



**The European Union's TRACECA Programme
for "Partner Country"**

**International Logistics Centres/Nodes Network
Central Asia at the Republic of Kazakhstan,
Kyrgyz Republic, Republic of Tajikistan,
Republic of Uzbekistan and the Republic of
Turkmenistan**

EuropeAid/125727/C/SER/Multi

Progress Report Number One

July 2009



This project is funded by
the European Union



RINA INDUSTRY



A project implemented by the Consortium
SAFEGER, RINA Industry, IRD Engineering and Italferr



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INTERNATIONAL LOGISTICS CENTRES/NODES NETWORK IN CENTRAL ASIA
EuropeAid/125727/C/SER/MULTI

Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan and Turkmenistan

Logistics Centres First Progress Report – July 2009

Entity/Project Partner	Russian Copy	English Copy	Signature/Receipt
1. Ministry of Transport and Communication of Republic of Kazakhstan	1	1	
2. Ministry of Transport and Communication of Republic of Tajikistan	1	1	
3. Ministry of Transport and Communication of Republic of Kyrgyzstan	1	1	
4. Turkmen Maritime and River Lines	1	1	
5. Ministry of Foreign Economic Relations Investment and Trade, Uzbekistan	1	1	
6. TRACECA National Secretary in Kazakhstan	1	1	
7. TRACECA National Secretary in Tajikistan	1	1	
8. TRACECA National Secretary in Uzbekistan	1	1	
9. TRACECA National Secretary in Kyrgyzstan	1	1	
10. IGS TRACECA Baku Permanent Secretariat, Azerbaijan	1	1	



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Project Title	:		
Project Number	:		
Beneficiary Country	:		
		Project Partner	EC Contractor
Name	:	_____	_____
Address	:	_____	_____
Tel. number	:	_____	_____
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Telex number	:	_____	_____
Contact person	:	_____	_____
Signatures	:	_____	_____

Date of report :

Reporting period :

Author of report :

EC M & E team	[name] _____	[signature] _____	[date] _____
Project Manager	[name] _____	[signature] _____	[date] _____



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Project Title: International Logistics Centres/Nodes Network in Central Asia at the Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Republic of Uzbekistan and the Republic of Turkmenistan:		
Project Number	: EUROPEAID/125727/C/SER/Multi	
Country	: All Project Designated Countries	
	Project Partner	EC Contractor
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Start Date of the Project: 15th January 2009 Project Duration January 2009 to 31 December 2010

Date of report: 15 April 2009

Reporting period: 15 January 2009 – 30 June 2009

Author of report: SAFEGE Consulting Engineers

	Name	Signature	Date
EC M&E Team
EC Delegation
EC Project Manager



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PROJECT SYNOPSIS

Project Title:	International Logistics Centres/Nodes Network in Central Asia at the Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Republic of Uzbekistan and the Republic of Turkmenistan
Project Number:	EUROPEAID/125727/C/SER/Multi
Country	All Project Designated Countries

Project objective	Support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.
Planned outputs	i) Analysis of TRACECA logistic network and the related operation of transport and logistics within the network; ii) Identification, ranking and promotion of logistics centres' projects; iii) Feasibility studies of the selected projects
Project activities	a) Evaluate traffic flows and assess the effectiveness of the transport and logistics network in the beneficiary countries; b) Identify needed improvements to the logistics network through the improvement/new construction of logistics centres, with emphasis on generating strong support from the private sector, c) Using multi-criteria analysis, develop a list of potentially viable candidate projects, undertaking economic, technical and financial feasibility studies
Project starting date	Contract was signed on 23 December 2008, and the official start date was 15 January 2009
Project duration	Project duration will be 24 months, terminating on 31 December 2010.



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EXECUTIVE SUMMARY

The Mobilization and Inception phases of our work have been completed successfully and the work to develop the transport data base in each country is well under way. A considerable amount of detailed transport data has been obtained for Kazakhstan and Uzbekistan; data collection in other countries has produced some results though our work continues. Meetings have been held with stakeholders in each beneficiary country, working groups have been established in two countries and others are planned for the near future. The Opening Conference and First Steering Committee meeting were held in April.

We are on track with our work program and will issue a Task A report in September; this will cover our traffic data base, situation regarding transport and logistics centres in the region and highlighting of problems and issues raised by stakeholders. Prior to the issuing of this Task A report we will begin the process of applying the selection criteria to the existing list of candidate logistics centre projects. This list will likely be revised in the future but we intend to test our criteria and discuss preliminary results with beneficiaries and stakeholders.

In our work plan, we have proposed to complete Task B, the identification and ranking of candidate logistics centre projects by December 2009 and beginning of Task C, feasibility studies and business plans, in January 2010. As we feel that the selection process and the ultimate acceptance of selected projects by beneficiaries will be time – consuming, we plan to accelerate the completion of Task B (selection process) and the beginning of Task C (feasibility studies). The selection process for logistics centres involves primarily moving from a “long list” of candidate projects to a “short list” of projects that will be the subject of business plans and feasibility studies. The development of this “short list” will likely be quicker for some countries than others and when possible, we will begin Task C before the end of 2009.



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1. Summary of project progress since the start

1.1 Mobilization

Project office is established in Almaty, national coordinators (long term junior experts) hired in each country and two short term experts have also started work (Traffic Flows expert in Kazakhstan and Traffic Flows/Logistics expert in Uzbekistan). Meetings have been held with beneficiaries and TRACECA secretaries in each country as well as with major stakeholders. A preliminary list of candidate logistics centres projects has been obtained from stakeholders and beneficiaries. Working groups are being established in Kazakhstan, Uzbekistan, and Turkmenistan.

1.2 Inception Report/Opening Conference

Our Inception Report has been approved by the Project Manager and distributed to beneficiaries and major stakeholders. The Opening Conference, which also was the first meeting of the project Steering Committee, provided the project study team with valuable guidance. In particular, the Turkmenistan beneficiary offered to make contact with the Ministry of Automobile Transport and Ministry of Railways to introduce our study team and to establish a working relationship for the duration of our project. We have made contact with these ministries, received some preliminary traffic flow data and met with these ministries during a visit to Ashgabat in mid – June. Minutes of this meeting are included in Annex A.

1.3 Task A1: Traffic flow analysis and infrastructure evaluation

Rail and road traffic statistics have been obtained from each country; however, level of detail varies considerably and we continue to pursue this issue through our national coordinators, as well as through one of our short term experts assisting in traffic data evaluation. In addition, our Traffic Flows Expert has undergone one week of training in Baku on use of the traffic flow data base from the TRACECA project: *Analysis of Traffic Flows in TRACECA countries and Interregional Dialogue between the EU and NIS*. Our national coordinators have prepared some preliminary information regarding elements of this task (traffic flows; logistics nodes and description of existing transport routes). It is not certain how much data will be available from the *Traffic Flows* project; we will therefore pursue the development of the data base using our own resources, enhanced by information from the *Traffic Flows* project, as is becomes available.

1.4 Task A2: Main issues encountered by operators

Discussions have taken place between study team members and transport operators in each country; major issues affecting their operations were discussed as well as specific problems encountered by transport operators. These discussions have been in the form of individual meetings as well as joint discussions during meetings of working groups that have been formed in several beneficiary countries. We have organized working groups with major stakeholders in Kazakhstan, Uzbekistan and Turkmenistan. We will pursue the establishing of working groups in Tajikistan and Kyrgyz Republic after discussions with the beneficiaries in those countries.



