

PROJECT FICHE 5

Title	TRACECA programme		
Total cost	EC Contribution : 10.0 Million €		
Aid Method	centralised management		
DAC-code	21010	Sector	Transport policy and administrative management

1. RATIONALE

1.1. Strategic framework

The Projects proposed for the Tacis Regional AP 2005 are in line with Tacis Council Regulation (No 99/2000) and with the objectives of the Tacis - TRACECA interstate programme, namely:

- to stimulate co-operation among the participating Republics in all matters pertaining to the development and improvement of trade within the Region
- to promote the Central Asian - Trans Caucasian-Europe Transport Corridor
- to identify problems and deficiencies in the Region's trade and transport systems
- to define, in terms of contents and timing a Technical Assistance Programme to be financed by the European Union (EU)

Furthermore, the proposed AP 2005 is consistent with current and updated EU/TACIS/TRACECA policies and strategies. Specifically to mention is the Central Asia Indicative Programme 2005 and 2006, where Track 1 requires - amongst others - the development of modern efficient connections between Central Asia and the Pan European Corridors and areas (PAN-TC), improving safety and security of transport operations, improving performance of key priority rail lines from Central Asia to the EU and facilitates also connections and cargo transit within the region.

Besides, the programme gives rise to the one of the two overarching objectives of the new concept of the New Neighbourhood Instrument to be established from 2007 onwards, i.e. cooperation with the EU in areas of mutual strategic interest.

In addition to this, the projects are also in line with the Multilateral Agreement of the Intergovernmental Commission (IGC TRACECA) for the development of the Transport Corridor Europe Caucasus Asia. This IGC was formed with the assistance of the European Commission and has the following member states: Tacis Region – Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Ukraine, Uzbekistan and other partner countries – Bulgaria, Romania and Turkey.

The proposed programme to be funded under the AP 2005 takes under consideration the results of the Transport high level conference held in Baku, Azerbaijan on 14 November 2004 where it was agreed to develop the TRACECA programme as a model of regional cooperation. The conference also decided the creation of four working groups to support the initiation of a new dialogue on transport between the TRACECA countries and the EC.

1.2. Lessons learnt

Overall lessons learnt from the Tacis Programme and Central Asian Regional Programme suggests that projects shall be focused towards overarching objectives,

and a linkage of sub-ordinate objectives to those overall objectives should be ensured. Furthermore, projects require regional and inter-regional coordination to achieve economies of scale, more efficient and cost-effective use of resources and sharing of experience and best practice between the countries. In order to better respond to changes in the pace of reform, EU assistance is required to be developed with a longer term perspective. The need to achieve closer coordination with other donors and to enhance visibility of the EC in the regions is a further lesson learned through Tacis programme implementation.

Consequently, the proposed TRACECA AP 2005 is build upon previous TRACECA programmes and the corresponding long term strategies of the countries in this domain , paving the way for further co-operation between the region and the EU in the transport domain.

1.3. Complementary actions

The Tacis Regional AP 2005 provides an overall framework for most of the active International Financing Institutions (IFIs) and the private sector investment in the region's transport sector where this has not previously existed in such an effective form. Specifically to mention in this respect is the Silk Road fund of the EBRD.

The Tacis Regional AP 2005 closely relates with activities and projects handled by EC Delegations in the regions as well as with other relevant regional programmes such as the regional programme for border management in Central Asia or BOMCA .In addition, the European Union's new Neighbourhood Policy in the region will be supported and promoted.

The beneficiary countries of the TRACECA programme expressed their willingness to take the ownership of the entire programme by co-financing projects of the AP 2005 and through a joint financing agreement for the TRACECA institutional structures for the year 2004, which will most probably be adopted for 2005, as well. Full financing is envisaged from 2006 and requires final approval and ratification which is expected at the next Intergovernmental Council – Meeting in April 2005.

1.4. Donor coordination

Via the TRACECA institutions such as the Permanent Secretariat of the IGC Traceca and the project Trade Facilitation and Institutional Support a continuous dialogue with major other donors in the region is ensured, in order to mutually increase the effectiveness of trade facilitation and transport sector projects.

The donor organisations in the region with which regular coordination takes place are the European Bank for Reconstruction and Development (EBRD), the World Bank (WB), the Asian Development Bank (ADB), UN Economic Commission for Europe (UNECE), the Kuwait Development Fund (KDF), Japan International Co-operation Agency (JICA) and US Agency for International Development (USAID).

2. REGIONAL CONTEXT

2.1. Cooperation related policy of beneficiary country

The main policy and strategic priorities of the beneficiary countries are agreed and ratified by all TRACECA countries in the UN-registered "Basic Multilateral Agreement on International transport for Development of the corridor Europe – Caucasus – Asia (MLA)" as follows:

- assisting in the development of economic relations, trade and transport communications in Europe, Black Sea region and Asia
- ensuring access to the world market of road, rail transport and commercial navigation
- ensuring traffic security, cargo safety and environment protection
- harmonisation of transport policy and legal structure in the field of transport
- creation of equal conditions of competition for transport operations

In this context, the Secretariat of the Intergovernmental Commission and its permanent representatives, the National Secretaries in the countries of the member states of the IGC TRACECA support the programme components of the TRACECA Action Programme for 2005, i.e.

- a) Analysis and forecasting of traffic flows for the TRACECA countries and interregional transport integration
- b) Organisation of the Transport Dialogue between EU and NIS in the framework of the new European Neighbourhood Policy
- c) Strengthening of Transport Training Capacities in NIS countries
- d) Rehabilitation of the Railway Line between Tbilisi and Yerevan
- e) Ukraine Port Strategy Development and Feasibility Studies
- f) Feasibility Study for the rehabilitation and extension of the road M3 Chisinau – Giurgiulesti/Romanian Border

2.2. Sector context

Problem areas vary from country to country in the TRACECA regions. However, there are some common obstacles and problem areas for intra-regional and inter-regional transport and transit to be observed.

International traffic is still hampered by lack of legal, administrative and technical harmonisation between the countries along international standards and practices, as well as application of international standards for transit. Traceca countries have agreed on the mutual interest to promote progressive integration of their respective transport networks and markets in accordance with EU and international legal and regulatory frameworks, In the framework of establishing operational links with the Pan European Corridors , it is important to promote sustainable investments that meet these requirements and can attract financing by International Financial Institutions . One of those important link for the South Caucasus region is the Railway line between Tbilisi and Yerevan which has been designated as a TRACECA route.

Armenia is a land-locked country heavily dependent on a viable international transport relation via Georgia. The existing infrastructure and rolling stock is out of date and in poor condition. Sustainability of investment measures is increased by major restructuring efforts of the Armenian Railways and Georgian Railways with regard to labour force, rolling stock and the form of organization. The railways recently reported a net profit and it is planned for the railways to be operationally separated from Government in the near future. This restructuring process continues with international support.

Another main common obstacle throughout the TRACECA regions is the low level of knowledge concerning safe, secure and efficient transport and transit operations and communications for all modes compliant with latest EU-standards. In addition, there is still a know-how gap in modern tools of transport and project planning and

monitoring. The existing institutions need to be strengthened and capacities need to be built up.

Former TRACECA programmes and projects have addressed those know-how gaps by institutional strengthening and capacity building in various fields of international transport such as multi-modal transport, legislation, harmonization of tariffs, and simplification of transit. Furthermore, through feasibility studies and through project planning advisory services to the TRACECA institutions and their policy and decision making bodies in the TRACECA countries. Those former TRACECA projects were accompanied by various training measures and by measures and events designed to facilitate regional cooperation.

For all Ukrainian ports there is a need for further modernisation and capacity improvements. However, as the ports are closely interlinked and serve mainly the same region, there is a need for all of them to concentrate on their specific strengths and business opportunities. Ports' efficiency can be considered the key to regional competitiveness in transport.

A general Ukrainian Port Strategy with specific regard to these most important Black Sea Ports of the Ukraine is required. As there still remains great need to attract more external investment to the ports, the output of the project is phased, to correspond with typical IFI requirements for project development, decision and review milestones, culminating in the preparation of bankable feasibility studies.

The M3 road in Moldova is an integral part of the European road E577 Poltava - Korovograd –Chisinau – Giurgiulesti – Glatai – Sloboyia. It is connected with the Transeuropean Corridor IV and IX . The M3 is linking the countries of Ukraine and Moldova as well as being a gate to the Danube River for both countries.

A great part of the road has a high level of degradation with reduced bearing capacity. This result in the well-known problems of high transportation costs measured in time and in vehicle operation costs, thus increasing overall transport costs and consequently reducing business opportunities for local business and in transit traffic. In addition road accidents are increasing.

3. DESCRIPTION

3.1. Objectives

TRACECA aims to develop and promote transport on a west-east axis from Europe, across the Black Sea, through the Caucasus, across the Caspian Sea to Central Asia.

In this respect, it has to be mentioned that transport and mobility does not just mean physically moving for a measurable distance on a certain corridor; mobility means - especially in the new millennium - that all transport modes, air, maritime, railway and road, are combined into an integrated transportation system. This system has to ensure that individuals and goods are able to reach their destinations rapidly, securely and efficiently in an environmentally sensitive way.

There is no doubt that the existence of adequate transportation systems is essential for economic performance and the well-being of the population and that the member states of TRACECA have a great interest to harmonize trade and transport policy along this vital transport corridor.

Thus, the overall objective of the TRACECA AP 2005 is to further harmonise trade and transport policy between the EU and the TRACECA countries along the TRACECA

corridor, by facilitating regional cooperation, by capacity building and training measures, by feasibility studies and investment appraisals and through selected priority investments.

All AP-components are interacting and interregional, i.e. they address at least two countries and in most cases all involved countries in the regions.

3.2. Expected results and main activities

The development of domestic, regional and transcontinental transport linkages provides the opportunity for countries to promote their integration into international trade through the development of economic corridors. The TRACECA AP 2005 strategy supports the transport sector so that it can fulfil its role of supporting integration of economies into international trade through various actions including:

- Removal of non-physical barriers along international transport and transit routes, including at border crossings;
- Improving logistics capabilities, interoperability and multi-modal transport;
- Commissioning of the preparatory reforms to set the stage for the liberalization of trade in transport services; and
- Enhancing human-resource and institutional capacities.

A brief outline of AP 2005 components, the envisaged outputs and activities are given below:

a) Analysis and forecasting of traffic flows for the TRACECA countries and interregional transport integration

Main outputs:

- Trade and Transport Forecast for the TRACECA countries with specific regard to Central Asian countries in order to provide a project planning tool and a performance measurement tool
- Facilitated regional cooperation
- Efficient project cycle management for TRACECA projects

Description of main interventions and activities:

- Establish a trade-transport forecasting model based on trade flows at the PS IGC TRACECA including a GIS based Data Base system compatible with EU GISCO and other EU financed systems in the Mediterranean and the Balkans.
- Establishment of Data collection centres in the countries
- Carry out a traffic forecast with specific attention to selected Central Asian TRACECA corridor links
- Assist in the follow up of the November 2004 Baku Conference on Transport
- Coordination of activities of the National Transport Authorities of the TRACECA corridor countries
- Follow-up of running contracts
- Assistance and coordination of the identification of new TRACECA projects on the basis of findings of the traffic forecast as well as on the basis of coordination activities and overall MLA, Tacis and TRACECA objectives.

b) Organisation of the Transport Dialogue between EU and NIS – the countries of the Black Sea-Caspian Basin in the framework of the new European Neighbourhood Policy

b)

Main outputs:

- Enhancing a regular dialogue in the framework of the discussions of the recently created High Level Group on the extension of the major trans-European transport axes to the neighbouring countries and regions in the framework of the new European Neighbourhood Policy (ENP).
- Promoting sustainable transport solutions for further regional co-operation in particular on road safety, rail interoperability, the aviation sector, aviation and maritime safety as well as security in all modes of transport.

Description of main intervention and activities:

- Technical, logistical and other required support for the organisation of the 4 working groups established after the Nov. 04 Transport Ministerial Conference in Baku. The contents of the working groups call for consistency with the TRACECA work and include findings of the EU High Level Group for identifying major corridors in the framework of EU Enlargement and ENP, new requirements in regard of security, further advancement of multi-modal transportation across the regions, inclusion of the aviation sector and paving the way for potentials of Galileo applications.

c) Strengthening of Transport Training Capacities in NIS countries

Main outputs:

- Strengthening of existing transport training institutions and centres
- Train – the – trainer courses
- Supply of training materials and equipment

Description of main intervention and activities:

- Assessment of existing training measures and trainees capabilities
- Follow-up of the TRACECA projects “Capacity Development for Senior Transport Sector Officials” (on-going), “Maritime Training” and “Freight Forwarders Training Courses” (both presently launched)
- Institutional strengthening of existing training centres and institutions delivering training in the transport sector
- Supply of training materials and equipment according to priorities identified
- Organisation and implementation of train-the-trainers courses with regard to assessment findings

d) Rehabilitation of the Railway Line between Tbilissi and Yerevan

Main outputs:

- Technical, operational and economic survey of the railway line Yerevan – Tbilissi (Phase A)
- Feasibility Study including Engineering Design for Rehabilitation of most urgent sections identified in the study (Phase A)
- Rehabilitation of the section identified (Phase B)

Description of main intervention and activities:

Phase A

- Inspection of the railway line with specific regard to operational procedures, efficiency and safety and structures such as bridges, gallery tunnels, overhangs and small tunnels
- Operational and economic analysis of the railway line, including transit aspects
- Establishment of requirements for the link to meet international standards ; Design and specification for priority measures and investments of the quality required by IFIs for consideration for lending
- Cost estimations and environmental mitigation
- Elaboration of tender documents for Phase B
- Attract further national and international funding for rehabilitation measures

Phase B

- ~~Procurement of equipment according to identified priorities~~ Contribution to the leveraging of IFIs investments or direct EC investments for the upgrading of the railway line
- Supervision of rehabilitation works funded by IFIs

e) Ukraine Port Strategy Development and Feasibility Studies

Main outputs:

- Development of a port sector strategy
- Appraise identified measures in more detail and chose two priority investments according to EBRD standards, i.e. bankable feasibility studies
- One technical assistance project further advanced according to EC-project cycle management standards.

Description of main intervention and activities:

Phase A

- Existing and potential traffic flows analysed
- Forecast of traffic volumes through the region done with a specific regard to container prone traffic
- Collect and analyse technical and operational documentation of the four ports
- SWOT (Strengths, Weaknesses, Opportunities, Threats) – Analysis for the four Black Sea ports of the Ukraine carried out
- Ukrainian Port Sector Strategy drafted including identification of priority areas of action
- Priority investment packages suitable for financing by IFI defined as well as priority technical assistance measures
- Dissemination, awareness creation and coordination of proposed Port Strategy with major Stakeholders including potential investors
- Final Port Sector Strategy recommended

Phase B

- Technical, economic, financial, institutional and legal appraisal to be carried out for minimum two identified investment packages
- Log frame analysis and terms of reference drafted for minimum one technical assistance project with specific regard to training needs
- project implementation method proposed

f) Feasibility Study for the rehabilitation and extension of the road M3 Chisinau – Giurgiulesti/Romanian Border

Main outputs:

- a verification of the relevance of the proposed project to address the existing problems in the economic and social sectors suggested in or in addition to the options studied in the feasibility study of the year 1994;
- a detailed analysis of the technical, economic and financial, institutional and management, environmental and socio-cultural feasibility of the proposed M3 road rehabilitation
- a detailed analysis of the potential sustainability of the project results;
- the detailed plan which specifies indicators for project objectives, results and activities and incorporates required resources, the institutional structure for implementation and stipulates the responsibilities of various bodies, project timing/phasing, estimated costs and a logical framework planning matrix;
- engineering design specifications for tender documents for physical works and supplies;
- a draft financing proposal.

Description of main intervention and activities:

- fact finding/data collection/surveys omitted or requiring updating,
- identification of alternative solutions for the proposed project,
- analysis of alternative technical solutions and resulting economic, financial, social and environmental impacts,
- a briefing report summarizing the analysis of the alternative solutions,
- consultation meetings with decision makers/stakeholders to identify the preferred solution,
- preparation of engineering design tender documents,
- drafting of financing proposals and supporting the Government in identifying potential means of financing of identified solution,
- preparation of the draft and final feasibility study report.

3.3. Stakeholders

The existence of adequate transportation systems is essential for economic performance and the well-being of the population. Thus, the ultimate beneficiaries of the overall TRACECA programme as well as of the AP 2005 are the consumers, who will profit from improved transport and trade relations in the regions and with the EU. More directly the programme addresses the needs of the loaders and transport operators along the TRACECA corridor.

Target group of most components of the AP 2005 are the transport policy, transport regulating and transport operational entities in the TRACECA countries, who have organised themselves in the TRACECA Intergovernmental Commission (IGC) TRACECA with its executive body, the Permanent Secretariat (PS).

The PS and the IGC TRACECA have developed towards an efficient, renowned and widely accepted institutional structure with well established high level decision making procedures. At the beginning, these structures were heavily supported by the EU. Meanwhile, the ownership of those structures is more and more taken over by the partner governments and institutional self-sustainability including financing of the organisational structures is expected from 2006 onwards. However, the entire

region will still heavily depend from international financing of technical assistance and investments along the TRACECA corridor.

3.4. Risks and assumptions

Ownership of the collaborative activities is a key. Partner governments and authorities should be ready to cooperate where appropriate and necessary in the priority areas, take the measures required in terms of ratification of adopted legal and institutional reforms and adequate resource allocation. Key personnel will have to be appointed and made available to attend to and follow up the programme activities.

This risk is minimised by the use of already functioning mechanisms for cooperation between the transport key stakeholders of the neighbouring states and with the EU. However, the adoption of self-financing of the PS IGC TRACECA from 2006 onwards is presently in the stage of recommendation from all TRACECA countries; the final decision is to be expected in April 2005 and is the basic assumption of the AP 2005.

Another principal risk is that inter state tensions might lead to the closing of border crossings preventing of EU assistance in neighbouring states from functioning.

Thus, political support will remain a main factor in the expected results.

3.5. Conditionalities

The continued strong political commitment by the partner countries towards the objectives and strategies of the TRACECA programme is an assumption as well as conditionality.

Another supposition is, that the TRACECA AP 2003 and 2004 on which the proposed AP 2005 builds upon are successfully implemented or in the implementation process as scheduled.

3.6. Crosscutting issues

The positive spin-offs to be expected are as important as the achievement of the main objectives, which is harmonise trade and transport policy along the TRACECA corridor. Specifically it is to mention, that:

- The AP 2005 fosters the regional cooperation in areas of mutual interest and amongst key stakeholders of participant countries.
- Increased international transport and transit will have direct positive economic impact through increased employment opportunities in transport related operations and transport prone businesses
- Further attraction of additional means of funding by other donors and the private sector is to be expected
- As transport costs have an impact on the production costs of domestic industries as well on the price level for import and export goods, improvements in transport will lower input prices and hence production costs. This improves access to funds, facilitates distribution of technology, and increases the scale of production.
- Transport safety will be increased and the risk of major accidents reduced by improved infrastructure, but also by using latest know-how concerning the operation and handling of cargo with a specific view on dangerous cargo.
- Following from the above bullet, there will be a positive environmental impact

In addition, various activities of the AP 2005 will interface with the work that the UNECE, the International Maritime Organisation (IMO) and the EU is stressing in the

fields of transport safety, environmental protection and transport simplification, communication and efficiency.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Centralised management

4.2. Budget and calendar

Indicatively, the budget will be allocated to the programme components as follows:

Project	Total budget	thereof services	thereof supplies
Analysis and forecasting of traffic flows for the TRACECA countries and interregional transport integration	2.5 Mio. €	2.2 Mio. €	0.3 Mio. €
Organisation of the Transport Dialogue between EU and NIS in the framework of the new European Neighbourhood Policy	1.0 Mio. €	1.0 Mio. €	0.0 Mio. €
Strengthening of Transport Training Capacities in NIS countries	2.0 Mio. €	1.5 Mio. €	0.5 Mio. €
Rehabilitation of the Railway Line between Tbilisi and Yerevan	2.0 Mio. €	0.65 Mio. €	1.35 Mio. €
Ukraine Port Strategy Development and Feasibility Studies	1.75 Mio €	1.75 Mio €	0.0 Mio €
Feasibility Study for the rehabilitation and extension of the road M3 Chisinau – Giurgiulesti/Romanian Border	0.75 Mio €	0.75 Mio €	0.0 Mio €
Total	10.0 Mio. €	7.85 Mio. €	2.15 Mio. €

The contribution of the beneficiaries directly related to the programme components is expected at a minimum to be in the range of 3 to 4 Mio. € consisting of direct financial contributions such as financing the PS IGC TRACECA or contributing to the investment costs of the railway line and of indirect financial contributions such as counterpart staff performances and data and information deliveries.

The programme duration is expected to be 48 months

4.3. Procurement and award of grants procedures

All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.4. Performance monitoring

Performance will be monitored monthly, quarterly and on ad-hoc basis by the Programme Manager, who will review the corresponding reports and participate at the Steering Committee meetings.

4.5. Evaluation and audit

Evaluations will be based upon progress in the achievement of benchmarks and mandatory results, as laid down in the Terms of Reference.

All contractors will be required to submit audit certificates with their request for final payment in accordance with the requirement of the "Practical Guide to contract procedures for external assistance financed from the general budget of the European Communities".
