

## **Explanatory Note on the establishment of the TRACECA Business Council**

### **Background on the establishment of the TRACECA Business Council**

For the first time the issue of strengthening partnership relations between the governments of countries and business in the TRACECA region was considered in October 2004 at the Meeting of the Permanent Secretariat of the Intergovernmental Commission TRACECA (hereinafter – the PS IGC TRACECA) in Baku. Based on the results of the discussion, the Parties to the Basic Multilateral Agreement on International Transport for the Development of the Europe-the Caucasus-Asia Corridor (hereinafter - the MLA) decided to submit this issue for consideration by the IGC TRACECA.

The issue of establishing the council was considered in December 2006 at the Meeting of the PS IGC TRACECA in Chisinau (Moldova), where it was recommended to prepare this issue for further discussion.

In connection therewith, the PS IGC TRACECA carried out the work to assess the feasibility of establishing a council, determining its forms, and developing a justification. The results of this work were submitted for consideration at the Meeting of the PS IGC TRACECA in Antalya (Türkiye, March-April 2007). The participants recommended that the issue be submitted for consideration by the IGC TRACECA in Astana (Kazakhstan) in the autumn of 2007, where the Meeting of the IGC TRACECA charged the PS IGC TRACECA with preparing a draft Regulation of the BAC and asked the National Secretaries to work out in their countries proposals on interested participants for the Council.

In accordance with this decision, the “Main Provisions for the Establishment of the TRACECA Business Advisory Council” (Main Provisions) were developed and sent for consideration to the National Secretaries (reference No. 02/07/131 as of 31.05.07). Based on the results and comments of the MLA Parties, the proposal was finalized and draft fundamental documents were drawn up – the charter, the constituent agreement and the protocol of the founders on the establishment.

### **International experience**

It should be noted that similar structures function within the ITF and BSEC. For example, the ITF Corporate Partnership Board provides a platform for engaging private companies in the work of the organization and participating in discussions on key issues of policy and planning in the field of transport. Membership of private companies implies the contribution of funds that are used to finance the projects of the organization, the minimum membership period is three years. At the moment, 27 companies are members of the Council, including Volvo, Hubert, Shell, Michelin, Airbus, Toyota, etc. The Council positions itself as a platform where representatives of private business can meet with representatives of the ITF, responsible ministers and other government officials, exchange ideas, receive first-hand information and influence decisions. The ITF also offers Council members its expert services, access to its information base, participation in round tables and seminars, additional rights and priorities during the ITF Summit, etc.

The BSEC Business Council brings together representatives of the chambers of commerce and industry (or similar institutions) of the BSEC member countries, is structurally connected with the BSEC, where it is headquartered. The chairmanship in the organization is carried out on a rotational basis. The organization is positioned as a platform for dialogue and opportunities for business communities of the BSEC member countries.

In international practice, similar tasks are also solved through co-ordinating advisory councils. Such councils successfully operate under the “Asia-Pacific Economic Cooperation” (APEC), the “South-East European Cooperative Initiative” (SEKI), the “Shanghai Cooperation Organization” (SCO) and others.

In the course of many years of practice, the world community has developed various forms of interaction between the state and the private sector, including the transport industry, since:

- transport infrastructure is quite capital-intensive and significant investments are required for its financing;
- transport projects are of great socio-economic importance, which does not arouse due interest among potential investors;
- facilitation of freight transport requires close coordination between the public and private sectors.

Today, in almost all TRACECA countries, the private sector is active, showing the interest of the business community in the process of forming an efficient transport system at the national level. A similar link for the intergovernmental structure plays an important role, since the opinion of the private sector and business circles is significant for the practical application of TRACECA routes for transport both between the MLA Parties and between the countries of Europe and Asia. Therefore, the creation of the council will make it possible to efficiently determine priority areas of activity within the framework of the IGC TRACECA, which will ultimately contribute to an increase in the volume of cargo transported along the routes of the TRACECA corridor by increasing the competitiveness of the corridor.

Based on the foregoing, the PS IGC TRACECA considers it expedient to propose to the MLA Parties to examine the possibility of establishing a similar TRACECA Business Council (hereinafter – the BC).

#### **Aims and objectives**

The aims of establishing the Council under the IGC TRACECA include: expanding economic cooperation within the framework of the MLA, developing the routes of the TRACECA corridor, identifying bottlenecks and developing proposals for their elimination, establishing direct contacts and strengthening dialogue between representatives of the business community and government agencies on the development of transport of goods by various modes of transport, reducing the cost of transportation, digitalization of processes and procedures, as well as raising the awareness of participants in the transport process about border crossing procedures and implementation of international transport.

Following the aims, the BC will solve the following objectives:

- facilitating the further development of multimodal transport within the TRACECA corridor, which requires an increase in the level of cooperation and coordination of all interested MLA Parties in order to ensure transport interoperability and develop the necessary infrastructure;
- involvement of representatives of the business community and stakeholders in solving problems to ensure efficient transport links in the TRACECA region;
- development of proposals for the selection of priority transport infrastructure facilities, for the development of which it is advisable to use the mechanism of public-private partnership;
- assistance in search for sources of financing, partners and other forms of participation for the implementation of TRACECA investment projects, especially trans-boundary ones;
- initiating the solution of problems that hinder the attraction of investment in the TRACECA transport infrastructure and the increase in traffic flows;
- participation in the development of justifications and other technical documentation related to the implementation of investment projects;
- dissemination of information about regional investment opportunities and positive results of the implementation of infrastructure projects in the TRACECA region, stimulating the attraction of investments from various sources;
- promotion of the initiatives of the PS IGC TRACECA at the national and international levels;

- active participation in the development of new initiatives and projects, including those aimed at facilitating the border crossing procedures and implementing transport operations along the routes of the TRACECA corridor;
- coordination and promotion at the regional level of private initiatives for the development of piggyback transport and other initiatives aimed at the decarbonization of trans-boundary freight traffic.

Thus, the activity of the BC will consist in the formation of an "opinion or vision" of the business and the elaboration of proposals for the development of the TRACECA corridor, which will in the future through the PS IGC TRACECA be brought to the attention of the government authorities of the MLA Parties in order to make an appropriate decision.

### **Basic principles of work organization**

At the initial stage, it is proposed to create an interregional non-governmental non-profit association of business circles, national associations of carriers and forwarders and other organizations interested in the development of trade and economic relations, transport and communication links.

If the participants wish, the BC can be organized as an international non-governmental non-profit organization with appropriate registration in the Republic of Azerbaijan or another country of the corridor. The BC participants will in this case be authorized to accept statutory and other necessary documents.

It is expected that the BC will carry out its activities within the framework of the MLA, taking into account the Strategy of the IGC TRACECA and the Action Plan for its implementation, as well as other documents adopted by the bodies of the IGC TRACECA, in close cooperation with the PS IGC TRACECA.

The main coordinating body of the BC will be the executive body.

The head of the BC and the executive body will be the Chairman, who is elected from among its members, who, within his competence, is empowered to manage the activities of the BC and closely cooperate with the PS IGC TRACECA and the IGC TRACECA.

Council meetings should be held at least 2 times a year.

The BC will inform the PS IGC TRACECA of all decisions taken. Decisions of the BC, including issues for consideration at the next meeting, will be agreed with the PS IGC TRACECA.

The detailed working mechanism, functions and relevant constituent documents of the BC will be approved at its meeting by a majority of votes. Therefore, it is proposed to adopt only the Main Provisions of the BC.

### **Financing**

When creating a non-profit association, no funds will be required, since in this case, the BC participants will carry out their activities through holding meetings financed at the expense of the funds of the participants.

In the event that international non-profit organization is established with registration in one of the TRACECA countries, the financing of the BC, as a non-profit association, will be carried out at the expense of membership fees of its participants, as well as organizations interested in its activities.

A part of the budget can be used for the implementation of joint objectives with the PS IGC TRACECA in mutual agreement with the BC.

The establishment of the BC will not require allocation of funds from the budget of the PS IGC TRACECA.