OECD
BETTER POLICIES FOR BETTER LIVES

Funded by
the European Union

CENTRAL ASIA INVEST
BOOSTING SMALL BUSINESS COMPETITIVENESS

Enhancing the Competitiveness of the Trans-Caspian Transport Corridor (TCTC)

Focus on Turkmenistan

Ýyldyz Hotel, Ashgabat, Turkmenistan
Tuesday 19 November 2024



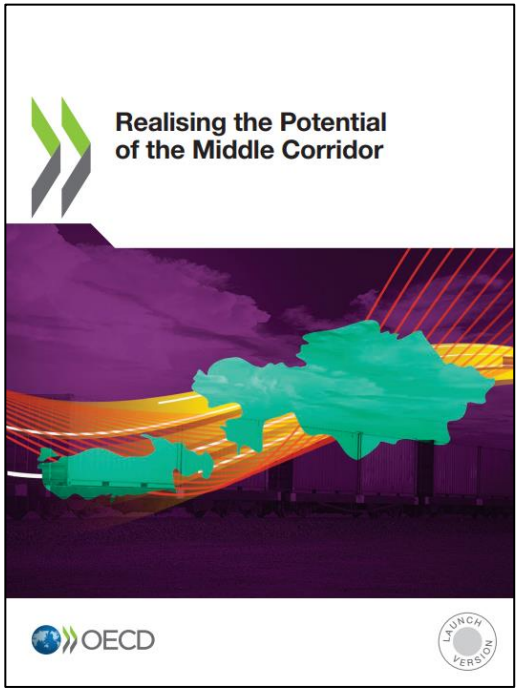
OECD Eurasia Competitiveness Programme

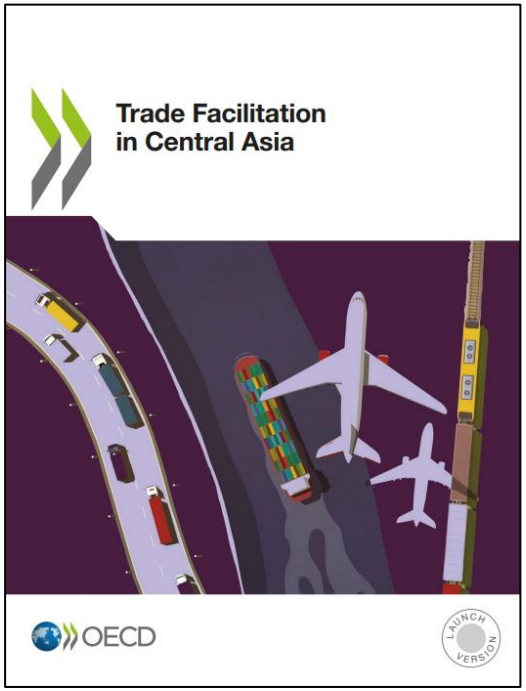
Agenda

- **Introduction to the project**
- Trade facilitation and regulatory framework
- Transport infrastructure and multimodality
- Conclusion and next steps

Introduction to the project (1/5)

In 2022-2023, the OECD collected evidence on the state of play of the so-called Middle Corridor





Main conclusions:

1. Important bottlenecks remain in relation to **regional economic and trade integration**.
2. Corridor countries need to improve **soft connectivity measures** (especially customs and border procedures), **hard infrastructure**, and **co-ordination** among governments along the route.

Introduction to the project (2/5)

New OECD project aims to monitor achievements in the last 2 years and identify remaining challenges on the TCTC

The OECD report will	i) assess **progress made in realising the potential of the TCTC in Central Asia**
	ii) provide a **country-by-country deep-dive** into the latest developments
	(iii) address the following questions, **from both private-sector and government perspectives** - What has been the progress observed in terms of trade facilitation and cross border procedure reforms & infrastructure upgrades? - What are the most pressing challenges ahead?
	(iv) provide **targeted and actionable recommendations** based on OECD standards & best practices
Data collection process	**Interviews** to be conducted with private-sector representatives in Central Asia as well as other European and international stakeholders
	A series of country-specific workshops (with national public and private actors, as well as international development partners) in the region
	Written questionnaires filled in by government stakeholders

Introduction to the project (3/5)

Methodology

Interviews with private-sector stakeholders:

- ~ 35 questions
- +30 EU and local firms per country of Central Asia
- Diverse range of sectors (transport, logistics, import/export, etc.) and company size
- Anonymised feedback for country-level and regional analysis

Written questionnaires circulated to relevant government stakeholders:

- ~ 35 questions
- Ministries of Transport, Ministries of Trade, Customs Services, etc., to provide inputs for the five countries of Central Asia

Topics covered in the questionnaires and interviews:

i) transport infrastructure,

ii) customs, border procedures and trade facilitation,

iii) regional economic and trade integration, and

iv) national and regional co-ordination

Project main steps (4/5)

Fact-finding interviews and questionnaires to be collected

Autumn 2024	October 2024-February 2025	Spring 2025	Summer/Autumn 2025 (tbc)
Desk research and data collection	**Workshops**	**Drafting**	**Publication**
Dissemination of questionnaires, online fact-finding meetings	**Country-specific workshops in each Central Asia country to consult and collect additional data**	**Findings and recommendations finalised, feed-back gathered**	**Presentation of the findings at Ministerial level**

A publication will be prepared on:

Enhancing the Competitiveness of the Trans-Caspian Transport Corridor in Central Asia

Introduction to the project (5/5)

Turkmenistan's integration in the TCTC will support the country's economic diversification

Turkmenistan aims to become a **transit and transport hub**.

The country is a **critical to the TCTC** due to its strategic location for pipelines, railways, roads, logistics infrastructure and direct access to the Caspian Sea.

The Turkmenbashi International Seaport is the Caspian Sea's **largest seaport** with a capacity of 17 mn tons/year, followed by the Aktau Sea Commercial Port in Kazakhstan (11.8 mln tons/year).

The **route between the Port of Aktau and Baku is twice as long** as the Turkmenbashi-Baku route: 24 hours by rail ferry from Aktau vs 12 from Turkmenbashi.

The total volume of **international cargo** transport increased by **23.8%** in Jan-Oct 2023 compared to Jan-Oct 2022 in Turkmenistan.

Resolving administrative hurdles and improving regional co-ordination with its neighbours will help Turkmenistan fulfil its ambition of becoming a transit and transport hub and enhance its integration into international trade in the context of WTO candidacy for accession.

Sources: EBRD, OECD, EEAS, Gap Insaat, DB Schenker, Korabel, port.com.tm, Aktau Port

Agenda

- Introduction to the project
- **Trade facilitation and regulatory framework**
- Transport infrastructure and multi-modality
- Conclusion and next steps

Trade facilitation and regulatory framework harmonisation

Clear progress has been observed

WTO ongoing technical preparation for the country's accession **since 2022**

Regular capacity-building activities from development partners (UNDP, ITC, ADB) and consultations in collaboration with Turkmenistan's Ministry of Finance and Economy to discuss **aligning the national regulatory framework with WTO standards**.

R4T Trade facilitation portal launched in **April 2023** within the Ready4Trade Central Asia project (Turkmenistan Trade Information Portal)

- Introduced to **reduce the time and costs** for cross-border trade.
- **Designed to help businesses** navigate import, export and transit procedures.
- Implemented by the ITC, funded by the EU, developed in cooperation with **>20** government agencies.
- Contributes to Turkmenistan's compliance with the **WTO Trade Facilitation Agreement**.

E-Single window launched in **December 2023**

Customs declarations now processed **14 times faster**, over **1000 declarations** completed daily, covering **75% of all customs entries** (99% of the country's imports and exports, majority of transit).

First results of the UN Global Survey on Digital and Sustainable Trade Facilitation indicate a score of 49.46% in 2023 (regional average for CA in 2023 – 66.67%)

