

## **ANNEX**

### **PROJECT FICHE PROJECT SUPPORT**

Title	Motorways of the Sea (MoS) for Black Sea and Caspian Sea		
Total cost	€ 2.500.000		
Aid Method	Centralised management		
DAC-code	21040	Sector	Transport

#### **1. RATIONALE**

##### **1.1. Strategic framework**

Since the independence of the CIS countries, the growth of their national economies has declined affecting the budget allocated to the transport infrastructure considerably. Transport was and still is heavily depending on railway transportation, but freight traffic by other is steadily increasing in those countries. However, a low level of cooperation among transport operators for strengthening multi-modal transportation is observed. Private sector participation in the provision of transport services and infrastructure in some of the countries does not exist on the required level.

In order to facilitate trade and transport in the region, it is necessary to improve the transportation in more efficient manner. Besides the improvement in the infrastructure, the freight transport market demands efficient logistical services with sound framework conditions. The "Motorways of the Sea" concept is an ideal initiator and facilitation for such improvements.

Improvement of technical standards in line with the international standards and the establishment of inter-modal networks are some of the important preconditions for optimisation of cargo flows (import, export, transit) in order to ensure future integration process of the CIS countries transport network into Pan European Transport Corridors (PAN-TC). The development of the legislative framework additionally to the above-mentioned standards and logistics centres could facilitate the creation of an attractive and predictable environment for potential investors, especially on the basis of Public Private Partnership structures.

The Interstate Tacis TRACECA programme indicates the development of a Transport Corridor in the West – East direction connecting the Pan-European Transport Corridors and areas (PAN-TC) and Central Asia via the Caucasus as its prior objective. The white paper of the European Commission - "European Transport Policy for 2010: time to decide" sets the challenges in the transport sector for the future. Linking the modes of transport is one of those challenges, especially challenging task is connecting sea, inland waterways and rail efficiently. The development of "Motorways of the Sea" is dedicatedly mentioned in the white paper.

In order to facilitate trade and transport in the region and to integrate the CIS countries into the world economy by linking the modes of transport it is necessary to organise cargo movement in a more efficient manner.

Thus, this project is in line with the Tacis Strategy Paper 2002-2006, the Indicative Programme 2004-2006 for Central Asia, the Strategy Paper of European Neighbourhood Policy, and is directly related with the White Paper (European Transport Policy for 2010: Time to decide) and the UN Millennium Declaration for the landlocked and transit developing countries especially in the field of efficient interoperability of different modes of transport, facilitation of the international trade and transport.

The project is also in full line with the Baku conference on Transport, held in Baku Azerbaijan on November 14, 2004.

## **1.2. Lessons learnt**

The lessons learnt in previous Tacis projects in the CIS region suggest that rational utilisation of resources and economies of scale require a concentration on a limited number of priorities within the project implementation. As there was already huge involvement of the EC via different budget lines in trade and transport facilitation in the region, this project will form a further milestone towards regional integration and will strengthen the existing and previous efforts of Tacis projects and programmes. The project will address a concept of transportation which is new for most of the CIS countries. Thus, the activity should be specifically adjusted both to country and regional needs. At the same time it should help to optimise the connections of the CIS countries to Europe using modern techniques and practices. The experience shows that these balances should be carefully discussed before providing practical recommendations, highlighting concrete benefits to the beneficiary states from regional improvements.

Motorways of the sea are basically short distance shipping. In the European Union short Sea shipping carries approx. 41 % of goods traffic with a steady growth rate. In terms of energy consumption transport on water is much more efficient compared to other modes of transport. With the same input of fuel the weight of cargo, which can be carried is at a minimum 2.5 times higher. This has also a positive impact in environmental respect - less fuel, less pollution. Container ships for the deep Sea, River and Seagoing River vessels, RoRo ferries for Trucks and Rail ferries are typical vehicles of the 'motorways of the sea'. RoRo Vessels for short distances are effective and helping to bypass congested roads and helping to overcome difficult border crossings. Experiences made with rail ferries in the Baltic Sea crossing waters to link railway systems, short sea traffic between North and Baltic Sea as well as in the Mediterranean Area provide good reasons to implement the concept of "Motorways of the Sea". The North European Ports in the Hamburg, Antwerp range are all connected to large inland waterways. Considerable part of cargo arriving or departing these ports is loaded from Sea going vessels into river vessels and vice versa. For some trades e.g. Baltic Sea / Rhine River area River-Sea Vessels are in use. The River Systems of the Danube and the Dnepr approaching the Black Sea are best suited for intermodal services and "Motorways of the Sea". In the Caspian Sea, Rail Ferries are linking the Ports of Baku, Aktau and Turkmenbashi on a regular basis.

Especially in the Container Transportation feeder services are very successfully operated between Mediterranean ports and North Sea and Black Sea ports as well as between North Sea ports and Baltic ports. The logistic concepts of the major container operators in the world are based on container ships, which are becoming larger and larger. In the beginning of the 90ties an average container vessel was able to carry about 2,500 to 3,000 TEU and 10 Years later the size of ship have almost doubled. In the next years on the major traffic routes ships will be operated with 12,000 and more TEU. The concept of these container operators is based on only few ports in each continent as hubs, which serve other ports via transshipments. From these ports feeder vessels, river barges, rail or road carriers are organising the door to door deliveries. To optimise the traffic in the Black Sea and Caspian Sea this experiences should be used.

However, experience reveals that the international dimension can only function to its fullest extent only if there is a close cooperation between the authorities in each of the countries of the Black Sea and the Caspian Sea. Not only operators and forwarders have to be integrated, but also Maritime and Port Administrations and Custom Authorities.

## **1.3. Complementary actions**

The Motorways of the Sea Initiative for the EC is not just to promote Maritime Transport individually, but also to efficiently integrate seaborne connections with land modes, especially railways, and enhance intermodality. Therefore, the Sea Motorways have become the tool for the Sea-based Intermodal Corridors of Europe, which will use Short Sea Shipping and ports as the infrastructure required. The EC anticipates the Sea Motorways to be qualitative maritime connections in terms of services and infrastructure that will allow high share of Maritime in Intermodal transport coping with the current problems.

The project should take into account the achievements of the Maritime training project launched under Regional Transport budget in 2005, implemented by TRACECA. The relevant EC assistance project that should complement the strivings of the present initiative is Maritime Security Management.

Another project that is also relevant to the implementation of the current one is Improvement of Maritime Links between TRACECA Corridor and TENs Corridors for Bulgaria, Georgia, Romania,

Turkey and Ukraine. A proposed project should also build its activities taking into account the achievements of the project on elaboration of the maritime links.

The implementation of this project is to be coordinated through the TRACECA Programme, which has proven to be a solid and reliable partner in the implementation of the EC cooperation programmes in the transport sector in the region during the last 13 years. TRACECA is indeed a lively and well organised programme, fully supported by the participating countries, who have confirmed their financing contribution to the administrative costs of the Permanent Secretariat.

The TRACECA programme has resulted in closer co-operation and dialogue among government authorities and has contributed to develop a regional dimension of transport issues in Central Asia, as well as in Caucasus and Eastern Europe. Based on previous positive results, this project is to be implemented at regional level, being its objectives in line with the priorities of all involved countries. Furthermore, the responses of the TRACECA countries towards Tacis regional programmes have generally been quite positive which constitutes a useful basis on which to build and deepen cooperation between the countries and with the EU.

#### **1.4. Donor coordination**

Due to novelty of the Motorways of the Sea concept the involvement of the international donor and international financing organisation is mostly indirect. The level of addressing of the maritime security in the Caspian sea basin is relatively lower than one of the Black Sea basin. The EC intervention is pioneering in terms of introduction of the motorways of the sea concept in this area of the world.

The potential contactor is to inform the major donors on its activity and to supply the interested development partners with the information on the current project activity. It is also important that the Permanent Secretariat of TRACECA is involved in the process and its resources are utilised to facilitate donor coordination of the potential contractor.

## **2. COUNTRY (OR REGIONAL) CONTEXT**

### **2.1. Cooperation related policy of beneficiary country**

The beneficiaries of the Project are the CIS countries, including the signatory of the Basic Multilateral Agreement (MLA) on International Transport for Development of Europe-Caucasus-Asia Transport Corridor (TRACECA), signed in Baku on September 8, 1998. One of the main priorities of the MLA is the integration of the region into the international market by improving and enhancing trade and transport through:

- 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

The concept of the "Motorways of the Sea" is mainly focussing on the Maritime Sector including the ports and transshipment facilities. The beneficiary countries have different structures in the field of transport. Information about the recent structures is best to be obtained by the network of the Permanent Secretariat of the Intergovernmental Commission TRACECA and its Permanent Representatives in the countries.

As there is a firm commitment for the project by the responsible Ministries of Transport in the corresponding beneficiary countries and as the freight forwarder industry expressed on various seminars and conferences in the region the necessity of improved logistical services, most important pre-conditions for the successful implementation of the project are given.

### **2.2. Sector context**

"Motorways of the Sea" and the connected inter-modal transportation will allow the CIS Countries to have more easy access to the world markets. They regularly lead to considerable reduction in transport time and costs and thus in the reduction of the transport cost share in the overall costs of

goods. In addition, new investment opportunities are to be expected in the region and the European freight forwarding industry highly welcomes this opportunities.

Furthermore it has to be stated that these transportations have less negative impacts to the entire environment.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The overall objective of the project is to facilitate trade and transport through improving logistics capabilities, interoperability and multi-modal transport and thus developing modern efficient "Motorways of the Sea" connecting CIS Countries with Europe and the World Market.

The specific objective of this project is to develop the financial and economically viable, technically feasible, environmentally and institutionally sound concept for the inter-modal transport with a focus on including the river systems and the seas into this concept.

#### **3.2. Expected results and main activities**

The expected results are the following:

1. Study the River Systems and the Ports and the hinterland structure of the beneficiary countries to be integrated an overall inter-modal network

- Actual River services especially on the Danube River System (including Canal System) as well as the Dnepr System
- Tariff structures of the services operated on the rivers
- Possibilities of integration of river services or in to inter modal links in the Black Sea
- Actual Ro-Ro Services for trucks and Rail Cars in both, the Black and the Caspian Sea
- Tariff structures of the Ro-Ro services in both, the Black and the Caspian Sea
- Possibilities of integration of these services into new inter-modal services
- Hinterland connection of the ports in the view of designing inter- modal services`
- Assessment of the river fleets, the deep sea fleets (RoRo and Rail ferries) and the sea going river vessels
- The Terminal Facilities (Inland and Sea Ports) including cargo handling equipment
- Storage facilities including reefer or temperatures controlled facilities
- Documents used for transports for Rivers, Deep Sea, Land Transportation around the Black and Caspian Sea
- Communication possibilities between inter-modal hubs
- Equipment and standards used

2. Short and medium-term Action Programme for improvement of technical conditions of the inter-modal links, the infrastructure and supra-structure facilities including modernisation of terminal, fleets, equipment, communication links and standards for the existing links and possible new links. As there are funds available for the improvement of hard- and software an assessment has to be included of urgently required equipment or standard software.

3. Recommendations on actions to be taken to establish or modernise inter-modal services and/or “Motorways of the Sea” networks within the Black and Caspian Sea Area and for the attraction of private investments, e.g.:

- attract ship owners to bring necessary equipment into the Black Sea and Caspian Region
- to convince transportation companies and shipping lines to implement “Motorways of the Sea” as parts of the inter-modal services
- to force the ideas of liner services with regular calls of ports and the hinterland connections to support inter-modal services
- to emphasise the use of standard documents and procedures

### **3.3. Stakeholders**

The main stakeholders of the projects will be:

- Ministries of Transport, Cabinets of Ministers, Port and Maritime Administrations, and Associations of Transport and Transport Communications of the countries *Azerbaijan, Bulgaria, Georgia, Kazakhstan, Romania, Turkey, Turkmenistan and Ukraine* are the overall beneficiaries of the project, and also responsible for development of transport policy and transport infrastructure
- Railways and Transport Entities of beneficiary countries, as they have to establish reliable hinterland connections
- Shipping companies (deep sea and river), as they can benefit from new transport links and services
- Customs Authorities of beneficiary countries, as they can benefit from providing efficient customs services and revenues from bonded warehousing.
- Ports They will be benefiting from new implemented combined services
- TRACECA Programme, based on the Provisions of MLA aims to facilitate trade in the region. TRACECA is focussed on transport.
- Tax Authorities and International Monetary Fund (IMF) is interested in extra tax collection source
- World Bank (WB)The World Bank is mainly focussed on trade facilitation as a mean to reduce poverty.
- National Coordination Units (NCU), which is responsible for cooperation between partner-states and the EU.
- Transport and container operators, business community in the region will benefit from more efficient operation and logistical services and from modernized infrastructure of the transport nodes network

### **3.4. Risks and assumptions**

#### **3.4.1.Risks**

- Political instability in some of the beneficiary countries;
- Lack of cooperation between the beneficiary countries on the cross-regional level;
- Different legal and organisational bases of the beneficiaries’ authorities involved;
- Rules and regulations are subject to variations and interpretation;

These risks are to be minimised by the use of already functioning mechanisms for cooperation between the transport key stakeholders of the neighbouring states and with the EU.

#### **3.4.2.Assumptions**

- Existence of continuity at the decision-making level in the beneficiary countries;

- Sustainability in common regional priorities conducive for application of the Sea Motorways concept;
- Sufficient level of understanding between authorities responsible for various transport modes in order to facilitate introduction and application of the Sea motorways concept;

### **3.5. Conditionalities**

The willingness of the beneficiaries to launch this project will be expressed in the corresponding Statements of Endorsement. It is a common procedure of the EC to obtain Statements of Endorsement before launching a project. In case this is not possible, the corresponding beneficiary country will be excluded and the budget will be reduced accordingly.

### **3.6. Crosscutting issues**

The project is designed to pave the way towards inter-modal operation in the transport sector, which implies an overall positive environmental impact, and to integrate the countries into the world economies. The increased private sector participation and thus the reshaping of the role of the involved governments towards policy and regulatory functions in the provision of logistic services will be also one of the outputs of this project.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Implementation method**

Implementation will be carried out by the European Commission through centralised management.

### **4.2. Budget and calendar**

The foreseen budget for the project is 2.5 Million Euro to be granted in the form of a service contracts. The project is in compliance with the TACIS Multi Annual Indicative Programme 2004-2006, the schedule of its implementation shall comply with implementation timetable of AP 2006.

The contribution of the beneficiaries will be in the form of provision of counterpart staff, data and information.

The project duration is expected to be 24 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**

Regular monitoring will be a continuous process as part of the Commission's responsibilities. The project will be monitored by the Tacis monitoring office and closely followed-up by the EC. External impact monitoring might be also carried out by independent consultants recruited directly by the Commission in accordance with EC rules and procedures on specifically established terms of reference. Key indicators for measuring progress will be finalised during the inception phase.

### **4.5. Evaluation and audit**

Evaluations (mid-term, final, ex post) and audit arrangements are integral part of the contractual arrangements with the selected contractor(s). External evaluations and audits might be also carried out by independent consultants recruited directly by the Commission in accordance with EC rules and procedures on specifically established terms of reference.