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1.5 Task B: Identify, rank and promote logistics centre projects

We have developed draft selection criteria for logistics centre projects and presented this to beneficiaries of each country for review and discussion. We have also compared these criteria with that being used by the Logistics Centres project of the Western NIS and Caucasus. This criteria continues to be refined and tested and will be applied as part of the multi – criteria analysis of candidate projects.

2. Summary of project planning for the remainder of the project

As shown in our Work Plan summary, the immediate focus of the project study team will be on completion of Tasks A1 and A2, *traffic flow analysis* and *main issues encountered by operators*, respectively. These tasks are to be complete by mid – September 2009.

Concurrently with the ongoing work of Tasks A1 and A2, we will commence with the main elements of Task B, to *identify, rank and promote logistics centres projects*. In fact, elements of this task have already begun. Discussions with beneficiaries have produced a preliminary list of projects in each country and a draft list of project selection criteria has been prepared and is under discussion with beneficiaries. Elements of Tasks A1 and A2 are expected to be complete by mid – September. Task B which is essentially the identification and ranking of logistics centre projects will be complete by December 2009.

We are now assembling our human resources and establishing a framework for moving towards our ultimate goal of identifying feasible logistics centre projects in the five beneficiary countries. We will employ a two – stage approach to estimation of future traffic flows; the first stage is to estimate growth of existing traffic moving over existing traffic routes; the second stage is the estimate of generated traffic that would develop as a result of improvements to the transport system. With the transport data base in place, we will then begin to apply the evaluation criteria to candidate projects in each country.

Project oversight is in the form of Steering Committee meetings and project working groups. The Steering Committee meets every 6 months and includes the beneficiary and TRACECA secretary from each country. The first steering committee meeting was held in Almaty in April; the next will be in mid – October, possibly in Ashgabat. Working groups are being established in most beneficiary countries and include major stakeholders – operators, government entities, international financial institutions. The schedule for future working group meetings is not fixed and will be decided in each country, depending on our work progress and need for feedback and further information. These workshops and steering committee will be particularly useful during the execution of Tasks A1, A2 and B.

Following the completion of Task B (December 2009) the third phase of the project will commence: Task C *Feasibility Studies of selected projects*. During this third phase, our Architect/Designer will be on board to undertake identification of specific facilities and prepare preliminary designs of selected logistics centres; we are currently evaluating the time of mobilisation of this position. During this phase, the working groups and steering committee will continue to be important, though in providing more detailed guidance regarding conditions of specific site locations and advising on the most appropriate location of the logistics centres



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considering all local conditions. While the composition of the steering committee should remain the same, membership of the working groups may need to be modified to include local government representatives and others familiar with regulations and other conditions surrounding the potential site of the project.

We have already established and will maintain contact with potential investors. We already have discussed the major issues with potential investors, in the Central Asian region as well as in Europe and we have identified project attributes that are important to these potential investors; these attributes will be incorporated in our evaluation criteria and in the design of the logistics center “package”.

We have appointed a short term expert in Almaty to develop the structure of our transport data base for each country. While the development of a data base showing existing traffic flows is important, we also will need to identify future traffic flows that could be generated by not only the development of logistics centres but also due to other improvements to the transport network of the region. For example, there is a very large volume of containerized traffic moving between Asia (primarily Japan, South Korea, coastal regions of China) and Europe by a large and efficient fleet of container ships. If the Central Asia transit route, primarily across Kazakhstan, could be improved so as to attract even a small fraction of this sea – going trade, the traffic potential could be enormous. Some studies have shown this potential to be as much as 498,000 teu’s moving by rail¹. We have located updated figures for these container flows and we will incorporate them in our transport data base.

3. Project progress in reporting period

3.1 Achievements in comparison with planned results

The project work plan is shown on the bar chart in Exhibit 1. By the middle of July (the end of the reporting period) the mobilization and project management phase was planned to be complete; about 80% of Task A1 and approximately 60% of Task A2 were also planned for completion. The Inception Report was submitted on 15 April, as planned.

Mobilization and project management task (100% complete)

Our Almaty office is established, staffed and equipped. Two key experts have arrived: the Team Leader arrived on the 17th of January and a project start – up meeting held in the offices of the European Commission in Almaty on the 21st January; the economist/business plan specialist arrived in Almaty on the 17th of February. In each beneficiary country, junior long term non – key experts have been hired and are working as national coordinators to support the project team. In order to undertake specific investigations, the services of two short term senior non – key experts have been retained in Kazakhstan and Uzbekistan. The expert in Kazakhstan will consolidate the development and presentation of the transport data base for the region and the expert in Uzbekistan will research the development of logistics centres in Uzbekistan and to identify and obtain any previous feasibility studies that may have been performed.



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We prepare monthly reports, submitted to the Project Manager. These are convenient management tools to track progress of our work; these monthly reports are shown in Annex C.

Task A1: Traffic flow analysis and infrastructure condition (80% complete)

- Disaggregated cargo flows
- Main logistics nodes
- Main transport links

During the Inception Phase of the study, visits were made to each country and discussions held with government officials as well as other stakeholders. During these initial meetings, our initial requests for cargo flow data were discussed and submitted to the relevant authorities in each country. We have subsequently made follow – up visits to Uzbekistan and Turkmenistan, as well as to the Ministry of Transport in Astana. In addition, each of our national coordinators have assisted in following up these initial data requests as well as finding through their own contacts, cargo flow data in their respective countries. We are also in contact with another TRACECA project, *Analysis of Traffic Flows in TRACECA countries and Interregional Dialogue between the EU and NIS* and we are sharing the traffic flow data collected by each project. Good cargo flow data has been collected for Kazakhstan and Uzbekistan; for the other countries, we have total national data, by transport mode and major commodity group, as well as border crossing statistics.

With regard to identification of main logistics nodes and transport links, this information has been obtained during our discussions in the field during our initial visits, through discussions with officials from the beneficiary as well as from private sector transport operators and freight forwarding companies. These transport links essentially follow those corridors identified by TRACECA as well as the ADB (Carec). This traffic flow data is currently being analyzed and being cast into a common format for each country, usable to the project study team in the evaluation of candidate logistics centre projects.

Task A2: Main issues encountered by operators (60% complete)

- Identify missing links
- Border crossing issues
- Existence of private operators
- Barriers to efficient flow of goods
- Barriers to efficient logistics centres

Extensive discussions have taken place with private freight forwarders, road transport operators as well as with the national railway companies. During these discussions, critical issues facing each transporter were identified, whether they are issues of infrastructure, administrative formalities at borders. In addition; for those routes in each country that result in long circuitous movements, missing links were identified that if implemented, would save time and distance for cargo flows. In every country, border crossing issues (visa requirements; customs control) were identified as the most significant and have the greatest negative impact on transport.



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In every country, road freight transport is dominated by the private sector; if the government has a role, it is minor. Transport facilities, including intermodal terminals and operation of storage facilities are operated by public bodies in many countries. This is an important issue as we will be actively pursue in each country the potential for private sector participation in the development and management of logistics centres. The more that governments want to keep transport functions and facilities in the public domain, the more difficult it will be to generate interest from the private sector to participate in potential projects.

During our discussions with transport operators and forwarders in each country (through the working group meetings in Uzbekistan and Turkmenistan), we have identified the major barriers to the flow of goods, the physical and non – physical barriers and will summarize them by country. Barriers to efficient logistics centres are primarily regulatory and related to government policy in each country. We have already identified some of these barriers and will continue this evaluation during July and August.

