Programme in Central Asia” (BOMCA) is recommended, which aims to facilitate border management by introducing Integrated Border Management (IBM) while integrating the best European practices, training of personnel and readjustment of legislative and institutional frameworks. This problem is primarily related to poor knowledge of regulations by participants of foreign trader, carriers and freight forwarders.

⁷² <http://worldbank.org/lpi>

In view of the above, it is recommended:

- to facilitate customs procedures and harmonize them with the border-crossing processes by adopting the new electronic customs control requirements promoted by the World Customs Organization (WCO) at the national level; also, to use SMGS and common CIM/SMGS consignment notes and their electronic versions as railway customs declarations (or use the provisions of TIR Convention for intermodal transport) to develop joint activities; to develop joint activities to facilitate border crossing procedures and reduce the waiting times for freight trains/trucks at border crossings;
- to remove institutional barriers by introducing digital technologies and using a single electronic document management system at ports and inland border crossing points;
- to carry out technological modernization and capacity expansion of border crossing points along TC, and to develop the Road Map until 2025 for this purpose;
- to develop and apply innovative technologies to organize transport procedures in the “single window” manner;
- to improve the situation at the borders of SPECA countries, it is recommended to adhere to the OSCE-UNECE Handbook of Best Practices at Border Crossings - Trade and Transport Facilitation Perspective ;
- to encourage SPECA countries to constructively and systematically reply to future surveys on application of Annex 8 of the Convention (due to a change in legislation, the next survey will take place in 2023);
- to establish continuous monitoring of actual idle times of cargoes at the main border crossing points until they are eliminated;
- to set a guaranteed maximum downtime of a train or a vehicle in the border zone; additionally, retrofit border-crossing points with modern equipment that would allow installing video surveillance systems in the “dead zones”;
- to eliminate, where possible, all types of shunting at stations and border crossing points along the international corridors;
- to establish through connections between the information systems of railway administrations and border agencies (especially customs) not only within a single country, but also along international corridors (e.g. the TRACECA system);
- to harmonize technical specifications for further development of the railway infrastructure (especially on equipment and rolling stock);
- to equip the border area with drinking water, biotoilets, stopping places for drivers’ rest in winter and in summer, as well as public catering facilities in line with existing sanitary norms.

SPECA countries could conduct a joint analysis of existing problems and deficiencies at border crossing points and based on the outcomes create regional agreements on elimination of identified issues and existing bottlenecks of legislative, procedural, technological and technical nature that hamper international traffic.

3.4 TRANSPORT OF DANGEROUS GOODS AND SPECIAL CARGOES

3.4.1 European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR, 1957)

Azerbaijan, Kazakhstan, Tajikistan and Uzbekistan are contracting parties to the 1957 European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR).

The ADR agreement outlines the highest level of safety acceptable to all contracting parties for permitting transport of dangerous goods by road on their territories, taking into account cost/safety benefits considerations. It defines the dangerous goods that may be transported internationally and their transport conditions. These include the classification of substances according to their specific type of danger, packing conditions, labelling, marking, placarding, documentation and special requirements for tanks. ADR also contains requirements on transport operations, driver training and vehicle construction and approval. Its Annexes, A and B, are usually amended every two years.

In Azerbaijan, the provisions of the ADR agreement are referred to in the Resolution No. 10 by the Cabinet of Ministers “On approval of the Rules for carriage of dangerous goods by road” dated 27.01.2000. The conditions for the safe transport of dangerous goods of certain types and groups specified in the document have been developed based on the provisions of the ADR agreement and other national normative acts, with approval of the Ministry of Emergency Situations of the Azerbaijan Republic. Dangerous goods are classified in the same way as in ADR into 9 classes. However, it should be noted that Azerbaijan does not permit the transit of radioactive and toxic waste from foreign countries through its territory.

In Kazakhstan, the provisions of ADR are implemented in accordance with the “Rules for carriage of dangerous goods by road” approved by the Ministry for Investment and Development on 17.04.2015. Classification of dangerous goods is based on current ADR specifications as well as the GOST 19433.1-2010 “Dangerous goods. Classification” standard. Transportation of dangerous goods classes 1, 6 and 7 by road requires a special permit from the Transport Committee of the Ministry of Industry and Infrastructure Development, which is issued either in paper or electronic form for one or more identical operations, as well as for a specific shipment of dangerous goods transported along a certain route, with a validity of up to one year.

In Tajikistan, the “Rules for carriage of dangerous goods by road” have been approved by the Decree of the Government No. 314 on 04.07.2003. Transit of dangerous goods is allowed only by means of special permits from the relevant competent authorities. International requirements for transportation of dangerous goods are regulated by ADR.

When transporting dangerous goods, the driver must be given written instructions in a language that he is able to read and understand. Transit passage of international motor vehicles transporting dangerous goods on the territory of Tajikistan is escorted by officers of the State Automobile Inspection and specialized personnel of cargo owners⁷³.

Explosives and dangerous goods carried in tanks may only be transported in specialised vehicles. In SPECA countries, this requirement is often not met, and vehicles that do not meet international standards are allowed to transportation process (for instance, in Kazakhstan, about 1,000 violations on transportation of dangerous goods have been detected in 2017).

To ensure safe transport conditions, all vehicles used for the transport of dangerous goods could be equipped with the satellite-based radio navigation systems – GLONASS (Global Navigation Satellite System) or GPS. However, this is not required by the provisions of ADR. Over 50% of vehicles in SPECA countries is not equipped with any navigation system⁷⁴.

⁷³ Blue Paper on Road transport in Tajikistan – 2009, IRU

⁷⁴ According to the research of NII TK, Kazakhstan (Scientific-Research Institute of Transport and Communications)

Case study: EVAC

Russia has developed an emergency response system installed into vehicles (comparable to European “eCall” system), which reacts to emergency situations on the road with the help of satellites that send a distress signal with the exact coordinates of the location of traffic accident to the emergency services – rescue services, ambulance, traffic police. Distress signal can be transmitted either by manually pressing the SOS button or automatically in case of an accident.

Kazakhstan is the first country to develop an ERA-GLONASS analogue in the SPECA subregion called “EVAC” – an emergency call system in case of traffic accidents and catastrophes. It operates using both GLONASS and GPS satellite navigation system signals, which increases the accuracy of geographical coordinates of an accident and cuts down the response time for emergency services. Kazakhstan is currently actively implementing the project of equipping vehicles with the EVAC system. The Road Transport Act of Kazakhstan requires that vehicles intended for passenger transportation and carriage of dangerous goods are equipped with EVAC transponders. All work is carried out in accordance with UNECE Regulation No. 105 “Uniform provisions concerning the approval of vehicles intended for the carriage of dangerous goods with regard to their specific constructional features”.

As a result, introduction of Kazakhstan’s EVAC will significantly reduce the number of deaths and severity of injuries caused by road accidents (SDG 3.6, SDG 11.2).

A special attention should be paid to education and training of employees working in carriage of dangerous goods, with issuance of a certificate and an authorization document for each member of vehicle crew and management, along with provision of personal protective equipment (a warning vest, protective gloves, emergency escape mask, etc.). SPECA countries need to follow recommendations of the ADR roadmap, including that on harmonization of existing national legislation and regulations governing the transport of dangerous goods under provisions of the ADR.

Therefore, it is advisable that SPECA countries join efforts to address several common issues related to secure transport of dangerous goods:

- to facilitate the practical implementation of the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR, 1957);
- to take measures towards renewal of vehicle fleet (vehicles with special tanks and containers and vehicles for the carriage of explosives) meeting ADR requirements and RID (the Regulation concerning the International Carriage of Dangerous Goods by Rail) requirements;
- to ensure efficient logistics while following the best European practices and technologies on transport of dangerous goods;
- to develop and implement a programme aimed at harmonizing and unifying SPECA subregion documents on UN legal instruments;
- if needed, to establish a regional expert committee in the SPECA subregion to assess technical regulations and technological documents, carry out research and analysis of the current situation within its framework, including multimodal carriage of dangerous goods, based on results of the committee’s work, suggest appropriate recommendations to authorized bodies;
- to create special training centres for training of: drivers, persons employed by consignor, carrier, consignee, loader, tank-operator, unloader, packer, filler, and dangerous goods safety advisers for the carriage of dangerous goods, with the issuance of an appropriate certificate upon successful completion of such training.

Safety of transport of dangerous goods is a continuing objective of vital importance in the overall road safety domain. This activity not only helps to raise awareness among the relevant authorities of the measures required for the proper handling of dangerous goods, but also helps to protect both those involved in the management of carriage of dangerous goods and those who may be at risk directly on the roads.

3.4.2 Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage (ATP, 1970)

Currently, the contracting parties to the 1970 Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage (ATP) are Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

In view of the work on the development of certification centres for equipment for the carriage of perishable foodstuffs in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, as well as under the auspices of the European Union TRACECA Programme, it is recommended that Afghanistan and Turkmenistan accede to this Agreement as soon as possible to strengthen the coherence and consistency throughout the SPECA subregion.

In Azerbaijan, the “Foods Act” № 759-IQ of 18.10.1999 regulates the conditions of foodstuffs transportation. In Kazakhstan, certification of vehicles carrying perishable goods internationally is regulated by the “Rules of transportation of goods by road” № 826, approved by the government on 18.07.2011. Kyrgyzstan has developed the “Rules for transportation of perishable foodstuffs by specialised road freight vehicles” of 30.06.2011, in accordance with provisions of the ATP Agreement. In Tajikistan, the “Road Transport Charter” regulates the conditions for carriage of perishable foodstuffs, as well as the Law “On food safety”. In Uzbekistan, international road carriage of perishable goods is carried out in accordance with the “Rules on transportation of goods by road” № 213, approved on 01.08.2014, along with the compulsory fulfilment of the requirements of the ATP Agreement.

The ATP establishes uniform prescriptions for the preservation of the quality of the perishable foodstuff during their international transport. It defines uniform norms and standards for the special transport equipment required as well as for the checking of insulation and sets up uniform distinguishing marks to be affixed to the special equipment. Also, uniform equipment and temperature conditions for deep-frozen and frozen foodstuff are specified.

The ATP helps contracting parties ensure a high level of preservation of the quality of perishable foodstuffs during their transport. Since many SPECA countries heavily rely on the export of agricultural produce, certain ATP provisions can be adapted for the transport of fresh fruits, vegetables and other products requiring temperature-controlled environments.

Amongst many benefits of being a contracting party to the ATP Agreement are the following:

- harmonised standards for the special equipment used for the transport of perishable foodstuffs;
- facilitated border-crossing procedures for ATP vehicles transporting perishable foodstuffs;
- preserved quality of perishable goods during transport and prevention of disease proliferation;
- regular inspection of vehicles and mutual recognition of ATP certificates of compliance issued by the competent authorities of other contracting parties.

The ATP applies to the carriage of perishable foodstuffs if they are loaded and unloaded in two different states and the point at which they are unloaded is situated in the territory of a contracting party. ATP applies even if the state where the goods are loaded is not a contracting party, this is of particular importance to exporting countries. ATP applies to perishable goods carried not only by road, but also by rail and by sea (sea crossings must be less than 150 km long).

Transport of perishable foodstuffs is a rather pressing issue for all SPECA countries, which requires a prompt response from the organisational, legal, financial, economic and social points of view. There is a deficit of appropriate infrastructure facilities for transport of perishable foodstuffs at most of the border crossings (lack of temperature-controlled warehousing, lack of charging stations for refrigerated containers, etc.). The problem of preservation of horticultural products is particularly acute in international carriage; that is because of the lack of temperature regime monitoring during both storage and transportation, as a result, the share of spoilage of goods can reach up to 50% in most of the SPECA countries.

Temperature regime and delivery time requirements must be strictly adhered to by all parties of the supply chain, by both the manufacturer (packaging) and the transport companies.

The cold chain supply system should include the following mandatory requirements:

- availability of specially trained personnel to ensure operation of the refrigeration equipment, adequate conditions for storage and transportation of perishable foodstuffs;
- refrigeration equipment (both stationary and mobile) designed for storage and transportation of perishable foodstuffs in optimal temperature conditions;
- a mechanism for monitoring compliance with required temperature conditions at all stages of the global cold chain.

It is necessary to recognise the fact that very little attention has been paid so far to the cold chain in SPECA countries: the governing legislation is practically absent, the market exists by itself, the vehicles in most cases do not meet European criteria, and finally there is a lack of training centres and programs for training of specialised transport workers. The Cold Chain Association was registered in Kazakhstan in 2019, and it needs support from the authorised government agencies and international organisations to operate effectively.

When it comes to organising transport of perishable foodstuffs, SPECA countries should employ the experience of European countries. A pioneer in this field is the company called “Transfrigoroute Europe”, which was founded in 1955 at the request of the UNECE Inland Transport Committee and with participation of IRU. “Transfrigoroute International” acts as an advisory to international organisations, associations and national

authorities, and consults other industries and public sector about the role, importance and benefits of temperature-controlled transportation of foodstuffs (and goods) in solid and in liquid form. “Transfrigoroute International” constantly strives for liberalisation of international transport of perishable goods and, to this day, submits proposals to governments and national authorities aimed at facilitating and expediting border crossing, customs, phytosanitary and veterinary control, utilising the ATP agreement and the TIR convention.

Currently, the development of cold chain supply in Central Asia, especially for horticulture, is being supported by the USAID – DAI (Development Alternatives, Inc.) project, the Union of Kazakhstan Transport Workers “Kazlogistics” and the Central Asia Transport and Logistics Partnership Association⁷⁵. Conference sessions and round tables are being held with participation of international experts. “Kazlogistics” carries out extensive work on development of professional standards for transport workers involved in carriage and storage of goods requiring a temperature regime. Transportation of perishable foodstuffs and goods requiring a temperature regime is a key topic of the ninth Central Asian Trade Forum on “Horticulture Innovation and Investment” (12-13.11.2019, Shymkent, Kazakhstan). Among the topics presented at the forum sessions, the following are the most anticipated for the SPECA countries: “Development and Operation of Wholesale Logistics Centres”, “Transit Routes Linking South and Central Asia to Europe”, “Horticulture Certification and Market Access”⁷⁶.

According to the survey conducted during “Afghanistan – New Trade Horizons” Forum in Almaty on 1-4.08. 2019, a key problem in transport of perishable foodstuffs by rail in the SPECA subregion is unpredictability of cargo delivery times. 47% of surveyed rail freight forwarders had faced this problem, which indicates an adverse condition for managing the cold chain supply. Road transport has showed better results on this matter - only 11% of respondents mentioned this problem.

⁷⁵ <http://kazlogistics.kz>

⁷⁶ <http://catradeforum.org>

3.5 ROAD TRANSPORT AND ROAD SAFETY

3.5.1 Convention on Road Traffic (1968); Convention on Road Signs and Signals (1968)

Six out of seven SPECA countries (Afghanistan excluded) are contracting parties to both Road Traffic and Road Signs and Signals conventions.

The Convention on Road Traffic aims at facilitating international road traffic and at increasing road safety through the adoption of uniform road traffic rules. The Convention sets up commonly agreed rules on all factors influencing international road traffic and its safety, including the driver and the vehicle, and serves as a reference for national legislation. It describes all road user behaviour, such as what drivers and pedestrians must do at crossings and intersections. Contracting parties are bound to admit to their territories in international traffic motor vehicles and drivers that fulfil the conditions laid down in the Convention and to recognize vehicle registration certificates and drivers’ licences issued by other contracting parties. The Convention is crucial for facilitating international road traffic, international transport and trade as well as tourism.

The Convention on Road Signs and Signals provides over 250 commonly agreed road signs, signals and road markings. It classifies road signs into three classes (danger warning, regulatory and informative), defines each and describes their physical appearance to ensure visibility and legibility. The Convention also prescribes common norms for traffic light signals and signals for pedestrians. Moreover, the Convention prescribes uniform conditions for road markings, signs for road works and signals and gates for level crossings. The Convention focuses on safe infrastructure that contributes to safer mobility.

An efficient, reliable and sustainable road transport system requires a number of adequate regulations for design and construction of roads, construction and technical inspection of vehicles and the road traffic. For the landlocked SPECA countries, heavily reliant on cross-border road transport, it is essential to coordinate such regulations on the global scale based on internationally harmonized requirements. Despite the existence of national road safety laws, it is important to keep national road safety legislation up to date.

