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## Economic Commission for Europe

### Inland Transport Committee

#### Working Party on Transport Trends and Economics

##### Thirty-fourth session

Geneva, 15–17 September 2021

Item 3(a) of the provisional agenda

##### Development of transport networks and/or links:

##### Euro-Asian Transport Links

## Proposals and feedback by ECE Governments on further operationalisation of Euro-Asian transport links

Submitted by the Governments of Azerbaijan, Georgia, Turkey, Kazakhstan, and Ukraine

### *Summary*

This document includes proposals suggested by the Governments of Azerbaijan, Georgia, Turkey, Kazakhstan and Ukraine, further to the request of the Working Party on Transport Trends and Economics (WP.5) at its thirty-third session in September 2020 inviting the secretariat to provide additional details on the proposals and feedback from the United Nations Economic Commission for Europe (ECE) members on the operationalisation of the Euro-Asian Transport Links (EATL), in particular from those countries most concerned by the individual corridors, at its next session in 2021.<sup>1</sup> Moreover, the Inland Transport Committee at its eighty-third session in February 2021, encouraged WP.5 to continue its activities on the operationalization of EATL and report back to the Inland Transport Committee (ITC) in 2022.<sup>2</sup>

## I. Background

1. At its thirty-third session in September 2020, the Working Party Took note of the proposals from the secretariat contained in this document (ECE/TRANS/WP.5/2020/1) to enhance transport connectivity in the ECE region and linkages with other regions and sub-regions. The Working Party Decided to continue considerations of the issues related to Euro-Asian and Euro-African connectivity in accordance with its mandate and requested the secretariat to cost-effectively explore the possibilities to invite additional participants

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<sup>1</sup> ECE/TRANS/WP.5/68, para. 18

<sup>2</sup> ECE/TRANS/304, para. 59



representing Governments, private sector and the scientific community, as well as representatives from other regions, to present their views at the next session of WP.5.<sup>3</sup>

2. The Working Party furthermore invited the secretariat to provide additional details on the proposals and feedback from the ECE members on the operationalisation of EATL, in particular from those countries most concerned by the individual corridors, at its next session in 2021.<sup>4</sup> In this regard the secretariat indicated it stood ready to organize informal consultations with Governments and other stakeholders concerned ahead of the thirty-fourth session of the Working Party.<sup>5</sup>

3. Against this background, the secretariat together with the Organization for Security and Co-operation in Europe (OSCE) hosted a round of virtual informal Consultations on the next steps in the operationalization of Euro-Asian transport corridors which took place on 26 November 2020.

4. It is on this occasion that a group of five Governments, meaning Azerbaijan, Georgia, Turkey, Kazakhstan, and Ukraine,<sup>6</sup> located on EATL road and rail route 3,<sup>7</sup> expressed their interest to provide feedback on further operationalisation of Euro-Asian transport links especially on the possibility of the development of a corridor management mechanism. The willingness to participate in the pilot implementation of such a mechanism (possibly on the Baku-Tbilisi-Kars, Baku-Poti and Baku-Batumi sections of EATL Rail Route 3 and/or other segments or routes) including the preparation of a concrete and prioritized list of actions and activities to be undertaken under a concrete time schedule was also expressed. The current document summarizes the priorities set by these five Governments including concrete actions regarding their implementation.

## **II. Current status of the EATL road/rail route 3 in the form of a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis**

5. Almost 20 years ago, at the outset of the ECE-led Euro-Asian Transport Links project, nine rail & nine road, 17 inland water transport links, 52 inland river ports and 70 maritime ports have been identified and prioritised for further development. Currently these various corridors are all at different stages of their development. However, while there is significant potential for lessons learned across the Euro-Asian region in terms of corridor management practices, it turns out that there is no “one size fits all” solution to the challenges at hand as each corridor or even specific segments face their own challenges and inefficiencies which require tailor-made responses.

6. The EATL Phase III report which was launched at the Inland Transport Committee (ITC) in February 2019 concluded that while Euro-Asian routes are practically operational, they would benefit from further operationalization efforts to make them truly competitive for the inter-continental transport of high-value and time sensitive cargo. The document also stressed that countries involved would benefit from corridor-based action, including through the development of corridor specific work plans and operational targets, the attraction of specific cargo types and volumes, regionally agreed key performance indicators and other types of regional coordination efforts.