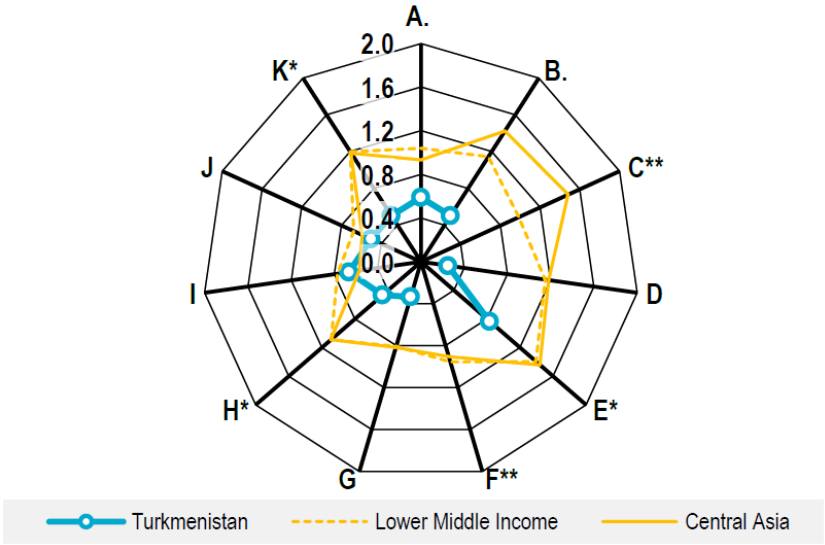
Sources: UNDP, ITC, ADB, UNCTAD

Trade facilitation and regulatory framework

OECD Trade Facilitation Indicators (2022) show progress and the way forward

The **OECD TFIs** cover the **full spectrum of border procedures** for more than 160 economies across different income levels, geographical regions, and levels of development, made to allow governments to **mobilise technical assistance and capacity building** in a more **targeted way**.

- ✓ The country is **making efforts to optimise trade procedures**, including the Single Window development, work with relevant development partners and WTO candidacy for accession.
- ✓ Tentative results highlight areas where Turkmenistan **could make further progress in improving** trade facilitation.
- ✓ **SMEs may find it difficult to locate the relevant information** and may need more support to internationalise successfully.



- **Legend: A** - Information availability, **B** - Involvement of the trade community, **C** - Advance rulings, **D -** Appeal procedures, **E** - Fees and charges, **F** - Documents, **G** - Automation, **H** - Procedures, **I** - Internal border agency co-operation, **J** - External border agency co-operation, **K** - Governance and impartiality.

- Note: 2 is the maximum score. Dimensions marked with * include less than half of the OECD TFI sub-indicators, while those marked with ** are not presented at all due to insufficient data.
- Source: OECD TFIs database.

Trade facilitation and regulatory framework

Challenges observed by the private sector

Initial findings

Feedback from private sector representatives highlighted the following issues related to soft measures in Turkmenistan and the region:

1. "What is missing is the ability to **open an international card for employees** that we can top up with money for expenses (top-up fuel, etc.)
2. "We have been waiting for drivers' visas **for several months**." "Drivers' visas are too expensive."
3. **"**The procedure of truck change (*peretsepka*), implemented during COVID restrictions is still in place, and **increases transit times**."
4. **"**Queues for crossing the border with Kazakhstan, **the electronic queue system is ineffective**, and there is a need to call the embassy."
5. **"**The **TIR carnet is not recognised by Uzbekistan** despite being an internationally recognised document."

Administrative hurdles continue to make operations unpredictable in terms of costs and time.

Sources: interviews with the private sector

Trade facilitation and regulatory framework

Going forward – preliminary recommended actions

Initial for discussion

Recommended actions include:

Short term:

1. Enhancing **online information** availability,
2. Considering the development of **common transit procedures** with neighbouring countries.
3. Simplifying the **visa system** for drivers.

Long term:

1. Creating an **electronic transit system** to manage and control the movement of goods in transit.

These improvements are crucial to lowering trade costs and supporting bilateral trade flows for Turkmenistan.

Questions and open discussion

Q&A

For government representatives:

1. Has the government registered improvements in cross-border co-operation with border countries? What are those improvements?

2. Are there plans to co-ordinate and harmonise tariff policy for transport among countries of the region?

For private sector representatives:

1. Do you find information on tariffs to be widely available?

2. What are the main bottlenecks your company is facing with regards to the legal framework of road/rail transport?

3. Have you noticed any increase or reduction in congestion at border crossings?

Agenda

- Introduction to the project
- Trade facilitation and regulatory framework
- **Transport infrastructure and multi-modality**
- Conclusion and next steps

Transport infrastructure and multimodality

Our current understanding of latest developments in Central Asia

The overall estimated need for TCTC-related investments amounts to **US$19.9 billion**.

A positive trend can be seen in infrastructure investments in Central Asia (cf. next slides and Annex).

4 of the 33 priority hard infrastructure projects identified by the EBRD are in Turkmenistan, including **1 short-term one**.

Funding comes mainly from the state budget, **international financial institutions and private sector investments are limited so far**.