Azerbaijan has developed the State Program on Road Traffic Safety for 2019-2023. In 2014, Kazakhstan has updated the Law on Road Traffic Safety and increased fines for road traffic offences. Tajikistan has committed to improving road safety under the Regional Road Safety Strategy for CAREC Countries, 2017-2030 (the CAREC includes all seven SPECA countries, among others). For the past several years, Turkmenistan has been holding Road Safety Months that include thematic conferences and driver and pedestrian road safety courses. Uzbekistan has introduced the “Safe City” project that, among other things, covers video surveillance systems recording road offences, it should cover the entire country by 2023; also, the country has a State Road Safety

Service under the Ministry of Internal Affairs.

The global commitment to best practices coming from dedicated international organisations, especially the UN, can serve as a catalyst for the reforms in road safety laws. International standards provide a practical guidance and a legal framework for SPECA countries to base for their work on. UN conventions and agreements, and the Global Framework Plan of Action for Road Safety (GFPRS) are documents that provide a fundamental basis for a solid legal framework on road safety.

To fully implement national road safety system, SPECA countries should start developing strategies with well-defined objectives and specific indicators. In order to develop an appropriate strategy and monitor its implementation and effectiveness, it is necessary to organize collection and dissemination of relevant data and conduct an evidence-based research and analysis.

Therefore, to meet SDG 3.6 and 11.2, it is necessary:

- to introduce and enforce international safety measures on the entire road network that will help to promote safe movement and behaviour of road users, thereby improving overall road safety;
- to create conditions to ensure high level of traffic safety on the road network of domestic and international routes by: equipping the roads with appropriate road restraint systems, roadway lighting and speed limit enforcements, equipping intersections and pedestrian crossings with road lighting and traffic lights, equipping public transport sites with restraint and traffic information devices;
- promote renewal of vehicle fleet, subsidizing purchase of vehicles with appropriate road safety standards;
- to develop road management measures: switching cargo transportation to other modes of transport, optimizing and modelling traffic flows, improving efficiency of traffic management system, introducing up-to-date transport infrastructure development models using integrated traffic management schemes, synchronizing development of all modes of transport and transport infrastructure;
- to improve the response speed to emergency situations caused by road accidents;
- to improve the ability of healthcare facilities and other institutions to provide appropriate emergency medical care and rehabilitation to victims of road traffic accidents

Appropriate formulation and implementation effectiveness of the above recommendations will heavily rely on performing a comprehensive study (Road Safety Performance Review) in line with GFPRS, including the analysis of road infrastructure, safe vehicles, identification of places of the highest concentration of traffic accidents (high risk road sections), taking into account presence of children institutions, traffic density, population count in the area, environmental situation and various other parameters.

Road users mainly focus on the driving process, attending to immediate situations on the road, and have little time to decipher visual road characteristics, signs and signals. At the same time, the relevant characteristics, signs and signals are vitally important; that is why it is necessary to make roads easily “readable” and understandable to all users, no matter the country of residence, to ensure adequate road safety. Road signs, signals and markings are as much part of the road infrastructure as the pavement itself. Recognising the importance of a uniform look, regardless of national borders, the UNECE ITC promotes efficient implementation and new amendments to both conventions.

Unfortunately, the SPECA countries have one of the highest road fatality rates. For instance, in Afghanistan, seatbelt use, driving with a valid driving license and helmet use are not regularly enforced, which negatively affects the road traffic death rate (WHO)⁷⁷. Another example is Kazakhstan, where the poor road safety has always been a major issue. The accident rate is among the subregion’s highest, which is on average 11 times higher than in the EU⁷⁸ (in the first 6 months of 2018, there were 6,743 accidents with 9,400 people injured and 783 dead). A conference was held in Almaty (19.11.2018), prior to which an inspection rally was held along the Almaty – Nur-Sultan motorway, which is known to have the highest accident rate. According to the results of the inspection, the technical condition of the road was found to be unsatisfactory, and many road signs and equipment did not meet the international standards. In order to improve the situation, it has been proposed during the conference to develop a definite plan of action to ensure better road safety and to halve the number of deaths and injuries due to road accidents by 2020 (implementation of SDG 3.6, SDG 11.2).

It will be necessary for the SPECA countries to develop a set of measures aimed at eliminating identified deficiencies, problems and risks, establish continuous monitoring and make appropriate adjustments to the roadmap of road safety improvements based on results of conducted study, as well as:

- to ensure accession to and full implementation of the main UN agreements related to road safety;
- to identify the lead road safety body/agency;
- to develop a national strategy and an action plan for traffic safety (currently such a strategy exists only in Azerbaijan and Tajikistan);
- set realistic targets and performance indicators for road safety monitoring using the robust and reliable road accident database;
- to ensure adequate and sustainable funding for road safety at the national level;
- to create and enforce road safety coordination and management systems in compliance with the provisions of both conventions, including: ensuring reliable communication coverage on all roads of the country, giving the truck and public transport drivers the first aid training, ensuring that a quality emergency assistance to all road accident victims is provided within the first hour.

⁷⁷ Epidemiologic Pattern of Road Traffic Injuries in Afghanistan, 2013

⁷⁸ Report of the Secretary-General of the ATA’s Share the Road highway safety program

3.5.2 European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR, 1970)

Azerbaijan, Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan are contracting parties to the 1970 European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR). Currently, Kyrgyzstan is working towards fulfilling the conditions for accession to the AETR.

The AETR regulates the driving times and rest periods of professional drivers and crews of commercial vehicles of more than 3.5 tonnes, or transporting more than nine people, engaged in international road transport. The AETR agreement also defines control devices that are used to control those periods, and sets up technical requirements for the construction, testing, installation and inspection of these devices.

In international road transport, such parameters as safety and security of road transport workers is a number one priority. It is vital to ensure a strict and controlled regulation of driving times and rest periods of drivers and crew members of commercial vehicles. Non-standardized working hours may create disparities in the working conditions of professional drivers, cause fatigue-associated accidents, and may impact a company's competitiveness.

Azerbaijan has an "Action Plan for the implementation of AETR provisions" approved by the Cabinet of Ministers in September 2009. According to the Code of Administrative Offences, a fine of 10 to 20 AZN⁷⁹ is levied in Azerbaijan for failing to install a tachograph, for an altered or forged tachograph seal, or for false entry or alteration of a record.

In November 2000, Kazakhstan approved the "Regulations on the use of tachographs in international road transport". KazTACHOnet is the authoritative body responsible for issuance of driver, company and workshops cards for digital tachographs.

In Tajikistan, national digital tachograph cards (company, driver, control and workshop cards) were introduced in August 2019 through the requirements of the Decree "On the use of digital tachographs in international road transport" in order to ensure compliance with international provisions of the AETR agreement.

In Uzbekistan, the Decree of the Cabinet of Ministers "On introduction of digital control devices on vehicles carrying out international road transport" defines the Uzbek Agency for Road and River Transport as the competent body for implementation of AETR provisions. The Agency issues driver and company cards for the digital tachographs.

⁷⁹ USD:AZN =1:1.7 (01/12/2019)

Accession of Afghanistan and Kyrgyzstan to the AETR agreement will have a positive effect on road safety in these countries, and will minimize economic costs of road accidents by simply preventing or reducing them. Moreover, in the context of transport connectivity of the SPECA subregion, complying with the AETR provisions will enable their smooth integration into the international road network comprised of 51 countries worldwide.

Moreover, countries that fully implement provisions of the AETR create favourable conditions for safe movement of goods, which ultimately reduces transportation times and increases the overall turnover.

To utilize means of active road safety, it is proposed that SPECA countries give their consideration to:

- introduction of an integrated intelligent "Vehicle to Infrastructure system" that will allow the driver to be informed about pedestrians and animals on the road, as well as about unsafe behaviour of other road user;
- mandatory equipment with digital tachographs of at least vehicles participating in international cargo transport and public transport vehicles;
- establishment of transport control points for checking of driving hours by competent authorities.

Introduction of such measures along with the implementation of other UN road transport conventions will significantly improve road safety and reduce the number of accidents on the roads (SDG 3.6).

3.5.3 Contract for the International Carriage of Goods by Road (CMR, 1956); Additional Protocol to CMR, (e-CMR, 2008)

Six SPECA countries are contracting parties to the 1956 Convention on the Contract for the International Carriage of Goods by Road (CMR): Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

The CMR facilitates international road transport by providing a common transport contract, including a common consignment note and harmonized liability limits. The CMR fixes the conditions governing the contract for the international carriage of goods by road between the carrier and the sender and sets the conditions of liability of the carrier in case of total or partial loss of goods. The CMR Convention helps to maintain fair competition between carriers and limits the costs of international road transport, including insurance costs⁸⁰.

⁸⁰ Euro-Asian Transport Linkages, Phase II, Expert Group Report

The CMR has no direct implications for governments as it regulates through private law. However, in order for transport operators to take advantage of the Convention, it must be included in national legislation. In contracting parties to the CMR Convention, its provisions prevail over the national transport legislation.

The CMR consignment note is one of the most important documents in international road traffic, serves as a factual proof for international road carriage of goods under the CMR Convention and contains all practical information on the process. The consignment note for transport of global importance is a document that defines obligations of all parties involved in the carriage of goods.

All six SPECA countries that have acceded to the CMR Convention comply with its provisions for the carriage of goods, i.e. they broadly use the CMR consignment notes.

Until recently, CMR consignment notes existed only in paper form. In 2008, the Convention was further supplemented with the Additional Protocol, which proposed the use of electronic protocol e-CMR (entered into force on 05.06.2011). The e-CMR was officially launched in January 2017, when the first international contract of carriage was performed using the electronic consignment note between Spain and France.

Paper-based consignment notes bring many benefits: they harmonize the contractual conditions of carriage of goods by road and facilitate the overall transport process. The global e-CMR solution retains all of these benefits while eliminating paperwork and significantly reducing processing times and costs, as well as reducing the scope of human errors, bringing the system to a modern, efficient digital level. Recommendations from UN and IRU guide national transport associations and the road transport sector in general in adopting the e-CMR consignment note, which accelerates administration and invoicing, as well as reduces delivery and reception discrepancies. Thanks to its digital format, the electronic consignment note can be easily integrated with other services used by transport companies, such as customs declarations or transport and fleet management services. With the transition to e-CMR, the three parties involved in the freight transport process benefit from improved logistics, which leads to increased market competitiveness. With e-CMR, transport operators are able to input electronically, store logistics information and exchange data, in real time. Another major benefit of adopting UN's electronic consignment note system is the greater road safety, since e-CMR can be linked to eCall – a system for trucks that automatically dials emergency services in the event of an accident.

To date, only Tajikistan has acceded to the e-CMR Protocol among the SPECA countries. This has happened thanks to the efforts of the “ABBAT” (Tajik Association of Road Transport Operators) backed by IRU and the Ministry of Transport of Tajikistan.

It is highly advisable that the remaining SPECA countries join the e-CMR along with eTIR to set themselves on the path of paperless documentation and to create more seamless supply chains in the subregion.

3.6 VEHICLES

3.6.1 Vehicles Regulations, 1958; Technical Inspection of Vehicles, 1997; Global Vehicles Regulations, 1998

Azerbaijan and Kazakhstan are contracting parties to the 1958 Vehicles Regulations. The only contracting party to the 1997 Technical Inspection of Vehicles among SPECA countries is Kazakhstan.

Azerbaijan, Kazakhstan, Tajikistan and Uzbekistan have acceded to the 1998 Global Vehicles Regulations.

These three Agreements are among UN's key legal instruments on road safety. Considering the rapidly growing numbers of road vehicles and road safety issues connected with that, as well as the environmental impact, acceding to and efficiently implementing provisions of the aforementioned Agreements should be one of the highest priorities for every SPECA country.

The 1958 Vehicles Regulations Agreements provides contracting parties with legal framework, procedures and harmonised technical regulations dealing with homologation of vehicles, their systems and their parts. The adoption of these technical regulations helps to improve vehicle safety, protect environment (limit air and noise pollution), target energy efficiency and prevent vehicle theft. To date, more than 150 technical regulations have been developed for items ranging from individual vehicle parts such as windows, tyres or safety-belts to complete systems including those devoted to active safety such as automated emergency breaking systems (AEB).

The 1997 Technical Inspection of Vehicles provides the legal framework for the technical inspections of vehicles. It has annexed to it 4 Rules (as of January 2020), which are aimed at maintaining vehicles' safety during their entire life.

The 1998 Global Vehicles Regulations assists contracting parties in certification process for vehicles by conforming to established global technical regulations. To date, 20 global technical regulations on pedestrian safety, electronic stability control systems, tyres and emissions test procedures have been developed.

In Kazakhstan, due to the high road fatality rates, implementation of measures aimed at improving road safety has been intensified. Technical regulations are developed and harmonised with the provisions Vehicles Regulations. These technical regulations contain definitions of operational terms; safety requirements; procedures for assessing the compliance to vehicle types (chassis) and components range; requirements for product labelling with a uniform sign for the market, and other parameters. The "A-SERT"

company issues vehicle structural safety certificates, and the "KazAvtoSert" company performs technical inspections, assesses whether any changes to the structural design of the vehicle are possible and installs EVAC, ERA-GLONASS and ERA-RB emergency response systems. Furthermore, Kazakhstan is now able to certify conformity of main parts of wheeled vehicles; 77% (92 out of 118) of car parts can be certified by domestic accredited enterprises. Recommendations on certification of the remaining 26 vehicle parts have been proposed, and their implementation plan has been developed⁸¹.

In Azerbaijan, the Cabinet of Ministers has approved the rules on the use of seat belts, motorcycle helmets and child seats. Necessary conditions have been met to expand the scope of administrative and technical capacities for technical inspections of vehicles. Axle load and gross weight limits for heavy-duty vehicles are being monitored. An effective system for technical inspections, repairs and insurance of vehicles has been developed.

Uzbekistan also pays increased attention to ensuring road safety and addressing environmental issues. A national road safety strategy and action plan have been developed that oversee the development of technical standards and technical regulations in accordance with international standards. A system of technical inspections, repair and insurance of vehicles has been arranged. Similar measures have been developed in Tajikistan.

The situation on technical inspections of vehicles and overall road safety is worse in countries, which have not acceded to the Vehicles Regulations Agreements: in Kyrgyzstan, Turkmenistan and, to the greatest extent, in Afghanistan. In these countries, service stations do not meet international standards; they are often equipped with outdated and uncertified equipment. The regulations for technical inspection of vehicles are either of a more formal nature or have not been developed at all.

SPECA member countries are encouraged to consider the following:

- encourage implementation of three vehicle agreements and implement new inspection programmes for vehicle structure, seat-belts and other vehicle parts;
- put emphasize on periodical technical inspection for all motor vehicles;
- promote use of crash prevention technologies;
- apply tax incentives for private owners and vehicle fleets for renewal of vehicles that meet advanced safety and environmental protection standards.

It is known that technical defects in vehicles cause more than 5% of all traffic accidents. To avoid that Kazakhstan, has implemented the 1997 Technical Inspection of Vehicles Agreement. The rest of the SPECA subregion should also implement this agreement since contracting parties do not pay much more for having safer vehicles. The price variation among countries tends to rise from taxation, marketing considerations and pricing strategies rather than from the costs of added or enhanced safety features.

⁸¹ Workshop on Wheeled Vehicle Safety (Almaty, 4.11.2018)

3.7 THE MAIN FOCUS AREAS, GENERAL PRINCIPLES AND RECOMMENDATIONS

Many of the SPECA countries have made significant steps towards adopting the successful legal tools that have been developed under the auspices of UNECE for the past seven decades. Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, like many other countries, can benefit directly from access to the wealth of international agreements, conventions, harmonized technical regulations, norms and standards developed and continuously updated by its stakeholders, with the assistance of UNECE.

National legislative frameworks of the SPECA countries can function more efficiently, if harmonized with internationally agreed documents. Regional economic cooperation and transport connectivity are facilitated through common norms, standards and requirements. If a sufficient number of legal instruments is shared and mutually respected, it can pave the way for progress, safety and peaceful coexistence.

Every SPECA country can gain from the efficient implementation of transport-related legal instruments, time-tested and meticulously refined by their contracting parties, UNECE and its Member States, ITC subsidiary bodies, government officials, and experts.