7. The below Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis, has in part been derived from the International Union of Railways (UIC)/ Roland Berger study on Silk Road Middle and Southern Corridors (Paris, April 2021) as it is the most recent study undertaken in this field. It also includes elements from EATL Phase III report and provides a snapshot evaluation showing the current situation along the EATL route 3.

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<sup>3</sup> ECE/TRANS/WP.5/68, para. 17

<sup>4</sup> ECE/TRANS/WP.5/68, para. 18

<sup>5</sup> ECE/TRANS/WP.5/68, para. 19

<sup>6</sup> Hereafter referred to as “the pilot countries”

<sup>7</sup> EATL route 3 stretches from South Eastern Europe, into the South Caucasus and Central Asia via the Trans-Caspian routes connecting, providing a major land bridge between Europe and China.

<i>Strengths</i>	<i>Weaknesses</i>
Strong Government commitment to improve and attract additional cargo flows	Scarcity of active players on the corridor/ lack of a powerful integrator / facilitator / coordinator
Many ongoing international initiatives	Lack of a centralized entity that drives the cargo flows on EATL route 3 (clients need to interact with one entity for the whole service instead of with three or four carriers;)
High potential infrastructure projects are being implemented, e.g.: <ul style="list-style-type: none"> <li>In Azerbaijan and Georgia (Baku and Poti (deep) seaports)</li> <li>In Turkey: doubling of the Plovdiv-Istanbul line including upgrades to the Svilengrad-Kapikule border crossing in Bulgaria planned</li> <li>High speed railway development program linking, e.g. Istanbul-Edirne, Ankara-Izmir</li> </ul>	Limited scheduled train services (confidence by the market is built when regular, trusted, and efficient services are provided)
	Limited and non-scheduled ferry services
	Interoperability challenges, different customs and consignment regimes, different gauge width
	Too many international/ regional initiatives and undertakings, sometimes competing and lacking coordination
	Lack of data digitization and CIM/SMGS harmonization complicating processes
<i>Opportunities</i>	<i>Threats</i>
Rail sector is increasingly recognized as environmentally sustainable creating powerful momentum for the sector	Other EATL routes are still outperforming in terms of transit time and costs, reliability, and complexity
Countries along the corridors ready to commit to corridor development	Parts of the demand for EATL route 3 are diverted to other routes, in order to avoid certain inefficiencies
High demand potential for countries in catchment and for specific categories goods	Chinese subsidies are currently focused on Northern corridors
Harmonization and digitalization of customs and transport documents can provide quick gains	Many countries trying to attract increased volumes individually – lack of a collective Whole of Corridor approach

### III. Identification of priority areas for action by the Governments

8. As the above analysis shows, the potential for more efficient interregional connectivity on EATL route 3 is significant. Remaining challenges identified, including the lack of a coordinated Whole of Corridor approach, infrastructural gaps as well as administrative/ regulatory gaps need to be addressed effectively and collectively involving all relevant public and private sector stakeholders. Only then can compliance with the requirements of modern supply chains: reliability, safety, and customer service be ensured.

9. Effective and efficient transit transport corridors need not only to have good and well-maintained transport infrastructure, they also require smooth implementation of agreed legal frameworks, transit rules and policies as well as transport and trade facilitation measures, digitalization of transport documents etc. Coordination is also needed in order to design and

implement integrated services such as block trains (regular time schedules, one tariff, one customer service response etc).

10. It is with this in mind that the establishment of the following corridor approach mechanisms for further operationalization of the EATL route 3 are proposed:

(a) Establishing and piloting of a Corridor Coordination Management Mechanism (CCMM)

The main objective of such a mechanism would be to set up corridor-wide coordination and interoperability priorities and effectively monitor their implementation on a systematic basis:

- Pilot countries involved will be expected to jointly set up corridor specific interoperability priorities, prepare work plans and monitor them, as well as propose corrective action in support of achieving these priorities. This work could be performed under the overall coordination, oversight, and guidance of WP.5 and in cooperation with international partners such as OSCE and UIC.
- The corridor specific interoperability priorities for EATL road / rail route 3 should be developed based on a “snapshot/ baseline evaluation” providing a complete assessment of the current status of this corridor, in particular with regard to: trade flows, number and nature of services provided (road, rail, intermodal), and networks and nodes connected.
- At the outset of the pilot and for the first year, WP.5 could be requested to institutionally host this Corridor Management mechanism for EATL route 3.
- Upon the request of the Government of Georgia, a possible institutional set up and Terms of Reference of such a Corridor Coordination Management Mechanism (CCMM) to be established and piloted on the EATL route 3 is provided below:
  - CCMM composition: Corridor Coordinator selected annually + senior level Government representatives, including at the level of Departments (from Ministry of Transport/ Economy/Customs, Port administrations) of each of the countries along the corridor.
  - CCMM tasks: with the support of the ECE secretariat, set up appropriate, corridor specific interoperability priorities:
    - Development of a corridor work plan for the implementation of priorities and targets;
    - Identify and endeavour to remedy the capacity needs of the corridor (financial, human resources, infrastructure related etc.);
    - Marketing of the corridor, advocating for and promoting corridor use in line with the operational targets.
- The Government of Kazakhstan is supportive of the initiative suggesting close coordination with other ongoing corridor initiatives in the region.

(b) Establishing and piloting of a Corridor Performance Review mechanism (COPR)

- ECE has already developed and implemented good practices in the field of performance review mechanisms. ECE Environmental Performance Reviews (EPR) have as objective to systematically examine and objectively assess the performance of a country in a selected field. They follow the concept of peer review. Since its inception in 1994, over 45 EPRs have been conducted during three subsequent review cycles. An EPR is undertaken only at the request of an ECE member State. Once the request is received, a preliminary mission is organized by the secretariat to visit the country and assess the situation jointly with the country’s environmental authorities. Once the structure of the review has been agreed upon, a fully-fledged expert team embarks upon a fact-finding mission which results in a review report.

- The ultimate outcome of such a performance review is to develop recommendations that help the reviewed country improve its policy making, adopt best practices, and comply with established standards and principles.<sup>8</sup>
- The COPR objective would be to systematically examine and objectively assess the performance of a state in corridor operationalization (vertical action) and the degree to which horizontal (cross-country) interoperability priorities have been implemented.
- Upon the request of the Government of Georgia, a possible institutional set up/ terms of reference of such a Corridor Performance Review (COPR) mechanism to be established and piloted on the EATL route 3 is provided below:
  - The COPR should be based on a methodology/ tool agreed by the WP.5 which will include several modules/ approaches ensuring continuous monitoring of performance of a corridor as well as its business development. Such modules could include peer reviews, trade analysis tools and port connectivity tools.
  - A COPR could consist of the following phases: (a) preparations; (b) review mission; (c) report drafting; (d) expert and peer review; (e) publication and dissemination of the COPR report; and (f) final report launch event.
  - A COPR governance process/ institutional set up may require WP.5 to take the role of the intergovernmental body managing the COPR programme. In doing so, WP.5 would support securing extra-budgetary funding for COPR execution. The WP.5 secretariat would also support execution of COPRs, preparation of each COPR report and the peer review process.

11. In the framework of the two aforementioned corridor approach mechanisms, the prioritized areas of work set by the Governments are the following:

- (a) Digitalization of customs, border, and transport documents:

Transport documents in use on EATL road / rail route 3, include the shipping bill of lading, shipping waybill, the CMR (road transport) consignment note, the CIM, SMGS and common CIM/SMGS railway consignment note, and the freight forwarders` multimodal transport bill of lading and waybill. With the exception of the last two documents, all of these are unimodal.

Digitalization (or dematerialization) of customs and transport documents has been increasing in recent years, the provisions providing the legal basis for the complete digitalization of the United Nations TIR Convention (the so-called eTIR) have entered into force on 25 May 2021. eTIR will thus soon become a reality, potentially opening up new applications for the TIR system, in particular in the area of intermodal transport in the Caspian and Black Sea regions.<sup>9</sup> Already several contracting parties to the TIR convention have initiated the interconnection project between their customs information systems with the eTIR international system hosted by ECE.

The Convention on the Contract for the International Carriage of Goods by Road (CMR) and its two protocols (Protocol to CMR, and Additional Protocol to CMR concerning the electronic consignment note (e-CMR)) are also legal instruments which facilitate road transport services across borders by providing the basis for a contractual framework for the liability concerning the international carriage of goods by road. CMR paper consignment notes have been used by senders and carriers since the 1950s, with the introduction of e-CMR electronic consignment notes in recent years given the growing movement towards digitalization of systems, processes, and documents.