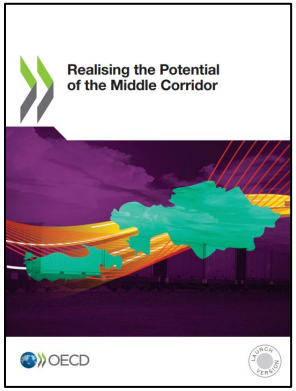
Key issues identified:

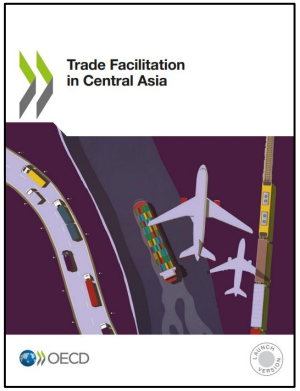
- multimodality,
- rolling stock capacity,
- public-private partnerships,
- lack of regional coordination, and
- sustainability concerns related to declining water levels in the Caspian Sea.

Sources: EBRD, OECD

Transport infrastructure and multimodality

Key challenges identified





1) **Lack of multimodal infrastructure** at border points, roads, railways and ports.

2) **High congestion** at border points, including due to outdated infrastructure.

3) Yet **under-utilisation** of some of the existing infrastructure due to gaps in infrastructure, trade facilitation arrangements and limited private-sector involvement.

4) **Insufficient fleet capacity** and regularity of ferries in the Caspian Sea.

5) **Overload** of trucks, accelerating the deterioration of roads; **vehicles not compliant** with international standards regarding safety, operational efficiency, and environmental impacts.

Sources: (1) OECD "**Realising the Potential of the Middle Corridor**" (2023), (2) OECD "**Improving the Legal Environment for Business and Investment in Central Asia**" (2023).

Transport infrastructure in Turkmenistan

Clear progress is observed in the short-term priorities

→ The EBRD's report, "**Sustainable Transport Connections Between Europe and Central Asia**" released in June 2023, highlighted the following **short-term hard infrastructure priority** for Turkmenistan:

Priority	Hard Infrastructure	Rationale	Current Stage *(OECD monitoring)*	Comments
Short term	Rehabilitation of the **Turkmenbashi – Garabogaz – Kazakhstan border road**.	To **facilitate connectivity** between the ports of Turkmenistan and Kazakhstan and **increase trade flows** between the two countries.	**Construction in progress**	The construction of the Garabogaz bridge is currently underway as well (initally the road opening was scheduled for June 2024)
Medium term	Logistics centre at the **Turkmenistan-Kazakhstan border**.	To accommodate the **increased cargo movements** on the border and connecting roads, to **reduce congestion** and **lower transaction costs**.	**Limited progress**	A joint (TKM, AFG, KAZ) logistics centre on Afghan-Turkmen border will be established.
Long term	Rehabilitation/ reconstruction of the **Turkmenbashi-Gyzylgaya-Konye-Urgench road**.	To complete the missing link and **save time and cost** for carriers travelling to Uzbekistan.	**Limited progress**	-
Long term	Expansion of the **Uzen-Bolashak-Bereket railway line**.	To **increase the capacity of the railway line** between Bereket (Turkmenistan) and Serkhetyaka (Kazakhstan).	**Limited progress**	-

Sources: EBRD "**Sustainable Transport Connections between Europe and Central Asia**" (2023), desk research.

Case study on the Turkmenbashi - Garabogaz road (2/3)