Having that in mind and taking into account the strategic objectives and recommendations identified in the earlier sub-chapters, the overall state policy on the development of transport sector in SPECA countries should be based on the following key principles:

(a) Transport services and infrastructure should be accessible and affordable (SDG 3.6, 9.1, 11.2)

The cost of transport services should be commensurated with the level of income of citizens, including the unprivileged population groups and disabled people. The coverage of transport infrastructure and public transport services should be carried out to such an extent that every citizen, regardless of place of residence, has guaranteed access to transport infrastructure facilities and services.

(b) Transport must ensure health and life safety (SDG 3.6, 9.1)

The impact of transport as a source of technogenic ecological pollution should be minimized. Policy priorities for transport system development should include implementation of comprehensive preventative measures targeting traffic accidents and adverse effects of transport on public health and environment in general. To reduce congestion in the most problematic sections and bottlenecks of the road network and

to increase road safety, it is necessary to introduce intelligent transport systems, such as traffic management, automated traffic control systems and regulation in all major cities and on intercity routes. Furthermore, SPECA countries should promote modal shift towards more environmentally friendly transport modes.

(c) Transport should be developed within an integrated system of individual sectors and within economy as a whole (SDG 9.1)

Individual modes of transport should be integrated and developed as a single transport system. The growth of transport infrastructure should be closely connected to programmes of production capacity distribution and territorial development. Enhanced interregional connectivity should contribute to strengthening of the common economic space.

(d) Transport infrastructure and transport services should be as self-sustaining as possible (SDG 9.1)

Direct and indirect charges levied on users of transport infrastructure, including transit traffic, should compensate for maintenance and rehabilitation costs to the maximum extent and contribute to capital investments. The cost of transport services should be fully covered by their users, except for the public transport services that must be guaranteed/subsidized by the state.

(e) State functions should be reduced to development of transport policy, regulation and financing

Direct provision of transport services by state-owned enterprises should be minimized. The private sector should be responsible for transport services and infrastructure maintenance. Governments should encourage the involvement of the private sector in infrastructure development projects through public private partnership, which calls for appropriate structural reforms.

(f) Institutional barriers need to be removed to ensure efficient transport operations, including:

- ensuring expedited customs clearance of goods;
- provision of a through tariff and ability to send small shipments;
- introduction of distribution principles for infrastructure usage fees;
- unification of cargo handling processes and ensuring multimodality;
- transparency of tariffs and predictability of tax and other payments and fees.

The proposed principles are supporting progressive development of the governmental policies on transport in the SPECA countries. They aim to advocate transitional

changes and economic modernization through sustainable solutions, while promoting subregional priorities and cross-border cooperation.

UN transport-related legal instruments can play a pivotal facilitating role in this process, enhancing both national and international coherence and transport connectivity among SPECA countries. UN transport-related legal instruments facilitate effective implementation of international norms, standards, classifications and procedures and, at the same time, promote regional cooperation and integration as well as harmonization of works of associated international organizations. SPECA countries are encouraged to capitalize on the significant experience that UNECE has to offer when conducting technical assistance projects and other development activities in the subregion that address issues related to transport infrastructure, environmental protection and traffic safety.

To conclude, in order to achieve the identified goals on sustainable transport, transit and connectivity, the following is proposed to the relevant entities of SPECA countries:

- to focus efforts on accession and implementation of UN transport-related legal instruments, international conventions and intergovernmental agreements in the field of transport;
- to focus on a “transport systems integration” approach for different modes of transport (with each other), integration of the transport sector as a whole into the overall system of drivers of economic growth and, most importantly, integration of the country’s territories through their transport connectivity (SDG 9.1);
- to ensure maximum diversity (flexibility) of transport and logistics services, various forms of multimodality, and availability of cutting-edge high-tech logistics solutions;
- to assist in identifying and removing key physical and non-physical bottlenecks along the TC in the SPECA subregion;
- to pay particular attention to improving road safety to reduce the number of road traffic accidents and injuries in the SPECA subregion;
- to develop and implement harmonized standards for weight and dimensions of freight vehicles, as well as road transport emissions;
- to keep up with the research and innovation in technology, design and modelling of transport processes.

The SPECA subregion has taken part in a number of strategic mega-regional investments and infrastructure projects, such as the Investment Plan for Europe, the Belt and Road Initiative, Euro-Asian Transport Links and many UN transport-related projects. Thanks to that, it has once again become the focus of attention, a promising transit corridor system that contributes to the growing increase of the flow of goods and people between the world’s major production centres in Europe and Asia. In this sense, European countries can be a useful partner for the SPECA countries in terms of creating jobs,

decreasing labour migration, facilitating cross-border trade, and promoting industrial research and development.

To support its rapid transport sector growth, the SPECA countries should take further steps towards boosting their legal framework in this sector of economy, and utilize transport corridors as an effective geopolitical tool for better interconnectedness. In the SPECA subregion, such factors as common aims and objectives, understanding of a global set-up, strengths and weaknesses, joint tariff policies and competitiveness are of the greatest importance when designing national transport strategies, which ultimately should support regional connectivity.

APPENDIX

Table 1. UN Conventions and Agreements acceded to by the SPECA countries

No	UN Agreements and Conventions	Type	AFG	AZE	KAZ	KGZ	TJK	TKM	UZB	
1	European Road Network (AGR), 1975	I		X 1996	X 1995					
2	European Combined Transport Network (AGTC), 1991				X 2002					
3	Road Traffic, 1968	RT & RS		X 2002	X 1994	X 2006	X 1994	X 1993	X 1995	
4	Road Signs and Signals, 1968			X 2011	X 1994	X 2006	X 1994	X 1993	X 1995	
5	Supplementing 1968 Convention Road Traffic, 1971				X 2011					
6	Supplementing 1968 Convention Road Signs & Signals, 1971			X 2011	X 2011					
7	Protocol Road Markings, 1973			X 2011	X 2011					
8	Vehicles Regulations, 1958		V		X 2002	X 2010				
9	Technical Inspection of Vehicles, 1997					X 2011				
10	Global Vehicles Regulations, 1998			X 2002	X 2011		X 2011		X 2018	
11	Work of Crews International Road Transport (AETR), 1970	O		X 1996	X 1995		X 2011	X 1996	X 1998	
12	Contract for the International Carriage of Goods by Road (CMR), 1956			X 2006	X 1995	X 1998	X 1996	X 1996	X 1995	
13	Additional Protocol to CMR, (e-CMR) 2008						X 2019			
14	Collision Inland Navigation, 1960	IN			X 2003					
15	TIR Convention, 1959	BC	X 1971							
16	TIR Convention, 1975		X 1982	X 1996	X 1995	X 1998	X 1996	X 1996	X 1995	
17	Temporary Importation of Commercial Road Vehicles, 1956		X 1977	X 2000		X 1998			X 1999	
18	Customs Container Convention, 1972		X 2005	X 2005	X 2005	X 2007			X 1996	
19	Harmonization of Frontier Controls of Goods, 1982		X 2000	X 2005	X 1998	X 2011	X 2016	X 1996		
20	Dangerous Goods by Road (ADR), 1957	DG		X 2000	X 2001		X 2011		X 2020	
21	Perishable Foodstuffs (ATP), 1970			X 2000	X 1995	X 2012	X 2011		X 1999	

* Status at 01.04.2020

Notes:

I – Infrastructure Networks

RT & RS – Road Traffic and Road Safety

V – Vehicles

O – Other Legal Instruments Related to Road Transport

IN – Inland Navigation

BC – Border Crossing Facilitation

DG – Dangerous Goods and Special Cargoes

X = Ratification, accession, definite signature

AFG – Afghanistan, AZE – Azerbaijan, KAZ – Kazakhstan, KRG –

Kyrgyzstan, TJK – Tajikistan, TKM – Turkmenistan, UZB – Uzbekistan

Table 2. Legislative framework of SPECA countries on transport

 Afghanistan	<ol style="list-style-type: none"> 1. Law of the Islamic Republic of Afghanistan on Transport 2. Law of the Islamic Republic of Afghanistan on Road Traffic
 Azerbaijan	<ol style="list-style-type: none"> 1. Law of the Republic of Azerbaijan on Road Transport (2008) 2. Law on Road Traffic (1998) 3. Law on Automobile Traffic 4. Law on Railway Transport (1998) 5. Merchant Shipping Code (2001) 6. Public Road Transport Service 7. Tax Code
 Kazakhstan	<ol style="list-style-type: none"> 1. Law of the Republic of Kazakhstan on Transport (1994) 2. Law on Motorways (2001) 3. Law on Rail Transport (2001) 4. Law on Road Transport (2003) 5. Law on International Transport 6. Customs Code of the Republic of Kazakhstan (2018, EAEU) 7. Law on Road Traffic (2014) 8. Merchant Shipping Code (2002)
 Kyrgyzstan	<ol style="list-style-type: none"> 1. Law of the Kyrgyz Republic on Motorways (1998) 2. Law on Road Traffic (1998) 3. Law on Rail Transport (1998) 4. Law on Public-Private Partnerships (2012) 5. Customs Code (2004) 6. Law on Road Transport (2012)
 Tajikistan	<ol style="list-style-type: none"> 1. Law of the Republic of Tajikistan on Transport 2. Law on Roads and Road Activities 3. Law on Road Traffic (1995) 4. Law on Transport Safety
 Turkmenistan	<ol style="list-style-type: none"> 1. Law of the Republic of Turkmenistan on Transport (1997-2000) 2. Law on Roads and Road Activities (1999) 3. Law on Road Traffic and Safety (2012) 4. Transport Safety Act
 Uzbekistan	<ol style="list-style-type: none"> 1. Law of the Republic of Uzbekistan on Road Transport (1998) 2. Law on Rail Transport (1999) 3. Regulation on the regulation of transport activity 4. Law on Roads (2007) 5. Law on Road Traffic and Safety (1995) 6. Charter of Railways of the Republic of Uzbekistan (2008) 7. Law on Transit

Table 3. Transport-related fundamental national documents of SPECA countries

 Afghanistan	<ol style="list-style-type: none"> 1. The Transport Sector Master Plan Update (2017–2036) Afghanistan National Development Strategy (2008-2013) 2. Afghanistan National Peace and Development Framework 2017-2021 3. The Transport Sector Master Plan Update 2017-20136
 Azerbaijan	<ol style="list-style-type: none"> 1. Development Concept "Azerbaijan – 2020: A Look into the Future" 2. National Transport Sector Development Strategy
 Kazakhstan	<ol style="list-style-type: none"> 1. Transport Strategy of the Republic of Kazakhstan 2015-2030 2. Program Nurly-Zhol 2019-2025 3. Program for LPI improvement 2018-2020 4. The National Plan on 100 Concrete Steps to Implement the five Institutional Reforms 5. Development Strategy Kazakhstan – 2050
 Kyrgyzstan	<ol style="list-style-type: none"> 1. Development Strategy of the Kyrgyz Republic until 2040 2. Road and water transport development program 3. Transport and communication development program 4. Road development strategy 5. Priority directions of development of Kyrgyzstan until 2023
 Tajikistan	<ol style="list-style-type: none"> 1. National Development Strategy of the Republic of Tajikistan for the period up to 2030 2. Medium-term Development Program of the Republic of Tajikistan for the period 2016-2020 3. Development of transport complex of Tajikistan until 2025
 Turkmenistan	<ol style="list-style-type: none"> 1. National Programme of Turkmenistan on Socio-economic Development for the period of 2011-2030 2. Program of the President of Turkmenistan on socio-economic development of the country for 2019-2025.
 Uzbekistan	<ol style="list-style-type: none"> 1. Strategy for the Development of the Transport System of the Republic of Uzbekistan until 2035 2. Development Strategy Framework of the Republic of Uzbekistan by 2035

Table 4. Key challenges and possible solutions for infrastructure development in SPECA subregion

Problems	Cause and effect	Solutions to the problem
1. Insufficient and uneven level of infrastructure development in SPECA countries (SDGs 9.1).	Low political priorities. Underinvestment and underfunding results in technical and technological lagging of the transport sector.	Development and implementation of an action plan to define the bottlenecks in the transport infrastructure by means of research, analysis and evaluation of all transport infrastructure facilities.
2. Long downtimes of vehicles at border crossing points (Convention on the Harmonization of Frontier Controls of Goods, 1982, is not fully implemented)	Lack of in-depth analysis of existing gaps in current border control practices. Lack of harmonized technological processes, poor technical equipment, low number of staff, and in some cases insufficient professional training.	Development and implementation of coordinated technological processes. Introduction of advanced information technologies and digitalization of processes. Strengthening of BCP infrastructure. Increase in the number of staff during the seasonal transportation of horticultural products. Afghanistan should adopt the International Convention on the Harmonization of Frontier Controls of Goods, 1982.
3. Lack of qualified specialists, especially in transport logistics, which is a significant obstacle for economic development of SPECA countries.	The training system in the field of transport, especially logistics, does not fully meet international standards. Both programs and teaching staff qualification do not meet international requirements.	There is a need to develop a sector-wide system of multi-level training, apprenticeship, requalification opportunities and life-long on-the-job professional learning, especially in the field of logistics, based on international experience, best practices and standards.

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IMPLEMENTATION OF TRADE FACILITATION MEASURES IN THE SPECA COUNTRIES

This brief analysis was prepared in Russian language for the 2019 SPECA Economic Forum by Ms. Larisa Kislyakova, UNECE consultant. The views expressed in this document are those of the author and do not necessarily reflect the position of UNECE.

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1. PURPOSE OF THIS DOCUMENT

On 3 July 2015, the 9th session of the SPECA Working Group on Trade initiated work on a draft SPECA Trade Facilitation Strategy. The strategy aims to increase regional cooperation among the SPECA participating countries for the practical implementation of trade facilitation measures in the region. In November 2019, UNECE supported the organization of a SPECA Economic Forum, which helped coordinate the countries collaboration on trade facilitation, the finalization and adoption of the SPECA Trade Facilitation Strategy, as well as the mechanism of its implementation and monitoring progress.

Consequently, an express study on the state of trade facilitation in the region was initiated to provide the basis for a policy dialogue among the SPECA countries on the implementation of trade facilitation policies in the region and increased regional cooperation in this area. This document contains the results of an assessment of the then situation with trade facilitation and recommendations for cooperation in this area in the SPECA region. This study promotes the development of regional supply chains between the countries of the SPECA region through concrete trade and transport facilitation measures for the implementation of international trade facilitation conventions and recommendations (notably those of UNECE). It focuses on the main provisions of international norms related to regional cooperation fostering trade facilitation and regional supply chains between the SPECA participating countries.

2. THE POSITION OF SPECA PARTICIPATING COUNTRIES ON TRADE FACILITATION

The SPECA participating countries are committed to trade facilitation. All of them implement, with varying degrees of interest and involvement, conventions and other legal acts that form the international legal framework for trade facilitation policy: notably, the WTO Trade Facilitation Agreement, the WCO Revised Kyoto Convention and Framework of Standards, as well as other UNECE and UN/CEFACT international conventions and recommendations in this area.

The attitudes towards trade facilitation reveal the following

a. active position of the SPECA countries in applying the UNECE and UN/CEFACT recommendations on the use of codified trade information

All SPECA countries apply the UNECE and UN/CEFACT recommendations on trade facilitation. Out of the 43 UNECE and UN/CEFACT recommendations currently under implementation, the SPECA countries use, in particular, the 13 recommendations on

types and forms of codified information (codes) used in international trade and transport¹.

Activities of the countries dedicated to the use of standardized data and documents are mainly associated with implementation of information technologies in the Customs clearance procedures (all countries use electronic systems to process Customs related documents). Modern IT-solutions for electronic Customs systems are developed in compliance with ISO standards, using codes, and the most important UN/CEFACT standards and recommendations have been adopted as ISO standards.

Importantly, the countries are on different stages of implementing digital technologies in international trade and Customs procedures. In some countries paper originals are required in parallel with electronic documents.

A factor accelerating the implementation of UN/CEFACT recommendations is the coordinated donor support for creating and modernizing automated Customs systems (UNCTAD, ADB, etc.).

b. insufficient implementation of UNECE and UN/CEFACT recommendations on specific procedures/documents in foreign trade

The UNECE and UN/CEFACT Recommendations cover not only codified information, but also specific issues/procedures in foreign trade. The analysis shows that the efficiency of the use of those Recommendations is constrained either by the lack or insufficiency of implementation mechanisms, or by the lack in the countries of adequate resources (both human and technical) for their implementation. This can be demonstrated by the insufficient implementation mechanisms for Single Window (SW) systems, reflected in a set of UNECE Recommendation. The experience of SW implementation in the SPECA countries showed that the SW concept was not assessed in sufficient detail from the beginning, while it became evident that it was complicated and required greater analytical, managerial and financial resources. Another example is the implementation of standards for the commercial invoices used in international trade.

c. active support by the SPECA countries which are WTO members for the implementation of the WTO Trade Facilitation Agreement (TFA)

The WTO members among the SPECA countries (Afghanistan, Kazakhstan, Kyrgyzstan and Tajikistan) actively pursue their obligations under the WTO Trade Facilitation Agreement, which covers many the UNECE Recommendations.

