



Summary of Proceedings

Eighth Meeting of the CAREC Railway Working Group 22–24 May 2024, Baku, Azerbaijan

Introduction

1. At the 15th CAREC Ministerial Conference in Islamabad in October 2016, the CAREC member countries endorsed the CAREC Railway Strategy, titled “*Unlocking the Potential of Railways: A Railway Strategy for CAREC 2017–2030*” (the Strategy). The Strategy was developed to serve as a guiding document for the long-term development of CAREC railways. The CAREC strategic vision for railway transport is “*to be a mode of choice for trade: quick, efficient, accessible for customers, and easy to use throughout the region by 2030*”.

2. The Strategy was formulated by the Railway Working Group (RWG), which was set up by the decision of the 14th Transport Sector Coordinating Committee (TSCC) in Ulaanbaatar in April 2015. The RWG consists of representatives of railway agencies from CAREC member countries, supported by expert organizations such as the Organization for Cooperation of Railways (OSJD) and International Union Railways (UIC), as well as CAREC development partners. The RWG has met seven times—in Tokyo in November 2015, in Bangkok in April 2016, in Tbilisi in May 2017, in Tashkent in April 2019, in Bangkok in December 2019, in Almaty in October 2022 and in Tbilisi in May 2023.

3. CAREC member countries are now working to implement the Strategy, for which ADB mobilized a technical assistance (TA) project with the generous financial support of the People's Republic of China Poverty Reduction and Regional Cooperation Fund (PRCF), the United Kingdom Fund for Asia Regional Trade and Connectivity (ARTCF) and the Asian Development Bank (ADB). TA activities commenced in May 2019.

Meeting Objectives

4. The eighth meeting of the RWG (the Meeting) was held in Baku, Azerbaijan on 22–24 May 2024 to report on progress achieved in TA implementation, to share knowledge and experience, and to agree on next steps. The Meeting was attended by representatives from CAREC member countries and was supported by ADB. The Meeting agenda and list of participants are in Appendices 1 and 2.

Opening remarks

5. On behalf of Kazakhstan, the CAREC chair for 2024, the meeting was opened by the Deputy Chairman of the Committee of Railway and Water Transport of Kazakhstan's Ministry of Transport, followed by opening remarks from the Advisor to the Chairman of Azerbaijan Railways CJSC.

Session 1: Update on TA activities and work plan

6. RWG participants were informed about the progress made in various TA activities as agreed at earlier RWG meetings, in particular two prefeasibility studies completed in May 2024 on (i) Uzbekistan–Turkmenbashi Block Trains and Ferry Services, and (ii) the Uzbekistan Northwestern International Freight Corridor.

Session 2: Central Asian corridors – Priorities for intervention

7. This interactive session identified key requirements to build up sustainable long-distance railway corridors and aimed to define priorities for investment and policy interventions in order to improve overall corridor performance. RWG members suggested various possible options for further TA prefeasibility and knowledge support, including (i) advisory support on provision of railway terminal facilities at Pakistan ports, (ii) technical assistance to implement railway timetabling software in Pakistan, (iii) support for railway digitalization in various CAREC member countries, (iv) prefeasibility studies of proposed eastern and western corridors in Mongolia, (v) prefeasibility study of development of a dry port at Zhamyn Uud on the Mongolia/PRC border, (vi) support for improving coordination between railways and customs authorities to reduce delays in border clearances (as documented by ADB-financed CAREC Corridor Measurement and Monitoring (CPMM),¹ and (vii) assessment of climate change risks for railway infrastructure and facilities, and identification of critical investments needed for climate resilience.

Session 3: Port-rail connectivity along the Caspian Sea; requirements and opportunities

8. Based on a series of field visits and analyses of current rail/port transportation practices, this session examined port-rail connectivity at Caspian Sea ports and identified requirements for increasing intermodal efficiency at the ports. The session also provided insights on how unforeseen ‘shocks’ affect global shipping routes and shipping prices.

Session 4: Rolling stock financing

9. Some CAREC railways urgently need to replace aged rolling stock. The session presented the findings of a rolling stock financing study, exploring financing instruments that could be considered for railways in Central Asia. This included discussion of the financial, regulatory, and technical prerequisites for private sector investment and the related fiscal responsibilities of the public sector.

Session 5: Recent experience of Azerbaijan Railways in Middle Corridor railway and port operations

10. Increasing freight volumes on the Middle Corridor required a close cooperation between Azerbaijan Railways (ADY) and the Port of Alat to ensure an efficient throughput of containers. This session described how ADY, the Port of Alat, together with other stakeholders such as Customs, established a working group to improve overall performance, addressing daily issues as well as more tactical matters.

Workshop 1: Modern accounting standards in railway organizations

¹ For example, <https://www.carecprogram.org/uploads/carec-cpmm-annual-report-2019.pdf>.

11. Drawing upon practical examples, the workshop illustrated why modern financial accounting is essential not only for book-keeping, tax and financial reporting purposes but also to provide management with information needed for monitoring key processes and driving improvements in railway operations and investment.

Workshop 2: Enterprise Resource Planning (ERP) systems in railway organizations

12. Railways are a capital-intensive industry so their asset utilization needs to be sufficiently high if they are to be financially sustainable. ERP systems are essential to coordinate the use of assets in an optimized way. This workshop provided guidance on the implementation and use of these systems.

Session 6: TA planning and identification of new TA activities

13. The final session reviewed the status of prefeasibility and knowledge projects previously approved by the RWG and discussed proposals for new projects. This included consideration of the project proposals suggested in Session 2 (para. 7), along with several further proposals including (i) advisory support to establish a sales and marketing function in Pakistan Railways (PR), (ii) advisory support to help PR establish transparent accounting standards (a requirement if it is to succeed with plans to attract the private sector to operate passenger services), (iii) advisory support on digitalization of border crossing points in Mongolia, and (iv) prefeasibility study support for upgrading of rolling stock for passenger services in Mongolia.

14. Based on the RWG's established eligibility and selection criteria for prefeasibility and knowledge projects, the RWG and the TA team confirmed their agreement to proceed with four new projects in 2024: (i) prefeasibility study on provision of railway terminal facilities at Pakistan ports; (ii) prefeasibility study of development of a dry port at Zamyn Uud on the Mongolia/PRC border; (iii) assessment of climate change risks for railway infrastructure and facilities in CAREC member countries, and identification of critical investments needed for climate resilience, with initial support to focus on Pakistan (ADB will seek additional financing to conduct further assessments in other CAREC member countries); and (iv) advisory support to establish a sales and marketing function in PR.

Visit to the Port of Alat

15. On 24 May, RWG participants visited the Port of Alat to learn about rail-port connectivity and required planning efforts to ensure smooth throughput of containers and other cargo.

Conclusion and Appreciation

16. Participants expressed satisfaction with the meeting program and endorsed the TA planning for 2024 and beyond as described above. Participants thanked all who contributed to the program and expressed appreciation for the efforts of the CAREC Secretariat for organizing the event.

17. The next RWG meeting is tentatively planned for February 2025.