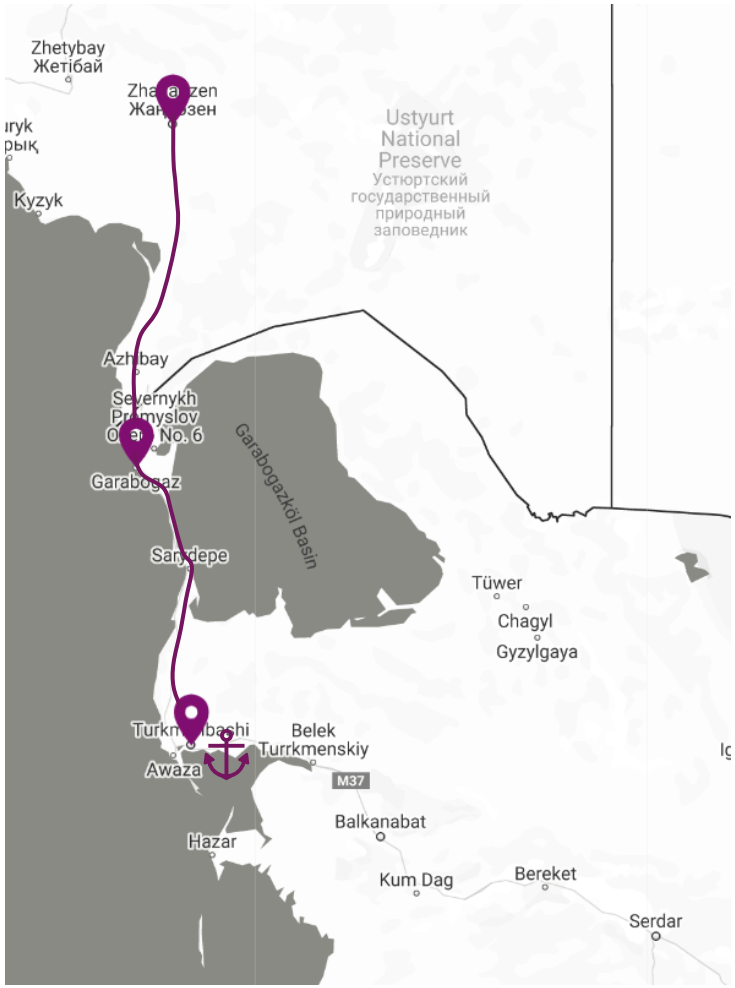
Boosting intra-regional connectivity should optimise trade flows

Phases of the project:

1. Construction of a **4-lane 354m long bridge** (2 lanes each way) that will replace the old one built in the 1950s. **x2 capacity increase** (to 40-50 tons from 20).
   Construction started in 2022 (est. completion year – 2024).

2. Rehabilitation of the Turkmenbashi – Garabogaz road (est. completion year – **2029**).

3. Kazakhstan's reconstruction of the road to the border with Turkmenistan (225 km, exp. to start in 2025).



Sources: aa.com.tr, newcentralasia.net, dknews.kz

Case study on the Turkmenbashi - Garabogaz road (1/3)

Boosting intra-regional connectivity should optimise trade flows

Rationale and key facts:

- Two main ambitions: **construct a new bridge** across the Garabogaz and **rehabilitate the road** to transport **heavier cargo and improve logistics.**

- Support Turkmenistan's exports, including **mineral fertilisers and other products,** from the newly built industrial cluster in Turkmenistan's western region.

- Increase **connectivity among Turkmenistan's regions**.

- Facilitate connectivity between the ports of Turkmenistan and Kazakhstan and bolster the increasing trade flows between the countries (**upward trend from $98.1 million in 2018 to $563 million in 2023**).

Sources: EBRD, daryo.uz, aa.com.tr, stat.gov.kz

Case study on the Turkmenbashi - Garabogaz road (3/3)

Boosting intra-regional connectivity should optimise trade flows

Anticipated results:

- ✓ **Improved quality** of logistics operations.
- ✓ **Reduction of bottlenecks** and border congestion with infrastructure capacity increase.
- ✓ **Increase in regional trade** through streamlined freight transport.
- ✓ **Job creation**.
- ✓ **For Turkmenistan**: leveraging its transit potential and further integration into global logistic chains.
- ✓ **For Kazakhstan**: connecting remote regions.

Questions and open discussion

Q&A

For government representatives:

1. What is the biggest challenge to infrastructure development for Turkmenistan?

2. How does the government prioritise infrastructure investment plans?

3. Maritime fleet capacities seem to be missing to handle the increased flows. What are the investment plans to address this?

For private sector representatives:

1. What potential incentives could effectively encourage private sector investment in infrastructure projects along the transport corridor?