¹ Notably: Recommendation 1 “UN Layout Key for Trade Document”, Recommendation 3 “Code for the Representation of Names of Countries », Recommendation 5 “Abbreviations of INCOTERMS”, Recommendation 7 “Numerical Representation of Dates, Times and Periods of Time”, Recommendation 9 « Alphabetic Code for the Representation of Currencies”, Recommendation 16 “LOCODE Code for Trade and Transport Locations”, Recommendation 19 “Code for Modes of Transport”, Recommendation 20 “Codes for Units of Measures Used in International Trade”, etc.

The TFA reinforces trade facilitation measures recommended earlier by UN/CEFACT through imposing obligations to undertake steps to implement those measures. For many countries this provided a boost for reforms. However, the different countries are on different levels of readiness to implement the TFA.

The TFA also includes an obligation of developed countries to assist developing and least developed countries for its implementation. It pays special attention to coordinating assistance for the implementation of trade facilitation, and this highlights the role of SPECA as a regional platform coordinating assistance in compliance with the needs of the region. So far, the countries work on the national level on the categorization of their readiness and needs to fulfil their TFA obligations and do not consider the needs of the region as a whole.

The TFA pays special attention to the establishment of an institutional base for its implementation: creating national trade facilitation committees (NTFCs) and increased participation of the private sector.

All WTO members in the region (Afghanistan, Kazakhstan, Kyrgyzstan and Tajikistan) have established such implementation support institutions, thus creating interagency advisory committees on trade facilitation in accordance with the TFA provisions aimed at harmonizing the trade facilitation efforts of various stakeholders.

These Committees comprise representatives of all regulatory bodies controlling foreign trade. The Committees ensure cross-agency cooperation among the respective ministries and other governmental bodies, companies, and organizations, on issues related to the trade facilitation.

The activities of the recently established NTFCs differ from one SPECA country to another in terms of both sessions held and harmonization of trade facilitation reforms. In general, the experience of these Committees demonstrates weak coordination of trade facilitation efforts, in particular of those related to the border-crossing procedures. The work of the NTFCs is further complicated by the need to achieve consensus between controlling agencies that often have diametrically opposing views on trade facilitation.

This study found out that multilateral cooperation among NTFCs is not covered in the founding legal documents of these Committees. In the framework of some international projects, however, meetings of these NTFCs took place, notably, with assistance of the GIZ Programme on Trade Facilitation in Central Asia. At one of those meetings, held in early 2019, the NTFCs of Kazakhstan, Kyrgyzstan and Tajikistan shares experiences in the categorization of TFA commitments. Representatives from Uzbekistan participated as observers. Questions of high importance for the region were evoked at the meeting: transit, information availability and cross-border procedures. The participants agreed

to organize follow up meetings to coordinate trade facilitation activities at the regional level. They proposed holding a meeting of Deputy Chairs of the NTFCs. Practice has shown that such a format of meetings is essential for regional cooperation, but it requires financial support and the political will of the countries.

The private sector is given a special role in the NTFCs. The SPECA countries have ensured the participation of the private sector in the work of the NTFC, yet the level of involvement of business associations, civil society groups, and private companies, varies from country to country (see Box 1). The public-private debate on problems for trade facilitation and the search for solutions are key functions of the Committees and should receive adequate attention.

In almost all SPECA countries parties to the TFA, working groups are established under the NTFCs, in which the private sector has a leading role.

At the same time, the analysis of expert assessments demonstrated that the absence of sustainable “public-private dialogue culture” seriously impaired the efficiency of the work of the Committees, because for all SPECA countries the NTFCs are a new mechanism of interagency and public-private cooperation, which must reinforce the governance of foreign trade.

The TFA have fostered the establishment of mechanisms of public-private dialogue and partnership in trade facilitation, in line with UNECE Recommendations 4 (on national trade facilitation bodies) and 40 (on consultation approaches on trade facilitation matters). The efficiency of the TFA, however, is underpinned by the presence of binding norms, unlike the non-binding character of UNECE Recommendations.

d. activities of non-WTO-member countries (Azerbaijan, Turkmenistan and Uzbekistan) in trade facilitation implementation

The non-WTO-member countries (Azerbaijan, Turkmenistan and Uzbekistan)² are advancing their interests in the sphere of trade facilitation through the implementation of various agreements and recommendations. In particular:

Azerbaijan

The country actively promotes policies on trade facilitation by implementing the WCO recommendation on the facilitation of Customs-related procedures, which are also key requirements of both the TFA and the UNECE Recommendations.

² These countries are negotiating their WTO accession: Azerbaijan and Uzbekistan applied for membership and work on the implementation of the TFA, including through assistance from UNECE, while Turkmenistan applied for observer status in May 2020.

The project of “implementation of paperless technologies in Customs agencies” is a prominent example of measures of facilitation of border-crossing procedures, which lead to the complete automation of procedures from border-crossing and to Customs clearance and control. In addition to electronic declaration (including the issuing of electronic permits, electronic payment and reports on Customs duties, fees and tariffs; electronic registration of Customs offences and risk management) Azerbaijan introduced procedures for electronic control of the delivery chains of goods and vehicles to their final destination, and it established information exchange between controlling agencies (the country introduced its unique approach to interagency coordination including the main principles of the Single Window and one-stop-shop, using the UN/CEFACT Single Window Recommendations and data exchange standards with support from UNECE), and improved cross-border information exchange with neighbouring countries (currently exchanging information with Russia and the GUAM countries).

The implemented reforms had positive impact on increasing the efficiency of border crossing points at Azerbaijan’s borders. Furthermore, Azerbaijan carried out a time release study (TRS) at all Customs border posts following the WCO methodology, allowing for a constant monitoring of the release of goods and border-crossing times for goods and vehicles, and for the identification of problems in the relevant business-processes. Azerbaijan introduced a “green corridor” approach for exported goods increasing the responsibility of traders and the use of a risk management system. Azerbaijan adopted the WCO SAFE Framework of Standards.

In 2018, with assistance from UNECE, Azerbaijan carried out an assessment of its readiness to implement the WTO TFA. Its results indicated that the country was closest to the full implementation of the TFA measures among all SPECA countries.

Uzbekistan

The last three years, Uzbekistan implemented large-scale reforms aimed at further growth and improvement of the investment climate. A special place in those reforms is dedicated to the improvement of the country’s taxation and Customs systems. A cross-agency working group was established, a Memorandum on the foreign trade regime was developed and sent to the WTO secretariat for consideration. An analysis was conducted of the compliance of national legal norms with the TFA, including with assistance from UNECE.

A key decisive step in the economic policy reform of the country was the introduction in 2017 of the convertibility of the sum – the national currency of Uzbekistan - which allowed for the removal of a key barrier to international trade.

Uzbekistan undertook active steps to reduce its import tariffs and excise duties on an

extensive range of goods (from 1 January 2019, covering over 70% of exported goods). It also launched programmes to facilitate Customs procedures, including the removal of the obligation to register export contracts in Customs, introducing the institute of Authorized Economic Operators and risk management. Currently, the green corridor concept and controls based on risk management are implemented at airports.

Turkmenistan

Turkmenistan applied for “observer” status at the WTO in May 2020, and UNECE has helped in this process. Trade facilitation is on the agenda, but its practical implementation is at the stage of organizing introductory seminars, conducting assessments and research of advantages and experience of other countries. Turkmenistan applies the TIR Convention, thus providing a platform for transit of national and international goods. Turkmenistan also implementing a project on introducing an ASYCUDA-based programme for electronic processing of Customs data and creation of a Single Window.

3. REVIEW OF THE IMPLEMENTATION OF LEGAL ACTS COVERING TRADE FACILITATION MEASURES

3.1 CROSS-BORDER PROCEDURES

From the perspective of regional cooperation, trade facilitation measures regarding border-crossing procedures (related to both release times and documentary formalities) are of primary concern for the SPECA countries, which are transit countries for important trade routes linking China and Europe.

The need to address these issues results from the fact that border-crossing problems in most SPECA countries remain complicated, despite the integration processes in Central Asia and the reforms undertaken by some of the countries. This is evidenced by the results of a monitoring study on time and documentation needed for exports from Tajikistan to Russia via Kyrgyzstan, Uzbekistan and Kazakhstan, conducted in 2017 by the private sector (UPCT³) with support from GIZ.

That research demonstrated that a transport vehicle was the object of multiple unauthorized checks along the route: when transiting Kyrgyzstan, it was stopped 18 times by road traffic police, which accounted for 50% of the stops, of which 27% were for weight control. When transiting Kazakhstan, 17 stops by road traffic police took place, while in Tajikistan there were 12 stops (which is comparatively high since the itinerary there is significantly shorter than in Kazakhstan).

³ UPCT - Union of professional consultants of Tajikistan.

Low border-crossing capacity and, as a result, important waiting lines were observed at the checkpoint between Kyrgyzstan and Kazakhstan. Unjustified inspection of insurance policies took place in Kazakhstan while the vehicle pursued its itinerary (resulting in a 100 USD fine), in Tajikistan and Kyrgyzstan the road traffic officers conducted groundless weight controls: after weighing the cargo at the border checkpoint, it was weighed several more times along the route. At the Kyrgyzstan-Kazakhstan border a 100% phytosanitary control was required (as the results of the original phytosanitary tests were not recognized), while the driver reported the presence of unsanctioned “intermediaries” at the border.

In general, the participants in the survey signalled the following issues: low checkpoint capacity and administrative issues at border-crossings; requests for informal payments (exporters often cannot distinguish formal from informal payments).

This information is confirmed by ADB’s Corridor Performance Measurement and Monitoring (CPMM) studies. Average border-crossing time was 12 hours in 2018 for the CAREC region (11 countries, which include all SPECA ones), based on CPMM data. The studies identified increase in time spent at the border compared to the previous years (in 2010 the time was 6 hours).

Another data source on issues related to border-crossing procedures was the informal data exchange framework, using the messenger application “WhatsApp” established by the Central Asian Transport and Logistics Partnership, which brings together industry associations from the Central Asian countries as well as individual transport companies. In this framework, members of the Partnership share real-time information on waiting times at checkpoints, on acts of corruption and on other problems that may emerge (confirming, in particular, the aforementioned issues).

In some SPECA countries, international projects supported time release studies, using the WCO methodology. Their results indicate that border-crossing procedures need improvement. In particular, [the results of TRSs conducted in Kyrgyzstan and Tajikistan demonstrate](#) that each border agency conducts its own registration process, and there is a requirement for convoys from the border and to terminals.

Almost 100% inspection of imported goods take place, regardless of the introduction of risk management systems and the institution of “trusted traders” (AEO in some countries).

An important factor influencing the complexity of border-control procedures in the region is the non-continuous monitoring of the borders by the relevant regulatory agencies. An exception is Azerbaijan, where such monitoring and control of vehicles is conducted on a permanent basis within the framework of its electronic Customs system, while

results are integrated in the decision-making system. Within the SPECA framework it is appropriate to extend this experience from both technical and governance perspectives. In countries where border monitoring took place with support from international institutions, the results had no impact on the situation (Tajikistan and Kyrgyzstan).

In many SPECA countries, the speed of border-crossing procedures is strongly influenced by systemic governance issues at the border, complemented by the existing global risk of expanding terrorism and the spread of drugs at the external borders of SPECA participating countries. Countries often apply the easiest management decision when discovering a risk of any form – they conduct full inspection of all goods and passengers crossing the border instead of using new management decision-making approaches that do not affect the volume of cargo traffic: full-scale use of risk management and the organization of joint activities, using bilateral mutual assistance agreements in Customs and border controls and related areas.

In addition to the systemic governance issues at the national borders, the completion of cross-border procedures in most SPECA countries is constrained by the technical and operational incompatibility of the national electronic data exchange systems. The currently implemented projects on the automation of Customs procedures in the SPECA countries do not include requirements for data exchange between the countries. In many SPECA countries, Customs and the other border agencies lack IT skills to implement cross-border projects. There are some isolated pilot projects on data exchange between the countries (e.g. between Tajikistan and Afghanistan), but these projects are not yet sustainable.

The participation of the SPECA countries in different regional groupings with different policies (GUAM, EAEU, CIS, SCO, etc.) affects regional cooperation between the SPECA countries in general and the completion of border-crossing procedures in particular.

3.2 STREAMLINING FORMALITIES AT THE NATIONAL LEVEL

A key principle of trade facilitation reforms is the reduction and harmonization of data and documentation requirements.

In this sense, the Single Window concept has a key role to play. A Single Window system is not yet fully operational in any SPECA country, except for Azerbaijan. Single Window projects developed with resources from financial institutions (ADB and others) in Kyrgyzstan and Tajikistan were not finalized within the established deadlines and the project delivery timeframes were extended. In Tajikistan, a pilot project was launched with the participation of the key regulatory agencies. One of the impediments of Single Window implementation was that during the preparatory stages there were no reforms

aimed at streamlining business-processes and data harmonization. The lack of real political will also impeded the process, leading to the prevalence of vested institutional interests in the process. Efforts are being undertaken in Uzbekistan to establish a Single Window: facilitating most of all export procedures.

In general, the experience of implementing Single Window in the region demonstrates that some concrete facilitation measures are implemented more successfully than a Single Window system that requires higher level of cooperation and integration.

On the regional level, despite the use of the WCO data model in establishing electronic Customs systems, no work has been done between the countries to harmonize the formats of other regulatory documents for foreign trade (electronic invoice, contract, etc.), and this reflects the problems of data exchange and recognition among the countries.

3.3 ACCESS TO INFORMATION

Access to information on the legal framework and state regulations in force is an important prerequisite to creating transparent and predictable conditions for international trade.

Information related to the requirements and procedures of Customs clearance of export, import and transit must be published in a form that is free from discrimination and easy to access, in accordance with the provisions of the TFA. The importance of publication of trade related information is outlined in other international agreements, notably the Revised Kyoto Convention, ratified by some of the SPECA countries.

The legislation in force in the SPECA countries guarantees the right to access to information. In most SPECA countries, information on legislative and legal norms related to the Customs formalities for export and import, various procedures and limitations, Customs tariffs, fees and charges is published on electronic resources (web sites) of the regulatory agencies responsible for the relevant area. In many cases, these are the Customs agencies.

Moreover, SPECA countries which implement Single Window (as a separate project) also develop electronic information platforms (Kyrgyzstan and Tajikistan). In particular, with the support of international organizations, trade information in Tajikistan was published on a single specialized resource (trade portal - <https://tajtrade.tj>) with a user-friendly format. Except for information on import and export procedures, however, the portal does not contain other useful information.

Uzbekistan is also working on establishing a similar trade portal. Traders pay special attention to Uzbekistan’s overall regulatory information portal www.my.gov.uz.

Kazakhstan has many information resources. In addition to the web sites of regulatory agencies there exist portals with information on production, export/import and the activities of business companies. There is no integrated information resource, including on procedures. The most used web-sites are www.kazdata.kz and <http://adilet.zan.kz/rus>. Kazakhstan launched a project for a single enquiry point, which can provide 1414 types of consultations on various public services, including the most important questions related to foreign trade.

In general, practical experience indicates that electronic information resources in the SPECA countries are often either incomplete or their contents do not cover the entire range of information required for a trader to comply with import, export or transit requirements. Another issue is the difficulty of obtaining information in languages used by all SPECA countries, notably in Azerbaijan.

The existence of a multitude of unrelated information resources is an issue complicating traders' access to information. The trade portals established in some SPECA countries should contain not only step-by-step instructions on foreign trade procedures, but also a full range of foreign trade-related information, including that needed by other countries and potential markets (at least within the region) and should be presented in a standardized and available for the traders format.

There have been efforts to establish region-wide portals. An example might be the information portal of the Association of Customs brokers of Central Asia (<https://asian-cha.com>), developed with the help of GIZ and the participation of the Associations of Customs brokers of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. However, this platform also remains ineffective. The reason is the weak interest of representatives of some countries to provide and update relevant information (e.g. the Association of Customs brokers of Tajikistan). Efforts to establish relevant information resources are undertaken by the Central Asian Transport and Logistics Partnership. However, the sustainability of such platforms is not yet ensured.