To date however, eCMR initiatives are only in pilot phases, several pilots have already been undertaken either following a different technological approach or servicing

<sup>8</sup> Pagani, F. Peer Review: A Tool for Co-operation and Change, 2002. OECD, SG/LEG (2002)1. 11 September 2002.

<sup>9</sup> Already, 48 contracting parties out of 76 have expressed their interest in initiating discussions/projects on the interconnection of their national customs systems with the eTIR international system

different stakeholders' groups (B2B, G2B, G2G etc). The challenges for the implementation of eCMR are numerous, since the Convention itself refers to a private sector contract (consignor, consignee, carrier) however in reality, over the years the CMR consignment note has become a document being used or checked by many other stakeholders (customs, police, banks, insurance companies, courts etc). Therefore, its dematerialization is a quite challenging exercise as the involvement of all stakeholders, the integrity of data and reliability of operations have to be ensured above any technological solution.

The International Convention on the Harmonization of Frontier Controls of Goods (Harmonization Convention), meanwhile, increases efficiencies and revenues by ensuring simple and speedy treatment of cargo at the borders. However, its implementation should be monitored on a regular basis and the introduction of Key Performance Indicators (KPIs) should be warranted in order to keep the operational standards high.

Among the current, key activities in support of the EATL operationalization is the Unified Railway Law (URL), and more specifically a URL Convention on the contract for international carriage of goods by rail, being developed under ECE. The Convention will help increase the competitiveness of railways on the routes between Europe and Asia once it is adopted and in force.

The increased level of sophistication of Intelligent Transport Systems being developed and implemented, including cargo tracking and tracing techniques as well as telematic services could be another game-changer for inter-continental land transportation and thus an area to be considered by countries on the EATL route 3.

(b) Transport infrastructure development

One of the key challenges towards sustainable inland transport infrastructure development in the Euro-Asian region remains the lack of funding. In response to this, under the auspices of the ECE an International Transport Infrastructure Observatory is being developed. Once operational, it will provide LLDCs<sup>10</sup> with a practical tool to upload their planned transport infrastructure projects (in need of funding) onto a Geographical Information System (GIS) platform. There they will be accessible for any Multilateral Development Bank or International Financial Institution to see, evaluate and eventually fund. The pilot countries would wish to actively embrace the possibilities offered by the Observatory and use it as an instrument to fund the construction of the few remaining "missing infrastructure links" along the EATL route 3.

#### **IV. EATL route 3, 2-year work plan (2021-2023)**

12. Corridor Coordination Management Mechanism (CCMM):
  - To be established at the WP.5 session in September 2021.
  - To meet virtually/ possibly physically on a quarterly basis (four times per calendar year).
  - Conduct work on the basis of its agreed priorities and per its WP.5 approved Terms of Reference.
13. Corridor performance review:
  - Development of a COPR methodology for approval by WP.5 at its session in 2022.
  - At its session in 2022, two of the five pilot countries would volunteer to undergo a full COPR assessment with presentation of its report to the WP.5 session in 2023.

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<sup>10</sup> Landlocked Developing Countries

## **V. EATL route 3 cost plan**

14. The secretariat, following its mandate, has indicated it stands ready, in the framework of WP.5 as well as other relevant working parties such as WP.24, SC.1 etc. to provide all coordination and secretariat work needed to fulfill all related Corridor Coordination Management Mechanism (CCMM) and COPR tasks / actions agreed upon by the Governments. In case of virtual meetings only, associated costs could be reduced to zero.

15. In case of need, different resources could also be tapped into, including in-kind contributions by the Governments, contributions from different International Financial Institutions already involved in transport corridor development and other international organizations such as OSCE.

## **VI. Guidance by the Working Party**

16. WP.5, in line with its mandate to work on the operationalization of the EATL and other transport corridors, is invited to consider and provide feedback on the proposal of the five countries for the establishment of CCMM and COPR as synergetic processes to help enhance operationalization of the EATL route 3.

17. Following the example of these five Governments along EATL route 3, WP.5 and/ or interested Governments could consider similar initiatives along other EATL road/ rail routes in the benefit of all Euro-Asian transport links.

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