2. Have you noticed any improvement in multi-modal infrastructure in Turkmenistan? What are those improvements?

3. What would make the corridor more price-competitive?

Agenda

- Introduction to the project
- Trade facilitation and regulatory framework
- Transport infrastructure and multi-modality
- **Conclusion and next steps**

Next steps

Fact-finding interviews and questionnaires to be collected

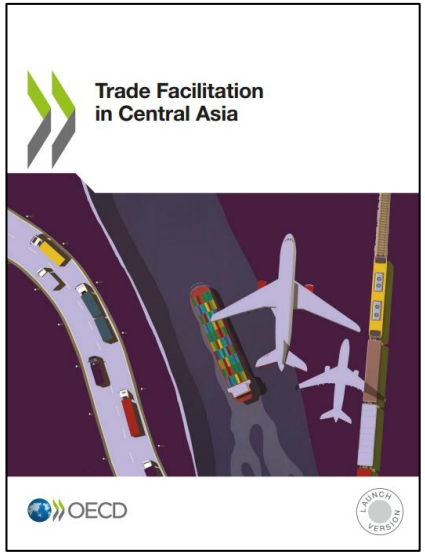
Autumn 2024	October 2024-February 2025	Spring 2025	Summer/Autumn 2025 (tbc)
Desk research and data collection	**Workshops**	**Drafting**	**Publication**
Dissemination of questionnaires, online fact-finding meetings	**Country-specific workshops in each Central Asia country to consult and collect additional data**	**Findings and recommendations finalised, feed-back gathered**	**Presentation of the findings at Ministerial level**

A publication will be prepared on:

Enhancing the Competitiveness of the Trans-Caspian Transport Corridor in Central Asia

Thank you!

Relevant Central Asia publications are available on the website





Annex 1 – Map of the TCTC

The TCTC has gained renewed attention, with **an 86% increase in transportation volume** from 2022 to 2023.



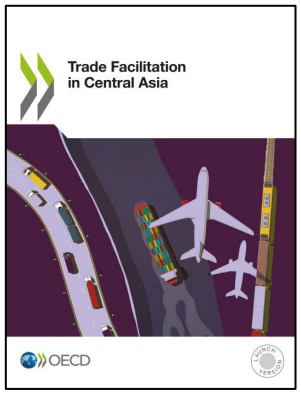
→ Bottlenecks persist due to **complex geography, multiple border crossings, and insufficient regional coordination**.

→ The TCTC's capacity remains much lower than the Northern route via Russia, making it **less attractive in terms of cost and predictability** for the private sector.

Annex 2 - Trade facilitation and regulatory framework

Challenges previously identified





1) Lagging cross-border customs co-operation increases shipment delays and adds to **border point congestion.** This results in **inconsistent and unpredictable transit and crossing times.**

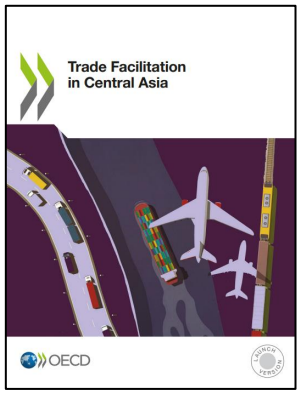
2) **Lack of co-ordination** (between government agencies, with the private sector and at regional level) results in unharmonised licensing and permit requirements, metric deviations, software compatibility issues, scattered information about trade facilitation measures, limited cross-national electronic exchange of data, and unpredictable pricing.

Sources: (1) OECD "**Realising the Potential of the Middle Corridor**" (2023), (2) OECD "**Improving the Legal Environment for Business and Investment in Central Asia**" (2023).

Annex 2 - Trade facilitation and regulatory framework

Challenges previously identified





3) The **private sector has a limited voice** in strategic discussions about the route's development, both at the national and regional levels.

4) **Rail tariffs** are perceived as unpredictable, hard to access and often different from the TCTC agreed rates, in some cases by substantial amounts.

5) **Implementation of trade facilitation measures** lags, adding to regulatory barriers to trade.

6) The rapid evolution of the **regulatory landscape** makes it difficult for market players to adapt.

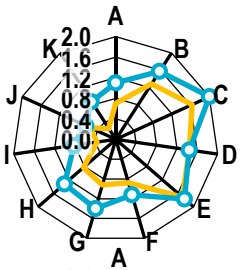
Sources: (1) OECD "**Realising the Potential of the Middle Corridor**" (2023), (2) OECD "**Improving the Legal Environment for Business and Investment in Central Asia**" (2023).