Finally, this analysis concludes that there are still issues with the access to information, something that is also confirmed by the OECD trade facilitation indicators. Compared with the world's best practice (coefficient of 1.571), from all the countries of the region Azerbaijan demonstrates the highest result (1.476) and Tajikistan - the worst (0.286). In other SPECA countries the indicators are as follows: Kazakhstan – 0.75, Kyrgyzstan – 1.095, Uzbekistan – 0.6.

3.4 FREEDOM OF TRANSIT

The essence of “freedom of transit” is defined by all international sources as the right to move goods through the territory of a third country and the obligation of the third

country to allow such transit.

The Governments of all SPECA countries consider “freedom of transit” as a priority. All SPECA countries share the objective of developing common rules of the game yet, unfortunately, the establishment of aligned rules is restrained by the divergence of the national transit policies of the SPECA countries. This is demonstrated above all by the:

- differences in applying standards of maximum weight and axle-load limits for heavy vehicles;
- official procedures and rules of entry into and movement through the country's territory;
- absence of relevant and easy to access information related to changes in the rules of transportation, fees and temporary restrictions on the movement of specific goods;
- absence of predictability and harmonization of fees for road vehicles;
- absence of a legal framework for the time limits for each type of border-crossing control, which leads to long delays for vehicles at the border;
- incomplete implementation of expedited procedures for vehicles moving under the TIR regime;
- stopping vehicles on the road, often obliging them to open sealed transit vehicles and cargo for inspection; and
- absence of a regional system of insurance for the liability of the owners of vehicles and obligation to insure vehicles using national insurance companies.

Transit is covered by many bilateral, regional and international agreements that are either directly related to transit or regulate transit as a part of broader trade agreements.

The extent of those agreement varies and includes such elements as information exchange, standardization of legal requirements and guarantee systems, joint control, etc. Bilateral, regional and international agreements are not mutually exclusive. Even if the SPECA countries are signatories of such agreements as the TIR Convention, which regulates the freedom of transit, and the WTO TFA (Afghanistan, Kazakhstan, Kyrgyzstan, and Tajikistan), they continue to use bilateral intergovernmental agreements on international road traffic to regulate transit.

Bilateral agreements on international road transport

The analysis of the system of bilateral agreements indicates that on the initial stage of establishing an international road transport market, these agreements played a positive role for the transit countries by creating a legal framework for the functioning of transport operators. However, with the development of longer distance transportation, transiting the territory of many States, a system based on bilateral agreements more and more demonstrates its weaknesses in terms of many limitations for market access, presence of

“grey zones” in the regulation (e.g. on issuing permits in/from third countries for a fee; existence of non-transparent permit systems – big companies reselling them to SMEs). Political considerations continue to influence the freedom of transit in the SPECA countries, and the border crossings are sometimes used as a tool for political and economic pressure.

Regarding transit via Afghanistan, the situation substantially differs from the other SPECA countries. There are no transit regulating norms; existing bilateral agreements on road transport do not regulate the transit or permit systems (goods are therefore reloaded at the border-crossing points with Tajikistan and Uzbekistan); transport safety is still an issue.

Currently, four SPECA countries are practically transit countries (Kazakhstan, Uzbekistan, Turkmenistan and Azerbaijan) for both other SPECA countries and third countries. Given the geographical position of Tajikistan and Kyrgyzstan, transit cargo usually moves from the external borders of the SPECA region (e.g. from China to Afghanistan). Yet the volume of this transit is decreasing (by up to 16% in Tajikistan and up to 4% in Kyrgyzstan). One of the reasons is the situation at the border-crossing point “Karamyk”, and high informal payments.

The SPECA countries do not have «green corridor» lanes for transit at the border-crossing points; so, goods in transit follow the same procedures as the export/import ones.

Most barriers for transit in the SPECA countries are related to two key issues: first, transit guarantees that most countries request to allow transit goods to cross their territory free of duties and taxes and, second, cross-border exchange of data on transit operations. The delays and disproportionately high transit costs are related to those two issues.

To ensure a seamless connection between the countries participating in transit operations, especially between landlocked developing countries and transit countries, national transit coordinators were nominated in Tajikistan, Kyrgyzstan and Kazakhstan, in compliance with the TFA. These are Customs bodies to which all questions or proposals related to the efficient functioning of transit should be addressed. However, the role of such coordinators is not fully defined in the TFA and, currently, there is still no efficient mechanism for coordination.

3.5 CREATING REGIONAL SUPPLY CHAINS

In addition to the issues at border crossings, it is important to highlight the existing potential of developing regional trade between the SPECA participating countries. Experts claim that this potential is not fully tapped. The volume of regional trade in

Central Asia is very low, amounting to approximately 10% of overall international trade of the countries.

An important place in tapping this potential of developing regional trade belongs to the cooperation of companies that form regional value-added chains. There are no limitations to such cooperation in the SPECA region.

Customs procedures allow for inward and outward processing within and beyond their Customs territory, and this is meant to reinforce business interactions. However, this instrument operates in the SPECA countries exclusively on a bilateral basis, which does not correspond to the needs of regional trade. Based on information by Customs experts, the difficulty to define the criteria of “sufficient processing” hampers the full-scale use of this instrument to develop the procedures of “processing within the Customs territory” of a country for the development of regional trade.

4. OVERVIEW OF SPECA COUNTRIES’ COMPLIANCE WITH INTERNATIONAL TRANSPORT AND TRANSIT AGREEMENTS

The landlocked SPECA participating countries dedicate much attention to improving road transport infrastructure (construction and repair of roads; renewal of rolling stock, etc.).

International practice shows that the main driver for quality changes in road transport is the implementation of uniform standards, rules and technologies, stipulated in multilateral agreements and conventions. The SPECA countries are signatories to a dozen international conventions on transport and transit. When signing these international agreements, the countries were guided by the principles laid down by the Vienna Convention on the Law of Treaties of 1969 that each treaty in force is binding for its participants and should be implemented in good faith. The legal systems of many countries reflect the principle of primacy of international law over domestic legislature.

Practice demonstrates, however, that simply adhering to international agreements and conventions or recognizing them is not enough. Most important is the practical alignment of the national legal framework to the provisions of those conventions.

In 2016, the private sector took the initiative to analyse the implementation of international conventions and agreements in some Central Asian countries (Kazakhstan, Kyrgyzstan and Tajikistan). It revealed that despite the participation of SPECA countries in many international transport-related agreements and unions, not all agreements were implemented and followed. Some agreements were outdated. The simultaneous application of others led to collisions. There is no reliable mechanism to control the implementation of the terms and provisions of international agreements and conventions.

In addition to the legislative aspects, the lack of technical and human resources is a constraint for the due implementation of these conventions. Another factor is often the lack of provisions for an implementation mechanism in the texts of some conventions.

More details of implementation issues are illustrated by the following:

- *Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), 1975*

The TIR Convention is one of the most successful international transport-related conventions. All SPECA countries have acceded to the Convention and all countries have identified their respective national guaranteeing associations. The International Road Transport Union (IRU) acts as a coordinating body on the international level. The whole system represents a well-balanced and working mechanism.

The TIR system decreases, in its essence, border-crossing times, while ensuring high efficiency and reliability of official controls, thus providing savings on transport costs. In practice, however, the Customs agencies of the SPECA participating countries request, in most cases, that goods in transit comply with their national legislation. Such national provisions differ from country to country and often imply inspection of the goods and vehicles. In some cases, the carrier is requested to pay Customs fees (e.g. for guarantee, collateral, deposits, etc.) to cover a possible risk for the budget in case of a violation of the transit rules. Such measures, if applied in each transit country, lead to substantial costs for transport operators, delays and demurrage of road vehicles.

The TIR system was created with an objective to facilitate the transportation of goods while ensuring the payment of Customs charges. In practice, however, the management of the system in many countries was “commercialized”, complicating the access of the transport operators to it. The lack of coordination of activities to implement the TIR is illustrated by:

- the absence of a special “green lane” at checkpoints for trucks moving under the TIR procedure, which are therefore forced to stand in the same line with other vehicles to cross the border;
- conducting of physical inspections of road vehicles in the transit countries without using a risk management system; and
- high price of the TIR carnets and limited access of some transport operators to the system.

In most SPECA countries, the Convention is entirely implemented. In Afghanistan, its implementation has seen a “rebirth”, but it is not yet properly applied on the bilateral level with other SPECA countries. On the example of Tajikistan, the following issues

are not yet regulated: exchange of permit slips; transit questions (cargo is transhipped to vehicles from neighbouring countries). The situation in other countries is similar.

Experts observe a slow step-by-step implementation of new electronic deliverables of the IRU, such as TIR EPD – for electronic pre-declarations, TIR+ additional guarantee, eTIR – electronic TIR carnet, iTIR – internal carnet. The low speed of their implementation is partly related to the lack of financial and technical resources.

- *Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage (ATP), 1970*

Trade in perishable goods in the SPECA region is a major component of foreign trade in the region. A substantial part of population of the SPECA countries is occupied in the agricultural sector and statistics shows yearly growth in agricultural exports. Meanwhile, experts also acknowledge the decrease in the quality of its transportation; non-observance of the temperature control regime results in spoiled products and high financial costs for the exporters.

The region also needs to create and develop certification centres for vehicles and special equipment for the carriage of perishable goods based on the ATP, which is focused on the improvement and harmonization of the legal framework, technical standards, certification and licencing systems related to the carriage of perishable foodstuffs both on the regional and international levels.

The European Union’s project «Development of Equipment Certification Centres for the Transportation of Perishable Goods in Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan and Turkmenistan in the frame of ATP Agreement»⁴ carried out in 2007-2009 covered: opening and equipment of four expert laboratories in Central Asia to certify road vehicles; review of national legislation and the situation of the perishable foodstuff market; and laying the foundations of closer international and regional cooperation in this area. Following that project, expert laboratories for the certification of vehicles were established in Kazakhstan and Uzbekistan, yet such laboratories were never established in Tajikistan or Kyrgyzstan.

On the regional level, however, not all SPECA countries participate in the ATP (Afghanistan and Turkmenistan have not yet acceded to it, even if Turkmenistan is studying the need to join all UNECE transport conventions).

In addition to the technical issues (insufficient quantity of modern refrigerators; lack of repair workshops for the refrigerators, lack of laboratories for certifying the capacity of vehicles to carry perishable foodstuffs), there is a lack of established and coordinated

⁴ <http://www.traceca-org.org/fileadmin/fm-dam/TAREP/50lh/50lh7.pdf>

border-crossing procedures for goods under the ATP regime, as an additional constraint. The absence of a single body responsible for the implementation of the ATP also has a negative impact on regional trade.

Practice shows that the ATP Convention is complex to implement and is beyond the capacities of the SPECA countries. If the ATP Convention is to be applied partly, not in a coordinated way and not on a regional scale, it may even become a barrier to trade.

- *European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), 1957*

At this point, all SPECA countries, except for Afghanistan which is not a signatory to this Agreement, have developed national legislation regulating the carriage of dangerous goods.

In such countries as Kyrgyzstan and Tajikistan, the implementation of this Agreement has produced collisions with other norms. Due to the hot climate, the countries impose night transportation, while in accordance with the ADR dangerous goods cannot be transported at night-time. In addition, Tajikistan has not identified its authorized body which would be responsible for issuing ADR carriage certificates, would undertake training of transport operators and approve permits for ADR related carriage.

A company specializing on ADR carriage was established in Uzbekistan, but it only operates on the national level and does not have a licence for international carriage. Dangerous goods are transported only by rail and, consequently, suffer from long waiting queues.

- *European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR), 1970*

This Agreement is of great importance to the SPECA countries, which are changing the geography of their exports and developing international road transport, and in which the use tachographs is mandatory for every international carrier.

From all SPECA countries only Afghanistan and Kyrgyzstan have not acceded to this Agreement. Kazakhstan, Uzbekistan, Azerbaijan and Turkmenistan have established workshops for the installation of tachographs and for issuing driver cards for tachographs. No such workshop exist in Tajikistan, and drivers are unable to conduct transport operations in compliance with existing rules, when crossing the borders of the EAEU, EU and other countries. Purchasing driver cards in foreign countries is prohibited by the AETR provisions. Consequently, drivers from Tajikistan must pay fines due to non-compliance with the work and rest regime.

- *International Convention on the Harmonization of Frontier Controls of Goods, 1982*

Currently, all SPECA countries, except Afghanistan, are signatories to this Convention, which contains recommendations on the key principles of harmonizing border-crossing procedures between neighbouring countries and adjacent border posts.

Currently, there is no cooperation or coordination both between national border control agencies and on harmonizing border-crossing control procedures in adjacent border posts, which results in significant queues and increase of waiting time at the border.

The SPECA countries are working on reducing formalities and requirements and decreasing the number and duration of control operations of all types, yet this work is pursued in a non-coordinated way, making it impossible to reach the objectives on regional cooperation.

Many countries, such as Azerbaijan, have achieved excellent results in the facilitation of Customs procedures and the reduction of border-crossing times, yet not with other SPECA countries, while SPECA countries do not always use best practice experience.

Unfortunately, this Convention was implemented on the national level in the SPECA countries only in the realization of one-stop-shop at the border.

There are no integrated information systems in the region, which could provide advance information on goods and vehicles along their route. Customs agencies use different information systems. Both the lack of harmonization of weight control systems in transit countries and the fragmented validity of the weight certificates (a weight certificate does not cover the entire itinerary of a vehicle) are limiting factors in the region. Another issue is the lack of harmonization of fines for overweight and excessive dimensions of cargo and vehicles.

The best practice of comprehensive control of cargo is not used in the SPECA countries, despite their adherence to signed interagency agreements. International legislation prevails over national one in each country, but this is more in theory than in practice, as in many cases the rules have either not been properly formalized into procedures, or the authorities in the field (the inspectors) have not been duly informed (i.e. a border police officer, Customs inspector, or transport inspection officer complies only with the orders of their hierarchical superior).

5. RECOMMENDATIONS FOR STRENGTHENING SPECA COUNTRIES’ REGIONAL COOPERATION IN THE AREA OF TRADE AND TRANSPORT FACILITATION

5.1 IMPROVING THE STRUCTURE OF COOPERATION

5.1.1 Give SPECA the status of a regional structure in the system of trade and transport facilitation

The analysis of the state of implementation of concepts and agreements on trade and transport facilitation in the SPECA countries demonstrates low involvement of the authorized bodies in the practical implementation of those agreements. It confirmed that many recommendations are not supported by implementation and coordination mechanisms, and public-private partnerships are not used sufficiently to involve the private sector in providing the services.

As mentioned above, the region suffers from the weak participation of the countries in the discussions and harmonization of trade facilitation measures.

As the SPECA countries are marked by trade-related cross-border issues, it is appropriate to coordinate both trade facilitation reforms and donor support through a regional structure. This is especially relevant for the countries participating in the TFA, where such an assistance coordination mechanism is covered by articles 22 (d) and 24 (5). SPECA can serve as such structure and help the countries to align their reform efforts and harmonize the requests for needed assistance.

5.1.2 Activation of the private sector through the establishment of a SPECA Public-Private Dialogue platform

The cooperation of private sector structures (industry associations, public organizations and concrete companies) in Central Asia (notably, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan) develops with the implementation of projects by several international organizations dealing with trade and transport facilitation, and with the implementation of quality and product safety standards. Some “B2B” platforms also invite representatives of relevant state bodies.

However, such discussions have no practical implications, as far as the created platforms are not connected with the national and regional policy-making structures.

To enhance trade facilitation, a dialogue with the private sector and the establishment of a public-private dialogue platform within SPECA are needed. This will allow for a comprehensive examination of issues at stake facing the private sector and a prioritization of trade facilitation efforts on the regional level. An example of such a platform in the

region is the Central Asian Transport and Logistics Partnership, which brings together more than 100 industry associations, transport, broker and insurance companies, as well as scientific and research institutions and universities. The members of the Partnership have also established a close dialogue with the NTFCs.

5.2 INCREASED PARTICIPATION OF SPECA IN THE IMPLEMENTATION OF CONVENTIONS AND AGREEMENTS ON TRADE AND TRANSPORT FACILITATION

5.2.1 Conducting technical and economic assessment of the international norms with an impact on regional cooperation in the SPECA countries.