We have organized project working groups in Kazakhstan, Uzbekistan and Turkmenistan. The first meeting of the Uzbekistan working group was held in Tashkent on 16 June², and the Kazakhstan working group meeting will be held during August in Almaty, jointly with OSCE. Major stakeholders that will form the core of the Turkmenistan working group were identified during the study team's visit to that country during June and discussions held individually instead of organizing a formal working group meeting as with other countries.

Task B: Identify rank and promote logistics centre projects (5% complete)

While this task is not scheduled to begin until August, we have already identified draft selection criteria and have started discussing these criteria with beneficiaries and stakeholders as well as preliminary development and testing of the application of these criteria to candidate projects.

3.2 Deviations from original planning

While not a requirement in our TOR, we will prepare and submit a special report (“Task A Report”) by mid – September including the summary results of our work for each country as shown in Tasks A1 and A2. Completion of this special report will be well – timed for presentation to the steering committee meeting in early/mid October. Draft copies of the report will be distributed to participants of the meeting and will be a subject of discussion.

3.3 Specific action needed from the local authorities

The only specific action from local authorities that would be of assistance is the participation of the Ministries of Automobile Transport and of Railway Transport in Turkmenistan. While the Turkmen Maritime and River Lines is our beneficiary, and they have been extremely helpful to the study team, we need the participation of the road and railway ministries. Brief discussions with representatives from the Automobile Transport Ministry during our recent trip to Ashgabat indicated that they are willing to attend our steering committee meeting as an observer status. We

² Participants and minutes of this working group meeting are shown in Annex B



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would like that their participation be more active and that the Railway Ministry also take an active role in our project and full participation in the steering committee meeting planned for October in Ashgabat.



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INTERNATIONAL LOGISTICS CENTRES - WORK PLAN

Tasks	2009												2010												
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
Deliverables																									
Mobilization and project management	[Blue bar from Feb to Jun 2009]																								
Inception Report				▲																					
A1: Traffic flow analysis and infrastructure condition																									
A1.1: Disaggregated cargo flows																									
A1.2: Main logistics nodes																									
A1.3: Main transport links																									
Progress Reports																									
A2: Main issues encountered by operators																									
A2.1: Identify missing links																									
A2.2: Border crossing issues																									
A2.3: Existence of private operators																									
A2.4: Barriers to efficient flow of goods																									
A2.5: Barriers to efficient logistics centres																									
B: Identify rank and promote logistics centre projects																									
B.1: Identify priority projects																									
B.2: Rank projects using multi-criteria																									
B.3: Visit logistics centres in Europe																									
C: Feasibility studies of selected projects																									
Draft Final Report																									
Final Report																									



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TABLE 1: PROJECT PROGRESS REPORT

Project title :International Logistics Centres Central Asia		Project number :EUROPEAID/125727/SER/Multi		Country : Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan and Turkmenistan		Page :										
Planning period : January – June 2009		Prepared on : 15 July 2009		EC Consultant : Safeg Consulting Engineers; RINA Industries; IRD Engineering; Italferr												
Project objectives : Support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.																
No	ACTIVITIES IMPLEMENTED	TIME FRAME 2009 Months							INPUTS (days)							
		January	February	March	April	May	June	July	KEY EXPERTS		NON – KEY EXPERTS		EQUIPMENT AND MATERIAL		OTHER	
									Planned	Utilised	Planned	Utilised	Planned	Utilised	Planned	Utilised
0	Mobilization and project management	X	X	X	X				60	60						
A1	Traffic flow analysis and infrastructure evaluation															
	• Cargo flows			X	X		X	X	45	40	220	220				
	• Logistics nodes			X	X	X	X	X	5	5	40	40				
	• Transport links			X	X	X	X	X	10	10	40	40				
A2	Main issues encountered by operators															
	• Missing links			X	X			X	5	5	10	10				
	• Border crossing			X	X			X	28	28	22	22				
	• Private operators			X	X			X	25	15	30	30				
	• Barriers to goods flow			X	X			X	10	10	22	22				
	• Barriers to logistics centres			X	X			X								
B	Identification, ranking and promotion of logistics centres projects							X		X		15				
TOTAL									188	188	402	402				



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TABLE 2: RESOURCE UTILISATION REPORT

Project title : International Logistics Centres Central Asia		Project number : EUROPEAID/125727/SER/Multi		Country : Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan and Turkmenistan		Page :
Planning period : January – June 2009		Prepared on : 15 July 2009		EC Consultant : Safeg Consulting Engineers; RINA Industries; IRD Engineering; Italferr		
Project objectives : Support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.						
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER	
PERSONNEL (person-days)						
Key experts	1000	188	188	188	812	
Non –key long term experts	1750 “	392	392	392	1358	
Non – key short term experts	350 “	10	10	10	340	
Sub-total	3100	3100	590	590	2510	
EQUIPMENT AND MATERIAL (Euro)						
Office equipment and running expenses:						
Incidentals:						
Sub-total						
OTHER INPUTS						
Sub-total						
TOTAL						



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TABLE 3 OUTPUT PERFORMANCE REPORT

Project title : International Logistics Centres Central Asia		Project nr : EUROPEAID/125727/SER/Multi	Country : Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan and Turkmenistan	Page :
Prepared on : 15 July 2009			EC Consultant Safege Consulting Engineers; RINA Industries; IRD Engineering; Italferr	
Output results	Deviation original plan + or - %	Reason for deviation		Comment on constrains & assumptions
Mobilization and project management	Completed on target			
A1 Traffic flow analysis and infrastructure evaluation <ul style="list-style-type: none"> • Cargo flows • Logistics nodes • Transport links 	About 80% complete; work is on target. Plan is to be finished by mid-September			Short term non – key expert retained to consolidate and coordinate the development of transport data bases for each country. Some data already in hand; other data will be made available during the coming months. While this task should be essentially complete on schedule, additional data may be added to the data base during after September.
A2 Main issues encountered by operators <ul style="list-style-type: none"> • Missing links • Border crossing • Private operators • Barriers to goods flow • Barriers to logistics centres 	About 60% complete; work is on target. Plan is to be finished by mid – September.			
B Identification, ranking and promotion of logistics centres projects	About 5% ahead of schedule	Process of project selection may take longer than anticipated; need to complete the multi – criteria evaluation sooner than planned.		National coordinators are preparing summaries of this information for each country. Will be summarized and presented in our <i>Task A Report</i> by mid – September. Task B was not planned to begin until August; however we have developed draft evaluation criteria and are reviewing it with stakeholders and applying it to test data.
C Feasibility Studies of Selected Projects				Task C planned to begin during January 2010



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4. Project planning for next reporting period

4.1 Important observations for project success

It is helpful to remind ourselves of the stated objective of our project: “to support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport”³. As we review the existing situation and recommended projects for each country, fulfilling this objective will be paramount.

This next period (July – December 2009) will be critical for the success of our project. We will focus on identification of major transport problems in each beneficiary country and to focus our efforts on developing solutions in the form of logistics centres or “any type of relevant projects with well identified chances of success”⁴. We concur with this broad interpretation of logistics centres and are working actively with stakeholders in the region in identifying strong projects that will improve the efficiency of regional transport. Our TOR further states “...very different types of projects could be identified, such as the renewal and modernization of a strategic rail/road terminal, the improvement of port/airport handling area capacities, or the conception of a new logistic area on a selected location”. This matches perfectly our region of study and the different stages of logistics centre development among beneficiary countries. For example, in Kazakhstan, there are several logistics centres already developed, while in other countries, such as Turkmenistan, the concept of logistics centres is new and there are other more basic needs to improve the transport network. We have identified several potential projects in Turkmenistan that will result in improved efficiency of moving goods in the region, though they are not strictly “logistics centres”, but consistent with the objectives of our work.