Annex 3 – OECD Trade Facilitation Indicators for Central Asia

2017-2022 progress

Kazakhstan



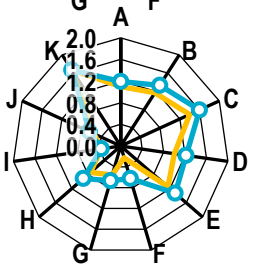


- Advance rulings, fees and charges, community involvement

- Expand the existing single window
- Reduce compliance costs

Kyrgyzstan



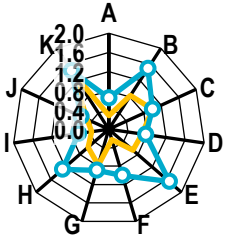


- Information availability, advance rulings

- Consult the trade community
- Harmonise internal border agency co-operation

Tajikistan



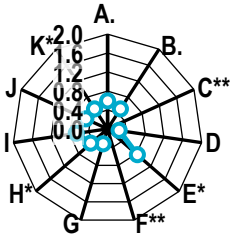


- Fees and charges, trade community involvement, streamlining of processes

- Adopt an automated risk management system
- Ensure the effective functioning of the court system

Turkmenistan



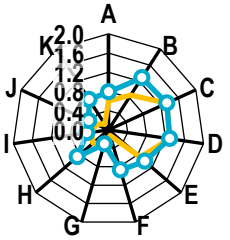


- First attempt at collecting data for inclusion in the indicator

- Foster intra-regional co-operation with the neighbours

Uzbekistan





- Documentation streamline, improvements in governance and impartiality

- Expand the acceptance of document copies instead of originals

Improvements

Recommendations

2017 2022

- Note: 2 is the maximum score.
- Source: OECD TFIs database.

Annex 3 - Trade facilitation is overall progressing

2023-2024 progress

Kazakhstan



- Ratification of the agreement between the government of Kazakhstan and China to develop TCTC, **container trains between the countries** and **international road transport** (July 2024),
- A trilateral agreement was signed between Kazakhstan, Azerbaijan, and Georgia to establish **a joint logistics company**; the joint operator is expected to commence operations by the end of 2024 (June 2023).

Kyrgyzstan



- Launch of the **Export development and promotion centre** (UNDP supported, May 2024),
- Efforts towards **Single Window implementation** (WCO support, December 2023).

Tajikistan



- **A Trade facilitation agreement** has been signed between the five Central Asian countries and the German Agency for International Cooperation (GIZ) for a duration of three years (2024-2026), with a total amount of €6.5 million (June 2024).

Turkmenistan



- Free Trade Zone with Uzbekistan (March 2024),
- **Trade facilitation agreement** with GIZ (March 2024).

Uzbekistan



- KAZ – UZB **Tez Customs pilot** on the Altynkol-Saryagash route in the direction of Uzbekistan (December 2023).

Annex 4 - Transport infrastructure in Central Asia

Latest infrastructure developments in Kazakhstan

Hard Infrastructure	Source	Goal	Current Stage *(OECD monitoring)*	Comments
Dry ports and containerisation infrastructure	OECD 2023	**To enhance multimodality and develop containerisation** of freight transport along the corridor.	**Operational**	A Kazakh terminal was built in the dry port of Xi'an. Opened on February 28, 2024.
Almaty **railway station bypass project**	EBRD 2023	The project will reduce travel time for shipments, **relieve Almaty station of cargo traffic by 40 per cent** and provide job opportunities for around 2,000 people.	**Construction in progress**	The construction of the road started in November 2023.
Darbaza-Maktaaral **railway project**	EBRD 2023	**To decrease transit times for regional trade**, partially relieve the pressure at Saryagash railway crossing with Uzbekistan, and increase corridor capacity 2.5-fold.	**Construction in progress**	The construction of the road started in November 2023.
Double railway tracks on critical sections, electrification	OECD 2023	To increase railway capacity along the route.	**Construction in progress**	404 kilometers of double tracks, eg., the Dostyk-Mointy section (completion exp. in 2025), the development of 5 stations, implementation of automatic blocking on the Beineu-Shalkar section.

Sources: EBRD "**Sustainable Transport Connections between Europe and Central Asia**" (2023), OECD "**Realising the Potential of the Middle Corridor**" (2023), OECD "**Diversifying Kazakhstan's Exports**" (2024), desk research.

Annex 4 - Transport infrastructure in Central Asia

Latest infrastructure developments in Kazakhstan

Hard Infrastructure	Source	Goal	Current Stage *(OECD monitoring)*	Comments
Altynkol **terminal expansion project**	EBRD 2023	To increase the operating capacity to match recent capacity increases at Khorgos Gateway.	**Limited progress**	-
Saryagash **railway station expansion project**	EBRD 2023	To bring greater efficiency to transport operations between Kazakhstan and Uzbekistan and reduce congestion at the BCP.	**Limited progress**	The Prime Minister's press release (Nov 2023) suggests that the Darbaza-Maktaaral railway is expected to ease some of the burden on the Saryagash station.