In the framework of SPECA activities, it is necessary to:

- review trade facilitation indicators with the objective to identify priorities for cross-border trade and to determine which measures would bring most benefits;
- conduct a feasibility assessment for the implementation of specific conventions and agreements. Many recommendations do not contain any financial and economic evaluation or an implementation mechanism (just the TIR Convention has an implementation mechanism). It is also necessary to identify which national executive bodies are responsible for the implementation of which conventions;
- involve technical and expert assistance to the Governments of the SPECA countries to help with the institutional reforms for trade and road transport facilitation, to use advanced international expertise and best practice (e.g. to organize capacity-building programmes based on the identified needs). In this respect, it is necessary to organize joint consultations with WTO, WCO and the international financial institutions to coordinate activities in the SPECA countries.
- analyse bilateral agreements on the national level (in collaboration with the business community and with the possible participation of international experts) and identify means and opportunities to expand the preferential access of carriers to the transportation services market; ensure a gradual adaptation of existing bilateral agreements to the market realities and to the needs of the carriers through integration of amendments (as additional protocols and agreements) that would give more rights and opportunities to carriers operating on transit routes through: (a) renouncing the principle of parity and the quantitative restrictions on bilateral and transit permits; and (b) gradual abolition of bilateral and transit permits and transition to a permit-free system of bilateral and transit carriage between countries based on mutual interests and shared advantages.

5.2.2 Implementation of cross-border projects

The SPECA countries participate in different regional groupings, which have their own policy, and this has an impact on regional cooperation in SPECA.

It is necessary to strengthen both the institutional participation of SPECA in the

harmonization of reforms and assistance and the coordinating role of the Programme in attracting and implementing joint projects introducing innovative tools to facilitate cross-border trade procedures. Certainly, even if most often focused on cross-border cooperation, donor support is still implemented primarily on the national level (e.g. reconstruction of checkpoints takes place without due consideration for the harmonization of infrastructure or procedures across borders).

In particular, the following projects can be aligned within SPECA:

- Establishing a unique template for checkpoints and procedure standards, taking into consideration the time framework for controls along transit corridors;
- Introduction of “electronic queuing” at the border, based on data from advance information gathering;
- Organization of a regional TRS to assess progress in the SPECA region, under the auspices of a SPECA Business Council as suggested above.

5.2.3 Promotion of implementation of framework standards of Customs clearance and controls in accordance with the commitments of the SPECA countries

As identified by this analysis, the SPECA countries are members of many trade and transport facilitation related conventions.

However, the level and the quality of implementation of those conventions is only being assessed by the authorized state bodies.

To promote the implementation of the commitments, it is appropriate, in parallel with the official public reviews (originating from the state authorities) to conduct private sector performed independent assessments (alternative reviews on the implementation of trade policies) to be presented in addition to the governmental reviews.

Box 1. NTFC

Afghanistan

The Chamber of Commerce and Industry (CCI) of Afghanistan represents the private sector in the Committee (1:18). The Committee consists of 18 commissioners. The CCI participates on behalf of its members (majority of business-community of Afghanistan). The Committee is led by the Minister of Economy.

Kazakhstan

Committee is established under leadership of the First Deputy Prime Minister, its members are Deputy Ministers and the Deputy Chairperson of the National Chamber of Entrepreneurs “Atameken”, representing the interests of the private sector.

By the decree of Minister of National Economy of Kazakhstan a cross-agency working group on TFA implementation coordination was established under the Committee (where private sector is not represented).

Kyrgyzstan

Deputy Chairperson of the Committee is a representative of private sector. The participation is based on parity (13:13).

Tajikistan

The membership of the private sector is based on parity (12:12)

Box 2. TRS RESULTS

Kyrgyzstan:

- In Kyrgyzstan inspection of means of transport with a TIR carnet took 7 hours and 46 minutes; while without TIR carnet – 4 hours 58 minutes;
- Average import release time on checkpoints – 5 hours and 18 minutes, on terminal – 19 hours and 24 minutes. Total import clearance – 24 hours.

Tajikistan – inspection performed on a checkpoint 6 hours and 13 minutes; inspection performed on a terminal – 15 hours and 52 minutes. Total import clearance – 22 hours.

ASHGABAT INITIATIVE

on

Reducing barriers to trade and transport using United Nations legal instruments, norms, standards and recommendations while bolstering connectivity in the SPECA region

The countries participating in the United Nations Special Programme for the Economies of Central Asia (SPECA), represented by their delegates at the 2019 SPECA Economic Forum in Ashgabat, discussed and launched this Initiative on reducing barriers to trade and transport using United Nations international legal instruments, norms, standards, and best practice recommendations to strengthen the regional market and cross-border supply chains and to enhance connectivity of the SPECA countries with Europe and Asia, with the objective of attracting new investment, technologies and innovation in the SPECA region. These joint measures will contribute to sustainable and inclusive growth in the region and ultimately will support the efforts of the SPECA countries in the implementation of the 2030 Agenda for Sustainable Development. Special attention will be paid to reducing non-tariff barriers to trade, removal of physical and non-physical barriers to transport, and to fostering sustainable transport and trade facilitation.

Embarking on a path of inclusive and sustainable development calls for a change in the pattern of economic performance in the region from resource-based towards broad-based and export-oriented growth which can only be achieved through economic diversification and productive investment in new technologies. Fostering sustainable transport and trade facilitation by reducing non-tariff barriers to trade and physical and non-physical barriers to transport plays a key role in this broad policy agenda. Such measures ease the expansion of regional and global value chains and drive productivity, economic diversification, exports and economic growth, therefore enabling more people to benefit from increased economic activity.

The SPECA participating countries,

- recognizing the commonality of their interest in sustainable development and the need for progress towards sustainable and inclusive growth;
- acknowledging that the development of trade and transport, using United Nations legal instruments, norms, standards and recommendations, is essential for bolstering connectivity;
- noting that regional cooperation within the SPECA activities lays the ground for monitoring of transport and trade related SDGs in the SPECA countries;
- noting that non-tariff barriers to trade are a key impediment to a stronger regional market and cross-border supply chains that would attract investment, technology, and innovations;

- stressing the importance of sustainable transport development, and strengthening of international and regional connectivity, for the integration of the countries in the economies of Europe and Asia;
- noting the importance of border crossing facilitation and especially the efficient implementation of internationally recognized transit facilitation legal instruments such as the TIR Convention;
- noting the importance of regional cooperation and coordination in development of inland transport infrastructure and operations; and
- noting the importance of improved, simplified, harmonized and standardized procedures, documents and data exchange for international trade and transport,

launch this Initiative to cooperate on reducing behind and at the border non-tariff barriers to trade in goods and promotion of sustainable transport and enhancing transport connectivity. They assume that trade facilitation and efficiency of official controls should go hand-in-hand. Priority areas for the implementation of this initiative are outlined in Annex I below. Special attention is paid to streamlining border-crossing and documentary procedures in the SPECA region. Consequently, the delegates make the following:

RECOMMENDATIONS:

The participants in the 2019 SPECA Economic Forum recommend to:

1. Consider establishment of a SPECA Trust Fund to support activities within the framework of SPECA. They welcomed the proposal by the Government of Turkmenistan to establish such a SPECA Trust Fund. They asked the United Nations to develop draft concept and legal documents of the Fund;
2. Invite SPECA countries to further accede, if not yet done so, and efficiently implement the United Nations transport-related legal instruments listed in the Ashgabat Initiative to develop the full potential of the transport systems of the landlocked SPECA countries;
3. Scale up analytical and research work on smart and sustainable trade and transport connectivity among the SPECA countries, through such actions as preparing:
 - a. a SPECA study on non-tariff barriers to trade under the WG on Trade;
 - b. SPECA studies on enhancing the capacity of transport infrastructure to improve the connectivity and transit potential of the SPECA region and to enhance Euro-Asian transport connectivity;
 - c. a Guide on streamlining formalities and documentary procedures for international trade and transport, using the background work done by UNECE and ESCAP;
 - d. a SPECA Guide on transport statistics and indicators, as well as measuring sustainable transport connectivity; and

- e. other studies as per relevant requests from the SPECA participating countries.
4. Expand capacity-building activities to enhance the capacity of SPECA countries to design, implement and monitor national and regional transport connectivity initiatives, through:
- a. capacity-building workshops for SPECA countries on the efficient implementation of the eTIR International System and its connection with the National Customs Systems, including the ASYCUDA ICT;
 - b. capacity-building workshops on a harmonized legal regime for international transport to help SPECA countries further accede to and effectively implement the United Nations transport-related legal instruments listed in the Ashgabat Initiative;
 - c. capacity development workshops in other relevant areas, including transport data collection and analysis, transport facilitation and use of new technologies and innovation in transport operations;
 - d. “trial runs” to assess the level of seamless connectivity along major transport corridors among SPECA countries based on findings and recommendations of the Eurasian Transport Links (EATL) and the Euro-Asian Transport Connectivity; and initiatives on the way forward to accelerate full operationalization; and
 - e. preparation of a SPECA action plan for the development of sustainable transport systems and regional connectivity by the SPECA Working Group on Sustainable Transport, Transit and Connectivity.
5. Enhance regional cooperation and public-private dialogue on trade and transport facilitation in the SPECA region:
- a. Improve the structure of cooperation through:
 - i. enhancing SPECA as a regional structure to coordinate trade facilitation reforms; and
 - ii. involving the private sector through establishing a SPECA dialogue platform (Business Council), using existing private sector regional cooperation structures (industry associations, civil society organizations and individual companies) in the areas of trade and transport facilitation, product quality and safety standards (e.g. the Partnership on Transport and Logistics in Central Asia).
 - b. Increase SPECA involvement in the implementation of conventions and agreements on trade and transport facilitation through:
 - i. a study on the implementation of international norms affecting regional cooperation in the SPECA region. In the framework of SPECA activities, organize:
 - a review of trade facilitation indicators and prioritization of trade facilitation measures that will have the highest effect in the region;
 - assessment of the implementation of relevant conventions and agreements;
 - technical assistance to the Governments of the SPECA participating countries for institutional reforms in trade facilitation, in collaboration with WTO, WCO,

- development partners and donors; and
- review bilateral agreements, working with business and international experts, to facilitate SMEs access to transport services; and adapt existing bilateral agreements to the market realities to provide unimpeded bilateral and transit traffic based on mutual benefits.
- ii. cross-border projects, using SPECA potential to develop and carry out joint projects introducing innovative tools to facilitate border-crossing procedures, e.g. when reconstructing border-crossing posts, with a view to harmonize both infrastructure and procedures. Such projects, in the framework of SPECA activities, may include:
- a single model for checkpoints and procedures, regarding time parameters of control procedures on transit corridors;
 - introduction of “electronic queuing at the border” systems, based on advance information (AI) data submission; and
 - systematic Time Release Studies (TRS) on a regional basis, so that the proposed Business Council could assess and monitor progress throughout the SPECA region.
- iii. fostering the implementation of framework standards of Customs clearance and controls adopted by the SPECA countries. Carry out independent assessments by the private sector (alternative reports on the implementation of trade policy), along with official reports of the countries’ regulatory agencies.

ANNEX I

PRIORITIES

For the implementation of this Initiative, the following priority areas were recognized:

- Promote smart connectivity for trade and transport as part of the joint efforts of the SPECA countries to promote inclusive and sustainable growth in the region. To this effect, simplify and streamline exchanges, using clear, free of charge, readily available and harmonized UN legal instruments, standards, recommendations, guides and other tools to promote seamless exchanges. Apply Information and Communication Technologies and innovative processes to improve interactions between people, companies, governments, their agencies and economies. Bring together public service needs with private sector innovation and financing capabilities. Set up connectivity infrastructure that meets the needs of citizens and businesses. Develop a SPECA strategy containing assessment of key regulatory barriers to operational transport connectivity, the use of smart technology for international transport, and indicators to measure progress of sustainable connectivity;
- Scale up analytical work to help increase the contribution of trade to sustainable development to provide policymakers with action-oriented recommendations, including for the reduction of non-tariff barriers to trade. Special emphasis will be accorded to identifying the interplay between non-tariff measures and structural transformation, and implications for the achievement for the 2030 Agenda for Sustainable Development;
- Streamline documentary procedures, trade data exchange, Customs declaration procedures, regulatory certification and licensing procedures, with a view to simplify and streamline them. Carry out business process analyses to identify redundant requirements for documents and data. Establish projects for data harmonization among different documents and processes, to create an enabling environment for data reuse. Review compliance with UN standards to improve and fasten the procedures. Organize regular regional cooperation events on simplifying documentary procedures and exchange of experience;
- Harmonize efforts and solutions for paperless trade developed by SPECA countries at the bilateral and regional level with those developed in other countries and use internationally recognized solutions to reduce the cost and time needed for implementation of such trade facilitation instruments as interoperable Single Window for import and export clearance; facilitate SPECA countries’ access to knowledge, technical assistance and capacity-building in this area;
- Promote regional cooperation and coordination in inland transport infrastructure

development for an efficient transport system, which is a prerequisite for dynamic economic growth in the SPECA region. Design and develop this transport system in a sustainable manner and promote safe and environmentally friendly transport modes. Harmonize transport infrastructure standards for cross-border transport to avoid traffic disruptions and build infrastructure resilient to natural disasters. Focus on the identification and elimination of major bottlenecks along international transport routes to attract investments and innovation in all inland transport modes;

- Streamline cooperation on sustainable and efficient transport operations, seamless international transit and good connectivity to attract international flows along the inland Euro-Asian Transport corridors and boost national economies. Promote efficient intermodal transport to address challenges faced by the SPECA landlocked countries. Identify and deploy measures to reduce physical and non-physical barriers to improve competitiveness of inland transport operations;
- Promote innovation in transport to boost mobility, using digitalization and e-documents (e.g. eTIR, eCMR) especially in multimodal transport, and to improve efficiency and governance;
- SPECA countries implementing the TIR Convention should support the adoption of Annex 11 of the Convention which refers to eTIR and the digitalization of the TIR procedure and should actively participate to pilot tests with the aim to develop and finalize the eTIR International System;
- SPECA countries using UNCTAD ASYCUDA ICT systems should continue efforts in promoting regional connectivity, transit, transport and trade through extending the interoperability between Customs and other governmental agencies and electronic Customs data exchange with neighbouring countries in accordance with international standards and recommendations. This would include integration of ASYCUDA ICT with the eTIR International System creating an integrated and efficient transit solution;
- Transport is a key economic sector that provides access to markets and enables personal mobility. For the SPECA countries, better infrastructure connectivity is an important first step, and connecting services and facilitating the crossing of borders for both goods and people is crucial. The need for improving regional connectivity requires an underlying harmonized system of governance, based on a clear and comprehensive legal regime where efficient implementation of transport-related conventions and agreements could give significant support;
- In order to streamline and fasten procedures at border crossings, strengthen the cooperation of regulatory agencies internally and externally (among neighbouring countries), using relevant United Nations legal instruments, norms and recommendations

such as the TIR Convention, the Harmonization Convention and other conventions;

- Promote regular consultations among regulatory agencies in neighbouring countries;
- Build the enabling conditions for freedom of transit, with such elements as comprehensive guarantees, separate green lanes at border-crossings, and the appointment of transit coordinators, who would cooperate on the regional level; and
- Promote further operationalization of the Euro-Asian Transport Links (EATL) and Euro-Asian Transport Connectivity in particular through the harmonization of technical standards along the Euro-Asian transport corridors, such as standards set in the UN legal instruments, standards on weights, dimensions and emissions by road vehicles, requirements for cross-border rail operations and standards for the operation of dry ports and intermodal facilities.

In order to ensure successful implementation of these objectives, the SPECA countries and the United Nations Regional Commissions are invited to strengthen their efforts to implement the following United Nations instruments:

Legal instruments:

- Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), as well as e-TIR;
- Convention on the Contract for the International Carriage of Goods by Road (CMR), as well as e-CMR;
- International Convention on the Harmonization of Frontier Controls of Goods (Harmonization Convention);
- Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific;
- United Nations transport-related legal instruments adopted by ESCAP Resolution 48/11 and the 2nd session of the SPECA Working Group on Sustainable Transport, Transit and Connectivity (see Annex II); and
- other relevant United Nations transport infrastructure agreements maintained by UNECE and ESCAP.

Standards and best practice recommendations:

- UN Layout Key for trade and transport documents (UNECE trade facilitation Recommendation 1), sectorial standards for forms and certificates;
- UN/CEFACT Recommendation 4 on National Trade Facilitation Bodies and Recommendation 40 on Consultations for Trade Facilitation;
- UN semantic standards for electronic exchange of information (UN/CEFACT Reference Data Models, Core Component Library and others);
- UN/CEFACT Recommendations 33 – 37 on the Single Window for export and import

clearance; Recommendation 34 for data harmonization;

- UN/CEFACT Recommendation 42 on Trade and Transport Facilitation Monitoring Mechanism;
- UNNExT Business Process Analysis Guide to Simplify Trade Procedures;
- UNNExT Single Window Implementation Guides, including UNNExT Guide to Implementation of Electronic Messages for Cross-border paperless trade;
- The Code of Practice on the Safe Packing of Cargo Transport Units (CTU Code); and
- United Nations Transport Facilitation Tools and Models and relevant regional transport facilitation frameworks, such as the ESCAP Regional Strategic Framework for the Facilitation of International Road Transport and the ESCAP Regional Cooperation Framework for the Facilitation of International Railway Transport.

Recognizing that many international organizations and development partners work on these issues, this Initiative should aim at introducing a more systematic approach, using United Nations legal norms, standards and recommendations and preparing a regional study on non-tariff barriers to trade.

The SPECA Fund, which is expected to be established following the 2019 SPECA Days, will support the implementation of this Initiative and contribute to the smooth running of the Programme.

In order to provide for the efficient implementation of the Initiative and for mobilization of additional resources, the countries are invited to efficiently transpose the above instruments into national legislation and development plans, and to ask development partners for assistance and inclusion of the measures and instruments listed in this Initiative in development projects.

For the actual implementation of this Initiative, the Governments of the SPECA participating countries, working with UNECE, ESCAP and the Resident Coordinators in the countries, shall prepare and agree on arrangements to support the implementation of this Initiative. In particular, the SPECA countries are invited to develop action plans for implementation in the framework of the SPECA Working Group on Trade and the SPECA Working Group on Sustainable Transport, Transit and Connectivity both providing institutional support for the implementation of this Initiative. They are also invited to nominate national focal points to these Working Groups on a sustained basis.

ANNEX II

Accession status to United Nations transport-related legal instruments listed in the Protocol of the 2nd session of SPECA Working Group on Sustainable Transport, Transit and Connectivity (WG-STTC) as of 1 August 2019

No	Agreements and Conventions	AFG	AZE	KAZ	KGZ	TJK	TKM	UZB
<i>Conventions recommended by ESCAP Resolution 48/11 and the SPECA WG-STTC</i>								
1	Convention on Road Traffic (1968)		X (2002)	X (1994)	X (2006)	X (1994)	X (1993)	X (1995)
2	Convention on Road Signs and Signals (1968)		X (2011)	X (1994)	X (2006)	X (1994)	X (1993)	X (1995)
3	Convention on the Contract for the International Carriage of Goods by Road (CMR, 1956)		X (2006)	X (1995)	X (1998)	X (1996)	X (1996)	X (1995)
4	Customs Convention on the Temporary Importation of Commercial Road Vehicles (1956)	X (1977)	X (2000)		X (1998)			X (1999)
5	Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) (1975)	X (1982)	X (1996)	X (1995)	X (1998)	X (1996)	X (1996)	X (1995)
6	International Convention on the Harmonization of Frontier Controls of Goods (1982)		X (2000)	X (2005)	X (1998)	X (2011)	X (2016)	X (1996)
7	Customs Convention on Containers (1972)		X (2005)	X (2005)	X (2007)			X (1996)
<i>Additional Agreements and Conventions recommended by the SPECA WG-STTC:</i>								
8	European Agreement on Main International traffic arteries (AGR) (1975)		X (1996)	X (1995)				
9	European Agreement on Main International Railway Lines (AGC) (1985)							
10	European Agreement on Important International Combined Transport Lines and Related Installations (AGTC) (1991)			X (2002)				
11	European Agreement supplementing the Convention on Road Traffic opened for signature at Vienna on 8 November 1968 (1971)			X (2011)				
12	European Agreement supplementing the Convention on Road Signs and Signals (1971)		X (2011)	X (2011)				
13	European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR) (1970)		X (1996)	X (1995)		X (2011)	X (1996)	X (1998)
14	Customs Convention on the Temporary Importation of Private Road Vehicles (1954)							
15	European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) (1957)		X (2000)	X (2001)		X (2011)		
16	Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage (ATP) (1970)		X (2000)	X (1995)	X (2012)	X (2011)		X (1999)

Accession status to United Nations ESCAP intergovernmental agreements on transport of relevance to SPECA countries

No	Agreements	AFG	AZE	KAZ	KGZ	TJK	TKM	UZB
1	Intergovernmental Agreement on the Asian Highway Network	X (2006)	X (2005)	X (2008)	X (2006)	X (2006)	X (2016)	X (2005)
2	Intergovernmental Agreement on the Trans-Asian railway Network					X (2008)	X (2016)	X (2009)
3	Intergovernmental Agreement on Dry Ports	X (2016)		X (2016)		X (2015)	X (2016)	

Notes:

1. X – Final signature, ratification, accession;
2. AFG – Afghanistan;
AZE – Azerbaijan;
KAZ – Kazakhstan;
KGZ – Kyrgyzstan;
TJK – Tajikistan;
TKM – Turkmenistan; and
UZB – Uzbekistan.

SPECA PRINCIPLES OF SUSTAINABLE TRADE

The link between trade and sustainable development has been clearly underlined in major programming documents during the last years. The Sustainable Development Goals (SDG 17.10) of the 2030 Agenda for Sustainable Development (Sept. 2015) and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (July 2015)¹ define international trade as “an engine for inclusive economic growth and poverty reduction”. Both documents clearly promote the “universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under the World Trade Organization (WTO)” as a tool for achieving growth and development around the world. The 2030 Agenda clearly defines the need for a new thinking, combining economic growth and prosperity with the need for action on preventing the deterioration of the environment parallel to human and social development. Trade plays an important role in allocating global resources more efficiently to achieve these goals. Another document, adopted under the auspices of UNECE in Batumi on 10 June 2016, the Pan-European Strategic Framework for Greening the Economy (Focus Area 6) clearly promotes “Green and Fair Trade”.²

The objective of this paper is to point the attention of SPECA countries’ decision makers to the priorities of sustainable trade in the region. It fosters further analysis of the current situation, defining what would be a desired situation; and it suggests recommendations as contributions into policy decisions for change into the desired direction of sustainable trade. The paper offers a general perspective for defining next steps in the countries’ sustainable development work programmes, cooperation plans, and exchange of best practices. The key point is to understand the importance of the link between trade development and sustainable development in the SPECA subregion and, on this basis, mark areas for possible cooperation among the countries for the achievement of the SDGs related to trade.

Work on trade and sustainable development in the SPECA setting focuses on such topics as trade as an engine of sustainable growth; increasing employment and decent jobs related to sustainable development; elimination of poverty; increasing food security; and improving trade practices to achieve the environmental SDGs. Notably, this work aims at strengthening the links between sound and trustful trade practices with good water management, energy efficiency, sustainable transport, innovation promotion, and other areas covered by the SPECA working groups. The overall goal is to achieve parallel improvements in the areas of trade, environment, food security, and water management.

Introduction

Work on the SDGs in the UN and its Member States increasingly concentrates on the urgent need to ensure that economic growth, environmental protection and social inclusion are part of an integrated development agenda, where trade is an engine for sustainable development.

Given the right trade policies and regulations are put in place, international trade has the potential of enabling countries to benefit from investment and integration into regional and global value chains, which increasingly embrace environmental goods and services. The transition to an inclusive green economy enhances trade opportunities by opening new export markets for environmental goods and services. Demand increases for resource and energy efficient production and processing methods and for sustainability-certified products, as markets for them are growing fast. “There are economic gains to be made from making trade more socially and economically sustainable. Growing trade in environmental goods and services, as well as the diffusion of sustainability standards and the greening of global value chains, can significantly influence” job markets, production and cross-border trading patterns. Switching to trade aligned to sustainable development can be profitable for the SPECA economies.

Trade and environmental sustainability

Countries are encouraged to develop policies supporting imports and exports of green technologies, environmental goods and services, and creating market access for sustainably certified products. In order to make informed policy decisions, countries and their development partners may wish to carry out studies to identify economic incentives that would integrate these technologies and products into efficient cross-border supply chains that are respectful for the environment and social inclusion. Political will grows for building green economies, circular economy and “green energy”, for example in Kazakhstan. Yet much needs to be done, including through subregional cooperation.

SPECA countries’ contributions to global value chains are still dominated by natural resource –based products and raw materials. The need for diversification of production and trade in these economies is huge, in order to secure long-term growth and sustainable development.

In order to support sustainable development, the international trading system rules should provide for responsible, environmentally sound trading practices. It is important to integrate sustainable development into trade policy at all levels, reflect this in the drive to increase the volumes of world trade, enhance and diversify exports from developing countries, including the SPECA countries.

Principles of sustainable trade

International trade has the potential to bolster the achievement of a number of sustainable development objectives, especially if its development abides by such principles as:

1. Mainstream trade into national and sector strategies to achieve the SDGs, and relevant SDGs into trade development strategies;
2. Encourage long-term investment in productive capacities, including diversification and innovation of production and trade, aligning them to the requirements of sustainable development;
3. Adopt appropriate regulation, so that trade can facilitate the transition to more sustainable and equitable growth and to a green economy by fostering the exchange of environmentally sound goods and services, by increasing resource and energy efficiency, and by generating economic and employment opportunities for all;
4. Further develop rules for environmentally friendly trade;
5. Focus on export diversification and value addition;
6. Foster productive employment and decent work conditions, through trade policies and practices that help create jobs and eliminate poverty in all countries;
7. Reduce inequality by letting poorer countries and people accede to markets, investments, and new technologies, while allowing the achievement of higher working and living standards;
8. Identify and harness trade opportunities associated with a transition to green economy;
9. Eliminate trade subsidies that negatively affect the environment and employment;
10. Invest in food security by providing access to agricultural products for a larger portion of society, thus offering more, broadly accessible and higher standard food products on the markets;
11. Promote international and regional trade governance frameworks that foster sustainability; integration of national and international initiatives that build up synergies between trade, the green economy, and social inclusion – decent jobs for all;
12. Promote the multilateral trading system in the SPECA subregion, so that international trade rules support sustainability of trade policies and practices;
13. Ensure that non-tariff measures designed to protect nature, society and the economy do not become barriers to trade;
14. Develop national sustainability standards for trade, which are related to international standards and best practices (connecting such standards in exporting and importing countries);
15. Encourage new forms of public-private partnerships to support the parallel advancement of trade and the green economy;
16. Further women's empowerment, increasingly involving women in managing trade operations and the advancement of sustainable trade;
17. Advance the development of financing mechanisms to support the shift to green trade, including capacity-building for the public and private sectors; and

18. Cultivate a new ethics in the trading community that would support the overall achievement of the sustainable development goals;
19. Make the advancement of e-commerce a force for inclusion;
20. Support micro, small and medium sized enterprises to engage in international trade.

Areas for further work in the SPECA setting

Bringing together trade and sustainable development will not come by itself. It needs purposeful analysis of current development approaches and incorporating a sustainable development mind set into current work on trade development priorities. Several priority areas, which can be taken up in the SPECA framework, include:

1. **Trade facilitation and liberalization** suppose the integration of countries and their companies in international supply chains; the facilitation of movements of goods across borders, which would save precious resources for society that are otherwise wasted in bureaucratic procedures; together with raising the efficiency of official controls necessary for the protection of society. Long-term investment in productive capacities in the SPECA countries would go hand-in-hand with diversification and innovation that take sustainable development into account, as well as removal of trans-boundary procedural barriers to trade, so that a regional market and regional supply chains can form. At the same time, trade facilitation and paperless trade should take into account the need to protect the environment; create new jobs; and foster such innovation that would lead to more decent jobs and poverty reduction.

Trade facilitation (including the implementation of the WTO Trade Facilitation Agreement by members or aspiring members of the WTO) can have the **following impact** on promoting green trade:

- increase efficiency and reduce costs, waste and negative environmental impacts, saving precious human and natural resources for better use by society;
 - improve border control procedures by simplifying, harmonizing, standardizing and automating them, reducing delays and rejections of goods at the border, enabling trade operators to bring their goods to the destination markets faster and sell them, rather than having them delayed, turned back or, in the case of perishable goods, spoiled;
 - streamline procedures, thus avoiding wasted paper, gasoline and inputs used for the production of goods, including reduction of pollution from idling trucks;
 - allow for increased trade in environmental goods, services and technology, access to which should be facilitated in compliance with the Sustainable Development Agenda, leading to better deployment of renewable energy technologies. In combination with reducing other trade barriers, the Trade Facilitation Agreement may well give an extra boost to such a “green trade”.
2. Encouraging **environmentally sound production and trading patterns** in the subregion would have a positive impact on tackling important environmental issues.

For example, exporting wheat produced on rainwater in Kazakhstan to drier countries to the south would have a positive impact on water management of the two largest rivers in the subregion, which feed the Aral Sea.

3. **Promoting diversification of the economy.** With the current decline in commodity prices, SPECA countries receive less income for their raw material exports. As the current decrease of oil prices has indicated, the reliance of some countries in the region on high revenues from exports of hydrocarbons is not sustainable. Azerbaijan was a global leader in GDP growth in the world, reaching a peak of 34.5% in 2006, then 10.8% in 2008. Yet this indicator went down as low as 0.1% in 2017, when global oil prices hit a record low level. Azerbaijan is looking now for innovative ways of diversifying its economy and trade, including through integration into regional and global supply chains and focusing on environmental goods. The country is developing a green industry now, for example in producing solar panels. Expanding the market for such green products to the other SPECA countries can give a boost to such production. A conscious effort towards regional trade cooperation focused on sustainable development will be important, as such change in economic patterns and mind-sets will not come by itself.

Figure 1: GDP growth rates in the South Caucasus.
Annual change in Azerbaijan 0.1% in 2017³



Diversification into exports other than commodities is high on the development agenda of the SPECA countries because of the need to adapt to changing markets and environmental conditions. Yet in order to assist their diversification efforts, these countries need predictable market access conditions and capacity building.

There is a need to recalibrate economic growth structures and patterns such that they are diversified and broad-based, and focus on boosting domestic demand to create productive and decent employment, while preserving and promoting environmental sustainability.

Evidence shows that in many countries economic growth has not necessarily been accompanied by reductions of income inequality or even of extreme poverty. This distributional bias of growth needs to be addressed. Recommended activities for integrated planning of inclusive and sustainable growth include establishing evidence-based analysis for national development plans, promoting economic diversification, sustainable growth pathways, environmentally sustainable agricultural and industrial practices, and access to affordable clean energy. In addition, an inclusive and sustainable growth strategy must prioritize a pattern of growth that creates a sufficient number of jobs to secure productive employment for the majority of the work-force

4. **Ensuring financing for green trade.** Encouraging environmentally sound production and trading patterns will have a positive impact on tackling important environmental issues in the region. National budgets and donors that support projects on trade in the subregion and trade financing can play a significant role in promoting sustainable trade. While providing market-oriented trade finance and remedies for market failures associated with trade finance, national and international financial institutions can play a significant role in promoting the SDGs in trade, inter alia, by increasing the analysis of issues and requirements for sustainable development considerations in trade finance projects.

Financial markets have increased the number of options to choose from to advance investments that support the transition to more sustainable growth patterns. Activities to mobilize and scale-up financing include promoting fiscal policy consistent with inclusive and sustainable growth objectives; promoting domestic resource mobilization, and promoting the adoption of innovative financing mechanisms for environmental sustainability and clean energy.

Raising additional domestic revenues remains a challenge for many countries. In many natural resource-rich countries, implementing fiscal regimes that are capable of sustainably managing resource revenues has also proved challenging. For instance, tax incentives in the extractives sector can result in large revenue losses when rent-sharing agreements are negotiated in a way that leads to highly favorable terms for investors at the expense of lower public revenues. Hence, countries highly dependent on such sectors as extractives or commodities for revenue, require capacity to manage boom time revenues more prudently. Additional fiscal space can also be generated by cutting unproductive expenditures and by preventing the leakage of resources.

5. Trade development must be used *to facilitate the creation of productive employment and to address the inequality of opportunities* faced by specific groups. Women, ethnic and racial minorities, among others, can get more access to the management of international trade and the from the gains of development. Policy measures must address the inequality of both opportunities and outcomes.

6. The right trade policies can help *manage risks associated with economic and financial crises, and to build economic resilience* to ensure that growth is stable and sustained. The more dependent a country is on a pattern of growth focused on external sources of revenue and investment, the more vulnerable it is to global trade shocks. Activities to manage risks and building economic resilience include promoting export and economic diversification; addressing volatility of private capital flows; addressing commodity price volatility; adopting income stabilization measures for commodity producers; enforcing labour standards and social insurance for workers in export sectors; and promoting environmental safety standards and safe-guards for foreign investments.

SPECA countries, trade and the green economy

The Green economy concept was recognized as an important tool for achieving sustainable development in the outcome document of the United Nations Conference on Sustainable Development in 2012 (Rio+20), and since that time a number of countries around the world have adopted green economy strategies and policies. SPECA countries have started to adopt sustainable development strategies, some of which contain, to varying degrees, green economy elements.

- The Kyrgyz Republic, for example, has identified low carbon green growth as its priority. In 2012, it established a National Council for Sustainable Development to oversee the mainstreaming of environment into its overall development plans. In 2016, it became a partner country in the Partnership for Action on Green Economy (PAGE) of UN Environment. Since 2016, the Kyrgyz Republic worked with PAGE to transition to an inclusive green economy, resulting in the Ministry of Economy's adoption of a national Inclusive Green Economy Program for 2019-2023 and a step-by-step Action Plan for 2019-2021.

- Tajikistan has also adopted a long-term strategy for transitioning to sustainable development (UNECE, 2012). In 2016, Tajikistan adopted the "National Development Strategy of the Republic of Tajikistan for the Period Up to 2030," taking into account the SDGs and fostering economic growth through renewable and clean sources of energy as the basis of a green economy.

- At the sub-regional level, the Interstate Commission on Sustainable Development (ICSD) has recognized the value of ongoing green economy work for its member States. The five Central Asian countries endorsed in 2016 the voluntary pan-European Strategic Framework for Greening the Economy, a tool that supports countries' transition to a green economy and at the same time directly contributes to the implementation of SDGs.

Encouraging environmentally sound production and trading patterns would have a

positive impact on tackling important environmental issues in the subregion. For example, exporting wheat produced on rainwater in Kazakhstan to drier countries to the south would have a positive impact on water management of the two large rivers in the subregion and the Aral Sea. A study on such cases, possible impacts and remedies through regional cooperation may be undertaken in the SPECA framework.

Equally, better water management could improve the efficiency of food processing and, consequently, increase supply side capacity, exports and jobs in Tajikistan, where agriculture on irrigation accounts for 90 percent of agricultural production in the country, but with low water productivity. A way to improve this water productivity is to construct water reservoirs and shift to more water-efficient irrigation methods. More expertise, technologies and investments (e.g. in reservoirs and dams) are needed, and would benefit from better sub-regional cooperation, trade, and access to funding from regional and international financial institutions.⁴

As the development of green energy (hydropower, wind and solar projects) is a priority for the subregion, it is important to support trade in goods and technologies as inputs for these green technologies. The European Bank for Reconstruction and Development (EBRD), UNDP, the European Commission and other development partners work with relevant national agencies and institutions in Kazakhstan, the Kyrgyz Republic, and Uzbekistan to develop production capabilities in these areas. In addition, cooperative planning may enable SPECA countries to find ways to import more renewable energy from other countries of the region that have surplus capacity (e.g. hydropower in Tajikistan or wind power in Kazakhstan) and would benefit from resulting economies of scale from increased trade.⁵

Regional trade growth and sustainable development

The SPECA region as a whole has made great progress in the last years in the achievement of SDG 17.10: promotion of the international rules-based trading system based on the WTO. With the accession of Afghanistan and Kazakhstan, more than 50% of the SPECA countries are now members of the organization. Four countries are already full members: Afghanistan, Kazakhstan, Kyrgyzstan and Tajikistan. Two are observers: Azerbaijan and Uzbekistan, which are in the process of accession. With regard to Turkmenistan, much was done in the framework of SPECA for the information of Turkmenistan's Government on the WTO and the accession process: the country participated on a very high level in the SPECA trade meetings in 2015 and 2017, the delegation met the WTO Director General. In May 2016, Turkmenistan organized a very successful regional Trade Policy Forum and meeting of the SPECA Working Group on Trade. At a cabinet

⁴ UNEP (2016) "Stocktaking on Inclusive Green Economy in Central Asia and Mongolia: a Sub-Regional Perspective", p.20

⁵ Ibid, p.27

ministers' meeting on 15 May 2020, the President of Turkmenistan signed a resolution entitled "On the entry of Turkmenistan to the World Trade Organization as an observer," sending Turkmenistan's request to begin its WTO accession process and to join the WTO as an observer during the accession process.

With regard to SDG 17.11: increase the share of developing countries in world exports, the focus of SPECA is on increasing intra-regional trade, which is exceptionally low (see fig.3 below). Export values of all SPECA countries to the world in 2016 declined compared to 2014 by 49%. For the same period, total world export values decreased as well by 16%. Export share of SPECA countries in the world trade declined from 0,75 percentage point in 2014 to 0,45 percentage points in 2016 (see fig.4). There is a high potential to improve regional trade as well as the countries' share in world exports.

Conclusion

Subregional cooperation on developing rules and practices promoting the parallel advance of trade and sustainable development will help achieve a more efficient shift to sustainable trade policies and practices in the SPECA subregion. Economic and trade diversification, as well as economic, environmental and social innovations related to sustainable development would create more trade opportunities and generate larger scale efficiency, while creating new "green" jobs.

The SPECA framework may serve as a platform to analyze the effects of potential growth of intra-regional trade, as well as possible impact of trade policy reform and subregional cooperation on the capacity of SPECA countries to implement the sustainable development goals related to trade. Based on such an analysis, a list of recommendations to the countries and the UN secretariat would be prepared in the SPECA framework, with a focus on:

1. Possible input to policy decisions in SPECA countries' efforts to achieve the SDGs.
2. Identification of next steps, in terms of work programmes, cooperation plans, exchange of best practices, standards and tools for sustainable trade, water management, food security, and other areas, in order to achieve the SDGs in the SPECA subregion.
3. Definition of areas, in which subregional projects on sustainable trade would be likely to attract funding for these next steps.

Figure 2: Trade in goods among SPECA countries 2014-2017
(in thousands US dollars)⁶.

Afghanistan	Export					Import				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Azerbaijan	..	2	..	..	27	301971	121169	27833	33058	6495
Kazakhstan	2056	4630	2104	2416	8900	340238	381495	484209	670111	1581507
Kyrgyzstan	84	52	55	198	521	14460	5921	3926	1153	965
Tajikistan	51045	24617	19840	23572	14782	31637	50357	43025	64779	191534
Turkmenistan	..	668	1153	..	1965	..	594987	287633	..	770834
Uzbekistan	..	187	264	..	4637	..	358790	361159	460527	1107897
Whole World	570534	571405	596455	780000	1769008	7697178	7722865	6534140	7580000	14813180
Total SPECA	53185	30156	23416	26186	30832	688307	1512720	1207785	1229627	3659232
Trade with SPECA in %	9.3	5.3	3.9	3.4	1.7	8.9	19.6	18.5	16.0	24.7

Azerbaijan	Export					Import				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Afghanistan	336736	136548	34889	42894	71537	..	..	..	..	1.5
Kazakhstan	37966	17286	33464	35922	46644	221056	98673	97557	105764	174068
Kyrgyzstan	33948	5850	7218	551	4033	1703	1604	1261	1202	2049
Tajikistan	3208	2722	14263	2105	6533	188	..	238	47	53.4
Turkmenistan	47294	15535	137383	58315	23799	13198	19619	38286	110108	109352
Uzbekistan	47167	32583	4128	4266	9351	23612	6234	11253	25822	34597
Whole World	30219800	16592300	13118400	15800000	19458632	9178588	9211126	8515807	8766505	11459395
Total SPECA	506319	210523	231344	148276	161897	259757	126130	148595	249420	320120
Trade with SPECA in %	1.7	1.3	1.8	0.9	0.8	2.8	1.4	1.7	2.8	2.8

Kazakhstan	Export					Import				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Afghanistan	333522	372434	486886	562760	516385	3036	6303	3037	2254	4171
Azerbaijan	220051	109801	106471	105924	211904	29793	14631	26348	31975	46355
Kyrgyzstan	703986	517722	376134	503233	634866	304636	201619	171077	256825	230390
Tajikistan	518920	418451	371888	458347	519875	119973	111854	139964	205728	323885
Turkmenistan	353799	114543	69104	55117	86649	113943	61515	196040	40744	12903
Uzbekistan	1083947	942267	922532	1250332	1643314	957588	700733	537473	678150	844841
Whole World	79458749	45954426	36775323	48342074	60954064	41295456	30567159	25174779	29345935	32533444
Total SPECA	3214226	2475218	2333016	2935713	3612993	1528968	1096654	1073938	1215675	1462545
Trade with SPECA in %	4.0	5.4	6.3	6.1	5.9	3.7	3.6	4.3	4.1	4.5

Kyrgyzstan	Export					Import				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Afghanistan	26643	6412	5094	1241	1924	116	73	87	239	6
Azerbaijan	2738	2670	1253	1267	1893	30738	6072	6557	440	2761
Kazakhstan	414843	223760	231751	293493	220364	719739	677407	635548	585816	470493
Tajikistan	46002	30371	32014	26313	47069	10854	8135	6427	14450	12834
Turkmenistan	7647	6581	6795	5062	3306	..	3892	4361	463	1465
Uzbekistan	151961	111289	176795	183954	158499	88620	59219	69767	163618	177789
Whole World	1884041	1441468	1423028	1783967	1690340	5720560	4068084	3844473	4473860	4829578
Total SPECA	649834	381083	453702	511330	433055	850066	754796	722747	765025	665348
Trade with SPECA in %	34.5	26.4	31.9	28.7	25.6	14.9	18.6	18.8	17.1	13.8

Tajikistan	Export					Import				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Afghanistan	30124	46787	45974	68792	191534	62270	28366	23717	23091	14782
Azerbaijan	197	..	246	52	53	11813	18630	15413	7401	6533
Kazakhstan	81435	68292	94248	147382	323885	433839	359625	338411	370622	519875
Kyrgyzstan	8146	5629	5321	10697	12834	30146	25159	22758	19892	47069
Turkmenistan	..	..	..	..	..	..	..	..	..	..
Uzbekistan	7665	5610	6274	8949	..	155942	123291	110930	88810	..
Whole World	959243	874145	882390	1177828	1208782	4297400	3435600	3031000	2700000	24471461
Total SPECA	127566	126317	152063	235872	528306	694009	555071	511229	509816	588259
Trade with SPECA in %	13.3	14.5	17.2	20.0	43.7	16.1	16.2	16.9	18.9	24.0

Turkmenistan	Export					Import				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Afghanistan	..	643570	158070	311749	770834	..	1219	474	677	1965
Azerbaijan	62126	60562	30134	35271	109352	54785	27207	31886	23637	23799
Kazakhstan	173112	78667	61840	54642	12903	413495	177712	229914	163050	86649
Kyrgyzstan	7486	4019	2826	2662	1465	7771	8632	6379	6005	3306
Tajikistan	..	..	..	..	..	2128	1849	..	..	..
Uzbekistan	..	..	..	..	..	..	..	..	..	..
Whole World	17500000	11000000	7000000	7000000	10000000	10000000	8000000	7000000	6000000	2500000
Total SPECA	242723	786818	252870	404323	894554	478179	216619	268653	193369	115719
Trade with SPECA in %	1.4	7.2	3.6	5.8	8.9	4.8	2.7	3.8	3.2	4.6

Uzbekistan	Export					Import				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Afghanistan	..	491707	433614	..	1107897	..	221	342	..	4637
Azerbaijan	43533	10053	13686	38775	34597	45080	35028	4832	5868	9351
Kazakhstan	1765473	1129911	653725	1018331	844841	1035987	1012966	1079918	1719919	1643314
Kyrgyzstan	..	95489	84857	245694	177789	..	113703	179664	223613	158499
Tajikistan	..	..	..	..	..	..	..	..	..	..
Turkmenistan	..	..	..	..	..	..	..	..	..	..
Whole World	11500000	10500000	9000000	10500000	11217819	13000000	11500000	11500000	12000000	17306352
Total SPECA	1809005	1727161	1185882	1302799	2165124	1081067	1161918	1264756	1949400	1815801
Trade with SPECA in %	15.7	16.4	13.2	12.4	19.3	8.3	10.1	11.0	16.2	10.5

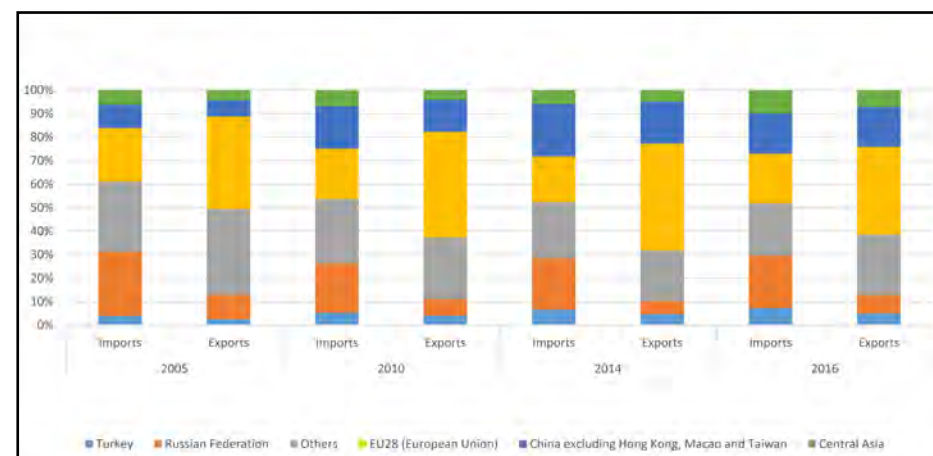
Figure 3: Share of trade with SPECA for each SPECA country in percentage of total, 2014-2018⁷.

	Afghanistan		Azerbaijan		Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
	export	import	export	import	export	import	export	import	export	import	export	import	export	import
2014	9.3	8.9	1.7	2.8	4.0	3.7	34.5	14.9	13.3	16.1	1.4	4.8	15.7	8.3
2015	5.3	19.6	1.3	1.4	5.4	3.6	26.4	18.6	14.5	16.2	7.2	2.7	16.4	10.1
2016	3.9	18.5	1.8	1.7	6.3	4.3	31.9	18.8	17.2	16.9	3.6	3.8	13.2	11.0
2017	3.4	16.0	0.9	2.8	6.1	4.1	28.7	17.1	20.0	18.9	5.8	3.2	12.4	16.2
2018	1.7	24.7	0.8	2.8	5.9	4.5	25.6	13.8	43.7	24.0	8.9	4.6	19.3	10.5

Figure 4. Share in the World exports



Figure 5: Trading partners of SPECA (percentage share of total exports and imports)⁸



In case you have comments, you are encouraged to send them to us. You can send comments using the following means:

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2019 SPECA Economic Forum

Connectivity: Sustainable Transport and Trade Facilitation in the SPECA Subregion

Increasing connectivity in the countries participating in the UN Special Programme for the Economies of Central Asia (SPECA) through sustainable transport and trade facilitation is crucial in facing the challenges of the COVID-19 pandemic. It is consistent with the United Nations Economic Commission for Europe (UNECE) multisectoral approach to achieve the Sustainable Development Goals (SDGs). Policy makers in the SPECA region increasingly understand the need to embark on a path of inclusive and sustainable development to rebuild the economy after the pandemic. This understanding calls for a change in the pattern of economic performance in the region from resource-based towards broad-based sustainable and inclusive growth, including in the areas of transport and trade. Such growth can only be achieved through economic diversification and productive investment in new technologies. This new thinking underpins the analytical studies collected in this volume, which supported the development and approval of the *Ashgabat Initiative on reducing barriers to trade and transport using United Nations legal instruments, norms, standards and recommendations, while bolstering connectivity in the SPECA region*. The Ashgabat Initiative is a milestone for regional cooperation to achieve sustainable growth and improve connectivity, and the countries are working together on its implementation.

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