During this period, we plan to complete Tasks A1, A2 (descriptions of traffic flow, infrastructure and problems faced by operators) by mid – September and Task B (ranking of candidate logistics centre projects) by early December. The process of identification of candidate logistics centre projects, the application of selection criteria to these projects is outlined in Annex D. The process consists of a review of the transport problems in each country and preliminary identification of a “long list” of candidate projects that would relieve some of these problems. This long list is then subjected to our selection criteria and a “short list” of projects represents those projects that further evaluation will be performed in the form of business plans, economic and financial feasibility studies. Our draft list of selection criteria is shown in Annex E.

In addition, we plan to start some preliminary work on Task C during November and December. We have initiated working groups in some countries and will continue this process to ensure stakeholders’ embracing of our approach and list of logistics centres project that will be subjected to feasibility studies.

During the first six months of the project, we have developed a good overview of the transport situation in the five beneficiary countries, begun to develop a traffic flow data base along major transport corridors and identified major problems faced by participants in the transport sector. In some countries there have been definite locations of logistics centres identified, while in others, this determination is yet to be made. We believe we can best move forward by initiating business

³ Project TOR section 2.1; page 10

⁴ Project TOR description of Task B page 16.



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plan development and feasibility studies for those logistics centre locations that have already been identified earlier than planned, while in the other countries, continue the process of selection criteria development and discussions with stakeholders regarding the most likely sites for candidate projects.

In addition to developing well – structured business plans and feasibility studies, we are continuing to liaise with potential investors from the private sector and international financial institutions. Therefore, we have three distinct steps leading up to the recommendation of logistics centre development in each beneficiary country – (i) development of selection criteria and a multi – criteria evaluation process that will result in financially sound and economically feasible logistics centre projects; (ii) preparation of 10 – year business plans for each selected project and (iii) undertake rigorous financial and economic feasibility studies for each selected project in order to ensure that our selected projects are beneficial to the country as well as to a potential private sector investor and/or operator. While according to the TOR, the Economist/Business Planner is primarily responsible for these three steps; however, we will be reevaluating existing capabilities of the project team and the possible transfer of some time from key experts to short term non - key experts in order to accomplish our objectives successfully. We will also evaluate the most appropriate timing for the mobilization of the Architect/Logistics Centre Designer, probably beginning during the latter part of 2009.

During the execution of each step, we will involve stakeholders in each beneficiary country to ensure agreement with our approach; this process has already started and will continue through the next reporting period.

4.2 Proposals for adjustment of overall project planning and consequences

In our work plan, we have proposed to complete Task B, the identification and ranking of candidate logistics centre projects by December 2009 and beginning of Task C, feasibility studies and business plans, in January 2010. We plan to accelerate the completion of Task B (selection process) and the beginning of Task C (feasibility studies). The selection process for logistics centres involves primarily moving from a “long list” of candidate projects to a “short list” of projects that will be the subject of business plans and feasibility studies. The development of this “short list” will likely be quicker for some countries than others and when possible, we will begin Task C before the end of 2009.



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TABLE 4: PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work programme)

Project title : International Logistics Centres Central Asia		Project number : EUROPEAID/125727/SER/Multi		Country : Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan and Turkmenistan		Page :					
Planning period : July - December 2009		Prepared on :		EC Consultant : Safege Consulting Engineers; RINA Industries; IRD Engineering; Italferr							
Project objectives : : Support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport											
No	ACTIVITIES	TIME FRAME						INPUTS			
		2009						PERSONNEL (days)		EQUIPMENT AND MATERIAL	OTHER
		July	August	September	October	November	December	KEY EXPERTS	NON – KEY EXPERTS		
A1	Traffic flow analysis and infrastructure evaluation • Cargo flows • Logistics nodes • Transport links	XXXX	XXXX	XX				9 13 8	118 50 82		
A2	Main issues encountered by operators • Missing links • Border crossing • Private operators • Barriers to goods flow • Barriers to logistics centres	XXXX	XXXX	XX				5 8 13 22 9	31 125 70 94 70		
B	Identification, ranking and promotion of logistics centres projects • Identify priority projects • Rank projects using multi – criteria analysis • Visit logistics centres in Europe	X	X		XXXX	XXXX	XXXX	36 48 12	37 85		
C	Feasibility Studies of Selected Projects					X	X	20			
TOTAL								203	762		



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Annexes

- A. Opening conference/first steering committee meeting minutes**
- B. Uzbekistan working group minutes and list of attendees**
- C. Monthly reports**
- D. Logistics centres evaluation process**
- E. Draft Selection Criteria**



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Annex A:

**Minutes of Opening Conference and First Steering Committee Meeting
9 April 2009**

This event was attended by the beneficiaries, TRACECA Secretaries of each beneficiary country, the General Secretary, the Consultants and representatives of the EU Delegation in Almaty. In addition, an address was made by an invited guest representing the Moscow – based Eurasian Economic Community (EurAsEC). A complete list of delegates and the agenda are shown in the attachment.

Following welcoming statements, the Consultants presented the results of progress during the Inception Phase and the Work Plan for the remainder of the Project. A preliminary list of logistics centres was presented and comments received by beneficiaries.

The address by the EurAsEC representative described a proposed road link connecting Dushanbe, Bishkek, Almaty, Astana and Russia, including the construction of a network of logistics centres along this corridor. Preliminary feasibility studies for these logistics centres have been undertaken and are at the present time, being updated. Funding for these proposed sites of logistics centres will likely be from government sources of member states. Collaboration with the TRACECA Logistics Centres project was proposed by the EurAsEC representative and concurred by the representative of the European Commission. The Consultants will engage in further discussions with EurAsEC to determine the most appropriate way to initiate this collaboration.

In addition to concurring with the proposal by the EurAsEC representative regarding collaboration with TRACECA projects, the European Commission Head of Operations informed the meeting that the European Investment Bank (EIB) is now coordinating with the CAREC program of the Asian Development Bank; the Consultants will make contact with representatives of the EIB to explore the possibility of collaboration on the development of logistics centres.

The beneficiary from Kazakhstan presented their plan to develop 5 logistics centres for domestic traffic and 7 additional centres to handle regional trade. Some specific locations being considered include Horgos, Karaganda, Dostyk, Aktube, Aktau and Astana; other locations are along the China – Russia transit corridor. Special economic zones are planned for Horgos and Saratov.

The beneficiary from Uzbekistan presented Navoi as the preferred site for a new logistics centre in Uzbekistan. The airport at Navoi has recently been improved and warehousing has been constructed using government funding. Korean Air Lines has been granted a concession to manage the airport and related facilities for a five year period. There is a great potential for the Navoi facility to become a major transport hub in the region, handling not only cargo between Asia and Europe (through Milan) but also has the potential to handle cargo destined to Afghanistan and other locations in Central Asia. A special economic zone is being created at Navoi to promote the development of industry and

⁵ Russia, Belarus, Kazakhstan, Kyrgyz Republic, and Tajikistan.



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exports from the facility. The government considers that the potential economic benefits from the Navoi facility will be significant – and estimated 10,000 jobs would be associated with the development of a major logistics center at this location. The Uzbekistan beneficiary considered that the proposed location for a logistics center at Termez is not necessary. In addition, only if the rail link through Kyrgyz Republic to Kashgar in south western Xinjiang province of China is constructed, would the location of an logistics centre in Andijan be a strong candidate site. In Tashkent, there has been a feasibility study prepared for a logistics centre; in the beneficiary's opinion, the study team should focus on the Navoi site and the most likely location for a logistics centre in that country.

The Uzbek beneficiary further offered to organize a conference inviting freight forwarders of Uzbekistan to discuss the concept of future logistics centers in the country.

The current economic situation was discussed and the possibility that private and public sector organizations may be more reluctant to invest in large infrastructure projects. The Uzbek beneficiary stated their intention to move forward with planned infrastructure investments in spite of the current crisis.

Representatives of the beneficiary of Kyrgyz Republic concur with the proposed direction of the project reflected by the Consultant's Work Plan and are prepared to assist with any information required by the study team. Referring to EurAsEC, the elimination of trade barriers is a priority for the Kyrgyz Republic, involving the need to create single window operations at border crossing points. Also, there is agreement with EurAsEC for two logistics centre projects.

The beneficiary of Turkmenistan expressed the opinion that the port of Turkmenbashi, now the subject of a master plan by a Korean firm, would be the most likely site for a future logistics centre in the country. The beneficiary also offered to make contact with the Ministry of Roads and the Ministry of Railways to assist the Consultant in meeting with these organizations. In addition, the beneficiary offered to arrange working groups with all stakeholders during future visits by the Consultants. At the present time, the beneficiary Turkmen Maritime and River Lines does not have access to information regarding rail and road transport in the country.

The beneficiary from Tajikistan presented the current information on the Transport sector and proposed Dushanbe as the preferable location of the Logistic center in Tajikistan.

The Project's Senior Project Director mentioned that the element of risk analysis should form part of the selection criteria applied to candidate logistics centre projects.

The General Secretary of TRACECA suggested that private sector transport organizations be invited to future meetings of the Project.

Copies of the Inception Report were distributed and signatures obtained from each beneficiary.



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Annex B:

Uzbekistan working group minutes and list of attendees

Tashkent

16th of June 2009

Chairman: Khashimov Abdulla – Head of the Department of the Ministry for Foreign Economic Relations, Investments and Trade, Republic of Uzbekistan. List of participants is attached.

The team leader Thomas Kennedy, the senior consultant Jean-Pierre Michiels and representatives from the Ministries, agencies and companies presented their information at the meeting.

The participants of the WG supported the following proposals:

1. The project corresponds to the basic priorities for the international trade, transport and logistics development in the Republic of Uzbekistan. During the past period a large amount of effective work was done and a highly qualified team was formed. It was suggested: to work out the preliminary TOR for the ILC project with reference to international airport Navoi and Free Industrial Economic Zone "Navoi". This proposal was made by the representatives from Uzbek Automobile and River Transport Agency, State Joint Stock Rail Company "Uzbekiston Temir Iullari", State Customs Committee, State Joint Stock Company "Urta Osie Trans" and Ministry for Foreign Economic Relations, Investments and Trade.

2. In the frames of the preliminary feasibility study/feasibility study under ILC project to include provisions for internet, information and logistics services, implementation of the IT achievements including the electronic customs declaration, satellite navigation of the cargo transit, implementation of the uniform international consignment documents and standards. During the preparation of the feasibility study it was suggested to consider the dynamics of the transit cargo flows passing through the Republic of Uzbekistan.

These proposals were made by the representatives from the International Road Carriers Association, International Forwarders, and Association for the Business Logistics Development, State Customs Committee, Uzbek Automobile and River Transport Agency, Uzbekistan Railway Company and Ministry for Foreign Economic Relations, Investments and Trade.

3. The project was requested to consider the cargo accumulation and elaborate the recommendations for arranging the return loads. These proposals were made by the representatives from the International Road Carriers Association, Central Asia Trans and private enterprise "BK Intrans"

4. The report made by the Secretary General of International Forwarders Association in Uzbekistan concerning the approval of the guidance and program for training specialists in the field of "International cargo transportations and logistics" at the Tashkent Institute of Railway and Road Transport Engineers and the information presented by the OSCE project coordinator in Uzbekistan on the transport sector web-site created in the frames of the Technical Assistance project "Development support of the Regional Transport Program (2nd phase)" were taken into account.



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5. The team leader was requested by the Coordination Unit on Technical Assistance of EC in Uzbekistan to provide more detailed information on the ILC project progress. The Ministry for Foreign Economic Relations, Investments and Trade was requested to consider the additional possibilities for the attraction of the local experts in to project, organization of the seminars and training programs in the field of ILC management. In general the WG participants approved the preliminary project report, information on project activity presented by Tom Kennedy, Project Team Leader. It would be useful to accelerate the next project phase concerning the selection of the candidates for ILC for further elaboration of the Preliminary feasibility study/feasibility study.

List of Participants
(June 16, 2009r. 10:00a.m.)

№	Title	Position
1	A. Khashimov	Director Department, Ministry for Foreign Economic Relations, Investments and Trade, Republic of Uzbekistan
2	D. Khamrayev	Director General, International Forwarding Association
3	M. Dalilov	Head of Department for Licensing, Uzbek Agency for Motor and River Transport
4	D. Kholmatova	Chief Inspector, Department for the Customs Control, State Customs Committee
5	R. Kabulov	Senior Inspector, Department for the Customs Control, State Customs Committee
6	Sh. Azimov	Chief Expert, Commission of the European Union Technical Assistance Program National Coordinating Unit
7	M. Mirkhamidov	Head of Department, Marketing Transportations and Property Relations, Uzbekistan Railway Company
8	A. Sanayev	Head of Department, Freight Transportation, Uzbekistan Airways
9	T. Babayev	Group Manager, Freight Transportation Department, Uzbekistan Airways
10	N. Kuznetsov	Head of Department, Directorate General for Information and Analysis, International Road Carriers Association
11	R. Azimbayev	Head of Department for exploitation, Central Asia Trans, International Road Carriages Company
12	B. Zufarov	Representative of Transport Forwarding Foreign Economic Company «Uzvneshtrans»
13	A. Sodikov	Representative of Freightage Company «BK Intrans»
14	C. Milov	Senior OSCE Project Coordinator
15	M. Khusanov	National OSCE Project Coordinator
16	T. Kennedy	Project Coordinator «International Logistics Centers in Central Asia»
17	Jean Pieree Michiels	Project Expert «International Logistics Centers in Central Asia»
18	R. Sirojtdinov	Project Coordinator in Uzbekistan «International Logistics Centers in Central Asia»
19	A. Urunov	Director General, Association for the Business Logistic Development
20	A. Muminov	Head of Division, Ministry for Foreign Economic Relations,



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		Investments and Trade
21	Kh. Rahmatullayev	Senior Officer, Ministry for Foreign Economic Relations, Investments and Trade
22	R. Abdurakhimov	Senior Officer, Ministry for Foreign Economic Relations, Investments and Trade
23	F. Fayziyev	Lawyer expert «Norma Hamkor» LLC
24	Y.Smekhov	Interpreter



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Annex C

Monthly Reports

Monthly Report - January 2009

International Logistics Centres/Nodes Network in Central Asia in the Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Republic of Uzbekistan and the Republic of Turkmenistan ; EuropeAid /125727/C/SER/MULTI

Project Start – up. The Team Leader, Thomas Kennedy, arrived in Almaty on 17 January; temporary office space was found within the existing EC project Development of Equipment Certification Centres for the Transportation of Perishable Goods. As per Administrative Order No. 1 from the EC, official start date for the Project was 15 January 2009. On the 21st of January, a Project start – up meeting was held in the offices of the European Commission in Almaty with the Project Manager, the Team Leader and members of Safege. Matters of project administration were discussed, in particular confirming that the Kick – Off Meeting for the Project will be held in mid – April in Almaty, coinciding with the issuing of the Inception Report. It was also noted that during Project implementation, the level of detail that will be included in our feasibility studies of potential projects will include as per the TOR: “preliminary design of the site”...and “preliminary design of the logistic areas”. Final design of these selected projects is beyond the scope of this current Project. Minutes of this Start – Up meeting are attached.

Beneficiaries Contacted. A list of beneficiaries from each participating country was obtained from the Project Manager and letters were sent with notification of the start of the project and requests for assistance for obtaining necessary visas. All requested documentation was sent to each country; visas should be available during the first half of February, with the exception of Turkmenistan, which could take up to one month. Six – month multiple entry visas were requested.

Search for Office Space. Several possible locations for the project office were examined by the Team Leader; it is proposed that the new office support this Project, the Equipment Certification project as well as a regional Road Safety project soon to commence. Formal request for approval from the Project Manager will be submitted in early February.

Meetings held with Stakeholders. A meeting was held on 28 January with Zeinolla R. Kalymbetov advisor to Managing Chairman of Tsesna Investment Corporation. Tsesna is interested to develop a logistics centre at Aktau port and expressed willingness in cooperating with the Project for the evaluation of Aktau as a possible location for one of our selected projects.

Clarify Budget for Incidental Expenses. As agreed at the Project Start – Up meeting, the Team Leader will submit to the Project Manager, a detailed estimate of the Incidental Expenses budget. This has now been completed and will be submitted during the first week of February.



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Work Plan for February. The Economist/Business Plan Specialist is scheduled to arrive by mid – February. Field visits are planned to the Ministry of Transport in Astana, and possibly to the port of Aktau during mid – February; visits to neighbouring countries are tentatively planned for late February, upon receipt of necessary visas. New office space is planned to be finalized and the project office will move by mid – February. A draft of the table of contents of the Inception Report will be prepared and discussed with the Project Manager.

Thomas Kennedy
Team Leader
SAFEGE-RINA-IRD-ITALFERR
International Logistical Centres / Nodes Network in Central Asia

Monthly Report - February 2009

International Logistics Centres/Nodes Network in Central Asia in the Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Republic of Uzbekistan and the Republic of Turkmenistan ; EuropeAid /125727/C/SER/MULTI

Administrative Matters Office space has been acquired and the project team will move during the first week of March, after telephone and internet connections are installed. Budget for Incidental Expenses has been submitted and approved by the Project Manager. The Economist/Business Plan Specialist arrived Almaty on the 17th February. A draft Table of Contents was submitted to the Project Manager and approved, subject to adopting the standard EC format for reports. The Team Leader now has these formats and work on the Inception Report continues. The Opening Conference has been scheduled for the 8th of April in Almaty; invitation letters have been sent to each beneficiary. CV's for candidates for long term non – key experts have been obtained as well as copies of passports; these documents, along with the request for approval have been submitted to the Project Manager.

Regional Trips The Team Leader will visit each beneficiary country⁶ prior to preparation and submission of the Inception Report. Applications for visas have been completed, and visas should be ready in time to meet the travel program. Though multiple – entry visas were requested, with the exception of Uzbekistan, only single – entry visas will be issued. This administrative burden (and expense) of applying for visas for future trips will likely extend through the life of the project. We will stress the need for multiple entry visas during the initial visits to beneficiaries.

Meetings with Stakeholders A meeting was held in Astana on 16 February with eight representatives of the Ministry of Transport of Kazakhstan, chaired by Saltanat Rakhimbekova, Director of the Department of Strategic Planning and International

⁶ The Economist/Business Plan Specialist will accompany the Team Leader to Tajikistan and Turkmenistan.



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Cooperation. Possible location of future logistics centres was discussed as well as an outline of the government's policy of transport route development and location of logistics centres. On the same day, a meeting was held with the EBRD representative who confirmed that organization's interest in financing logistics centres; he indicated a willingness to participate actively in future meetings and workshops held by our project.

TRACECA Infrastructure Working Group Meeting At the request of the Project Manager, the Team Leader attended this meeting in Bucharest from 18 – 20 February. This meeting provided the opportunity to begin the coordination process with the team leaders and project team members of other TRACECA projects, particularly the Logistics Centres for Western NIS and Caucasus, the Motorways of the Sea and the Analysis of Traffic Flows for TRACECA Countries and Interregional Transport Dialogue between EU and NIS. In addition, discussions were held with representatives from each beneficiary country's government concerned with transport issues. Attending this meeting proved very useful to our project, as we made personal contact with members of other TRACECA project teams as well as beneficiaries.

Coordination with other Projects The most important area where we should coordinate with other projects is that of identification of project selection criteria. This topic was discussed at length at the Bucharest meeting, particularly by the Traffic Flows Project for evaluation of proposed transport improvement projects from beneficiary countries. We are now preparing some draft evaluation criteria and will share this with the Team Leader of the Logistics Centres for Western NIS and Caucasus Project. We also are planning to coordinate our field visits, when possible, with field visits from the Traffic Flows Study.

Identification of Major Stakeholders Major stakeholders, beneficiaries and counterparts of the project have been identified for most countries. A database of contacts has been developed that will be amended and used during the course of our project. Critical to our study is the identification of traffic flows across the region through major corridors. In particular the EC funded Traffic Flows Study is to generate a traffic flow data base; we are in contact with team member of that study to liaise as much as possible and to share information between our two projects to ensure consistency. At the time of preparation of this report, it is not clear to what extent the Traffic Flows Study has a data base that will be useful to our work; we will continue this coordination with this and other related projects. The ADB as part of their CAREC program, has also developed some traffic flow data and evaluation of Logistics Centres; we are in contact with ADB representatives and have their documents. It is understood that JICA will soon undertake a study of Logistics Centres in Tajikistan; we will establish contact with JICA and coordinate with them and their consultants as appropriate.

Work Plan for March Trips to Tajikistan, Uzbekistan, Kyrgyz Republic and Turkmenistan are planned for March. Work is continuing on the Inception Report and possible venues are being investigated for the Opening Conference to be held on 8 April. Some changes to our TOR have been discussed with the Project Manager, mainly the modification of the frequency of Steering Committee meetings from quarterly to semi – annually. These proposed modifications will be submitted to the Project Manager during early March.



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Thomas Kennedy
Team Leader
SAFEGE-RINA-IRD-ITALFERR
International Logistical Centres / Nodes Network in Central Asia

Monthly Report - March 2009

International Logistics Centres/Nodes Network in Central Asia in the Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Republic of Uzbekistan and the Republic of Turkmenistan ; EuropeAid /125727/C/SER/MULTI

Administrative Matters Project team members moved to the new office location at 20a Kazybek bi Street, office 409, Almaty. New office telephone number is 727 291 8970. National coordinators have been appointed for each country (junior long term non – key experts) and have begun their assistance to the project team. Candidates for short term experts (short term non key experts) from beneficiary countries have been interviewed and Terms of Reference are now being prepared and applications to the Project Manager for approval of these candidates will be submitted during early April.

Regional Trips During March, the Team Leader and the Economist/Business Plan Specialist visited Tajikistan and Turkmenistan; the Team Leader visited Uzbekistan and Kyrgyz Republic while the Economist/Business Plan Specialist held meetings in Astana and attended the Kazakhstan Infrastructure Summit. Topics at this conference included trends in project finance and PPP developments in Kazakhstan, investment opportunities, regulatory changes and the role of Islamic financing instruments. It was important for the Team to attend this conference as a strong focus of our project evaluation will be attracting private sector investment, in partnership with governments. All beneficiary countries have been visited by team members and have been well received in each country by the beneficiary; meetings were also held with road haulage companies, freight forwarders as well as other IFI's.

Developing Traffic Flow Data Base A critical task that needs to be completed early in our project is the developing of a traffic flow data base for each beneficiary country. During our trips to the region, some preliminary information has been obtained. In addition, data collected as part of other EC – funded projects in the region, primarily the project Analysis of Traffic Flows for TRACECA Countries and Interregional Transport Dialogue between EU and NIS. Limited traffic flow data for central Asia is available from this project, only for major routes in Kazakhstan. Formal requests for traffic flow information have been made in Tajikistan, Turkmenistan and Uzbekistan. In the Kyrgyz Republic, our national coordinator is requesting this information through the Ministry of Transport and Communications. During the initial meeting with representatives of the Ministry of Transport and Communications in Astana, the Team Leader requested transport data for major transport routes in the country as well as statistics at international border crossings. In Turkmenistan, historical port statistics for the port of Ashgabat were obtained during our visit, however, rail and road transport statistics are under the authority of ministries other than our beneficiary (Maritime and River Transport). This issue of the beneficiary ministry is addressed further in this report.



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Coordination with other Projects During March, we met with team members of the Motorways of the Sea project in Almaty; common problems were discussed, mainly with the issue of data collection of traffic flows. In addition, the Motorways of the Sea project team were eager to make contact with organizations in Turkmenistan, for the purpose of obtaining traffic flow data as well as to identify local experts for possible participation with their project. During our visit to Turkmenistan, particularly to the port of Turkmenbashi, we made contacts with some individuals who were willing to assist that project; contacts of these individuals were transmitted to the Team Leader of Motorways of the Sea. Contact has been made with the Traffic Flows project; the limited information available from that project for Central Asia has been received. We also are in contact with the Team Leader of the project Logistics Centres in Western NIS and Caucasus. We have begun to exchange information regarding identification of selection criteria for projects with the Western NIS and Caucasus Logistics Centres Project. This exchange of information will continue during the course of our work.

Potential Problem Areas In Turkmenistan the beneficiary is the Turkmen Maritime and River Lines Administration. While members of this organization were very helpful to the team members during our recent trip to Turkmenbashi, our project will require discussions and liaison with the Ministry of Motor Transport and Ministry of Railways. Through the assistance of the TACIS office in Ashgabat, we did meet with a representative of the Ministry of Motor Transport in Ashgabat; we have prepared letters of request for further meetings as well as transport statistics from these two ministries (Roads and Railways) through the TACIS office. Our national coordinator in Turkmenistan is excellent and can also assist in follow up with these organizations but we first need to establish a relationship with these two ministries.

Work Plan for April The primary task for April is the conducting of the Opening Conference and First Steering Committee meeting on the 9th of April in Almaty. Administrative arrangements for this conference, inviting participants, reservation of hotel rooms and flight tickets is well under way; conference presentation material is now being prepared and will be sent to all delegates and translators during the first days of April. Our Inception Report is now under preparation and will be submitted to the Project Manager on the 15th of April. Translation of the Inception Report will begin during the first week of April; any additional/modifications as a result of matters discussed at the Opening Conference/Steering Committee meeting will be incorporated in the final version of the report. The Monitoring Mission of the EC has contacted the Team Leader and the mission will be in Almaty in mid – April for discussions regarding progress of the project.

Thomas Kennedy
Team Leader
SAFEGE-RINA-IRD-ITALFERR
International Logistical Centres / Nodes Network in Central Asia

Monthly Report - April 2009

International Logistics Centres/Nodes Network in Central Asia in the Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Republic of Uzbekistan and the Republic of Turkmenistan ; EuropeAid /125727/C/SER/MULTI



This project is funded by the European Union

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Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan and Turkmenistan

Administrative Matters The junior long term expert for Kazakhstan approved previously, has been replaced, as it was discovered that the first candidate was employed elsewhere and could not devote sufficient time to the duties of this project. The new candidate was approved and started work on the 17th of April. Detailed terms of reference have been prepared and now are being sent to prospective candidates for senior short term experts. So far, we have identified good candidates in Uzbekistan, Tajikistan and Kazakhstan. We will pursue the retaining of individuals in these countries and search for other candidates, either in the region or from our consortium partners. The Team Leader met with Project Monitors regarding progress of the project in mid – April.

Project Web Site Several organizations were contacted regarding setting up the Project Web Site. Prices were obtained and evaluations undertaken to determine their suitability.

Inception Report The Inception Report was submitted in draft to the Project Manager; after incorporating comments received, the report was accepted and sent to all beneficiaries, TRACECA representatives and the Project Manager.

Opening Conference/Steering Committee The Opening Conference, which also functioned as the Steering Committee was held on April 9th in Almaty. Delegates from each beneficiary country attended and the discussions were useful to the project study team. One of the major issues raised was the need to make formal contact with the Ministry of Roads and Ministry of Railways in Turkmenistan. The representative from the Turkmen Maritime and River Lines undertook to make such contacts on behalf of the project study team.

Regional Meetings The Transport Economist/Business Planner with the newly – appointed national coordinator for Kazakhstan met with the beneficiary and other members of the Ministry of Transport and Communications in Astana on the 22nd of April. We obtained useful information/guidance from the beneficiary that will assist us. We presented and discussed our proposed evaluation criteria for Logistics Centres; this process will be repeated in each country during the coming months.

Coordination with other Projects Dialogue continues to develop a transport flow data base with the other related EU projects. During early April, study team members joined the project: Analysis of Traffic Flows for TRACECA Countries and Interregional Transport Dialogue between EU and NIS as they held discussions with representative of Kazakhstan and Kyrgyz Republic regarding priority transport improvement projects. In addition, transport statistics are being collected by our project national coordinators to complement transport flows that may become available from other EU projects.

Work Plan for May Tasks for May include contacting candidates and obtaining approval for senior short term experts, continuing to develop the transport flow data base and setting up the project web site and coordination with other EC projects. A coordination meeting in Brussels between our project, the Logistics project of the western NIS and Caucasus and Motorways of the Sea projects will be held in Brussels on the 12th of May. The Team Leader will represent the project.



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Thomas Kennedy
Team Leader
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Administrative Matters Formal contact has been made with the Ministry of Roads and Ministry of Railways in Turkmenistan, though the Ministry of Finance, with the assistance of the TACIS coordinator in Ashgabat. Railway and road transport statistics requested in previous correspondence has been provided. We plan to meet with these organizations during a trip to Turkmenistan planned for mid – June and discuss our project with the aim of establishing a working group in Turkmenistan.

Two senior short term non – key experts have been approved to assist us; Elena Pissanaya in Almaty who will assist with establishing regional transport data bases and Anvar Urunov in Uzbekistan will assist in obtaining information and statistics regarding the logistics centre at Navoi, currently being developed in Uzbekistan and is the top priority of that government.

Project Web Site The successful candidate, Stylemix in Tashkent, has been approved and will establish the web site by mid – June.

Meetings A coordination meeting in Brussels between our project, the Logistics project of the western NIS and Caucasus, the Analysis of Traffic Flows in TRACECA countries and Interregional Dialogue between the EU and NIS Project and Motorways of the Sea projects was held in Brussels on the 12th of May; the Team Leader and Business Plan Specialist attended. The meeting provided a good opportunity to discuss many of the common elements of our Logistics project with the other two projects represented. While many common aspects of the projects were discussed and possible approaches, the only significant areas of possible overlap are in the areas of developing the transport data base in each country. I think each project can pursue this, sharing results with other team members; in this way any duplication of efforts can be minimized.

The Team Leader, with the National Coordinator of Kazakhstan, met with the Saltanat Rakhimbekova in Astana to discuss the work plan for the project during the coming months. We discussed several approaches to the development of potential traffic through Kazakhstan that would benefit from development of Logistics Centres. We decided to establish a working group of stakeholders in Kazakhstan as a “sounding board” for ideas and to be a potential source for data collection. Stakeholders are now being identified and the first meeting is planned for early August. This meeting will likely be a joint meeting with an OSCE project with similar objectives. The negative feelings expressed at a previous meeting with the beneficiary in April were replaced with total agreement and satisfaction with our approach.



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Work Plan for May Elena Pissanaya will attend a workshop in Baku to learn the techniques to access the regional transport data base of the project Analysis of Traffic Flows in TRACECA countries and Interregional Dialogue between the EU and NIS. It is yet unclear the extent to which the information in this data base will be useful to our work but this workshop will maximize our chances to obtain direct access. Three project team members plan to attend the IRU conference in Almaty on the 11th and 12th of June. A short visit to Uzbekistan will be made by the Economist/Business Plan Specialist and the Team Leader enroute to Turkmenistan. The Uzbek beneficiary offered to assemble a meeting of stakeholders to discuss our project with the study team.

Thomas Kennedy
Team Leader
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Administrative Matters A brief meeting was held with representatives of the Automobile Ministry in Turkmenistan; that organization has provided us with some transport data as requested and agreed to participate in our project as an observer, as the beneficiary remains the Turkmen Maritime and River Lines. Beginning in May, we opened a small office in Tashkent to be used by team members when in Uzbekistan; approval for this rental was obtained in Administrative Order number 7; the first three month's rental was paid. On the 30th June, the Ministry of Foreign Economic Relations in Tashkent agreed to provide the office to the study team for the remainder of the project at no cost. We were also advised that our beneficiary in Uzbekistan, Mr Abdullah Khashimov would be leaving the government service and would be available to become our national coordinator in place of Rovshan Sirojiddinov as of 1 July. Mr. Sirojiddinov has agreed and we will process the necessary paperwork. Mr Khashimov is an extremely capable and experienced individual and this move will strengthen our project team in Uzbekistan.

Meetings A working group in Uzbekistan has been formed and the first meeting held on 16th June in Tashkent. This meeting was organized by our Uzbekistan beneficiary and showed strong support by the transport stakeholders for the logistics centre now being developed at Navoi, with management the responsibility of Korean Air Lines. We also met with the deputy director, ground operations at the Navoi airport, Tai Yun Cho of Korean Airlines; this meeting was very good and gave us some valuable insights into this project from the perspective of the airport operator. We will continue to liaise with this valuable contact person during our study.

The Team Leader visited Turkmenistan from the 17th through 23rd June 2009. Several good meetings were arranged there by our national coordinator and we obtained valuable information and some ideas for the development of logistics centres. For example, (i) it was discovered that the railway has neither facilities nor equipment for handling 40 foot containers; (ii) there is a serious shortage of handling equipment and storage facilities at



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Ashgabat airport, particularly for dangerous and toxic cargo. If the airport were equipped with cold storage facilities and staff properly trained, it would be possible to obtain IATA certification and the airport would increase its cargo throughput. Also, many users noted the extreme delays being incurred (delays in terms of weeks and months) for moving wagons over the Turkmenistan/Iran border due to inadequate gauge changing facilities for the freight wagons. It was intended to establish a working group in Turkmenistan of all stakeholders but during discussions with private transport organizations, it was determined that it would not be recommended to establish such a formal organization in Turkmenistan but to hold individual meetings with government and private sector stakeholders as we develop our plans for logistics centres in that country.

TRACECA Database Training in Baku A week's training was attended by our Transport Database Expert.

Work Plan for July Our Progress Report will be prepared during July, with a draft submitted to the Project Manager by the 8th July. We will also begin preparation for the meeting of our Kazakhstan working group, planned for the 19th of August. We will also begin some testing of the application of our selection criteria (multi – criteria analysis) for logistics centres in each country. This process will likely take some time to obtain the agreement by all beneficiaries; we therefore need to prepare early. We are also planning a trip to Tajikistan at the end of July to meet with the beneficiary as well as to organize and hold the first meeting of a working group.

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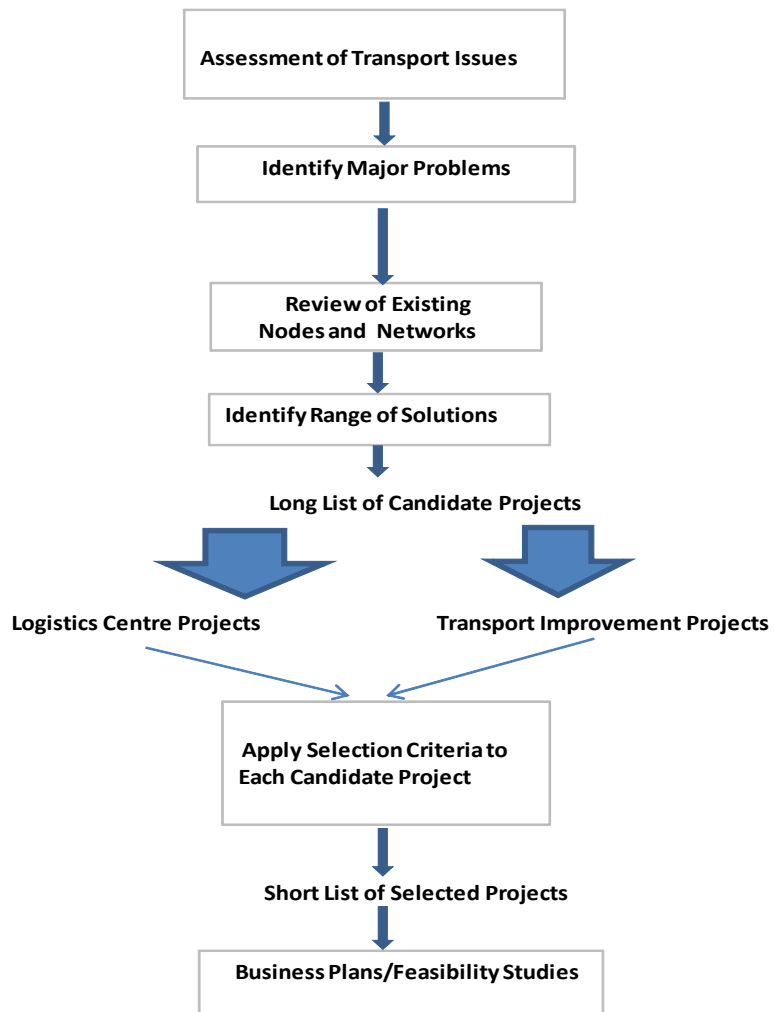
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Annex D

Logistics Centres Evaluation Process





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Annex E

Draft Selection Criteria

- *Site location*
- *Site characteristics*
- *Attractiveness to public and private stakeholders*
- *Stakeholder involvement*
- *Logistics centre project status*
- *Social factors*
- *Environmental factors*
- *Legal framework*

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