Out of the short-term priority projects identified by the EBRD, one road project is under consideration

Shalkar-Beyneu road project	EBRD 2023	There is currently no road directly connecting Kyzylorda with Aktau. The current detour increases transit time by five days, on average. The Shalkar-Beyneu road will complete this missing link.	**Feasibility study phase (Jan 2024)**	**-**

Sources: EBRD "**Sustainable Transport Connections between Europe and Central Asia**" (2023), OECD "**Realising the Potential of the Middle Corridor**" (2023), OECD "**Diversifying Kazakhstan's Exports**" (2024).

Annex 4 - Transport infrastructure in Central Asia

Latest infrastructure developments

→ The EBRD's report, "**Sustainable Transport Connections Between Europe and Central Asia**" released in June 2023, highlighted the following **short-term hard infrastructure priorities** for CA:

Country	Hard Infrastructure	Rationale	Current Stage *(OECD monitoring)*	Comments
Uzbekistan	Development of **multimodal logistics centres and A-class warehouses** in Fergana Valley (Andijan).	To **reduce costs for shippers and contribute to railways efficiency** (the hubs already have adequate road and rail connectivity but lack the logistics facilities).	**A joint venture agreement signed between a German company and UTY**	Various other logistics centers have been opened, eg, **a new logistics center in Tashkent**. The development and **construction of other multimodal logistics centers** are underway (scheduled to open in 2Q2025).
Tajikistan	**Expansion of the railway line** into Namangan Free Economic Zone.	As the distance between the railway line and the Namangan FEZ area is very short (approximately 1 km), the new rail connection **would provide direct access to FEZ for shippers** and would avoid urban congestion.	**Limited progress**	n/a
Tajikistan	Oq-Kuprik **railway station capacity enhancement** project.	To reduce **border congestion, increase capacity** by more than 30% and **enhance the efficiency of cross-border operations** between Uzbekistan and Kazakhstan.	**Limited progress**	The project was **announced before publication** (March 2023), no progress

Sources: EBRD "**Sustainable Transport Connections between Europe and Central Asia**" (2023), desk research.

Annex 4 - Transport infrastructure in Central Asia

Latest infrastructure developments

→ The EBRD's report, "**Sustainable Transport Connections Between Europe and Central Asia**" released in June 2023, highlighted the following **short-term hard infrastructure priorities** for CA:

Country	Hard Infrastructure	Rationale	Current Stage *(OECD monitoring)*	Comments
Tajikistan	**OSBP** (One stop border post) **and a joint logistics centre** in Fatehabad.	To **reduce border-crossing delays and facilitate trade** between Tajikistan and Uzbekistan, as well as transit trade.	**An investment agreement has been signed**	The agreement includes constructing a trade and logistics center and building 2 hydroelectric power stations (April 2024)
Kyrgyz Republic	Development and upgrade of **multi-modal logistics centers** in Osh and Alamedin.	To allow **more frequent operations and increase throughput capacity** for container operations.	**Limited progress**	
Kyrgyz Republic	Electrification and rehabilitation of the Balykchy-Lugovaya **rail line project**.	To **increase train speeds** on the sections in question.	**Investment needs assessment**	The investment needs assessment was conducted, est, $300 mln, July 2024
Turkmenistan	Rehabilitation of the **Turkmenbashi - Garabogaz road**.	To **facilitate connectivity** between the ports of TM and KAZ and **increase trade flows** between the two countries.	**Construction in progress**	The construction of the Garabogaz bridge is currently underway as well (initally the road opening was scheduled for June 2024)

Sources: EBRD "**Sustainable Transport Connections between Europe and Central Asia**" (2023), desk research.

Thank you!

Contact details

Grégory Lecomte
Head of Unit, Central Asia
gregory.lecomte@oecd.org

Céleste Laporte Talamon
Policy Analyst, Central Asia
celeste.laportetalamon@oecd.org

For more information:

https://eu-cai.org
https://twitter.com/OECDEurasia
https://oecd.org/newsletters

Satisfaction survey: