



Administrative Progress Report

Draft

DHV Consultants BV

***TRACECA - Improvement
of Road Transport
Services***

TACIS

DHV Consultants BV

in association with:
NEA Transport Research and Training

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ADMINISTRATIVE PROGRESS REPORT 1

Project Title : **Improvement of Road Transport Services (Caucasus)**

Project Number : **Traceca 94P508 (Contract # WW.94.07/04.01/B001)**

Countries : **Republics of Armenia, Azerbaijan & Georgia**

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Date of Report : 12 August 1996

Reporting period : 1 January 1996-5 August 1996

Author of report : Esther van Garderen
signature/date

EC M&E Team : NEI (Mr. H. Maters) _____

EC Delegation : Armenia _____
Azerbaijan _____
Georgia _____

TACIS Bureau [Task manager] : Mr. D. Stroobants _____

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***TRACECA - Improvement
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Services***

TACIS

file k 4249.01.001

date 8 August 1996

registration number Traceca 94P508

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CONTENTS		PAGE
1	PROJECT SYNOPSIS	3
2	SUMMARY OF PROJECT PROGRESS SINCE THE START	5
2.1	'Inception' Phase (December 1995 - June 1996)	5
2.2	July and first week of August 1996	5
3	SUMMARY OF PROJECT PLANNING FOR REMAINDER OF THE PROJECT	7
3.1	Progress Report	7
3.2	Study Tour 'Business Opportunities for Road Haulage Enterprises' to the Caucasus	7
3.2.1	Preparing the Study Tour from Western Europe	7
3.2.2	Preparing the Study Tour from the Caucasus	7
3.3	Training in the Caucasus	7
3.3.1	Training in Preparing Business Plan (Georgia and Azerbaijan)	7
3.3.2	Carnet TIR Training	8
3.4	Technical Assistance with Joint Venture Creation	8
3.5	Technical Report, Project Completion and Monitoring	8
4	PROJECT PROGRESS IN REPORTING PERIOD	9
4.1	Introduction: Scope of Progress Report	9
4.2	Activities implemented during 'Inception Phase'	9
4.3	Main Problems identified in the Road Haulage Sector The Caucasus	9
4.4	Transition of objectives	10
4.5	Searching for Partners interested in Business Trip in Western Europe	11
4.6	Activities during July 1996 Mission	11
4.7	Present Situation in The Road Haulage Sector in the Caucasus: Main findings and Issues	12
4.7.1	Armenia	12
4.7.2	Azerbaijan	13
4.7.3	Georgia	14
5	PROJECT PLANNING FOR NEXT REPORTING PERIOD	17
5.1	Critical Success Factors for the Project	17
5.1.1	Critical Success Factors for the development of the road transport Sector in the Caucasus	17
5.1.2	Coordination with Legal And Regulatory Framework Project	17
5.1.3	Critical Success Factors for Joint Venture Creation	18
5.2	Interchanging Inputs of Experts	18
5.3	Activities Study Tour Business Opportunities for Enterprises in the Road Haulage Sector to the Caucasus	20
5.3.1	Preparing the Study Tour from Western Europe	20
5.3.2	Preparing the Study Tour from the Caucasus	20
5.4	Training in the Caucasus	20
5.4.1	Training in Preparing Business Plan (Georgia and Azerbaijan)	20
5.4.2	Carnet TIR Training	20

5.5	Technical Assistance with Joint Venture Creation	21
5.6	Project Closing, Monitoring of JV Creation and Final Technical Report	21
5.6.1	Final Technical Report	21
5.6.2	Project Closing and Monitoring of Outputs	22
6	COLOPHON	23

1 PROJECT SYNOPSIS

Project Title	:	Improvement of Road Transport Services (Caucasus)
Project Number	:	Traceca 94P508
Country	:	Republics of Armenia, Azerbaijan & Georgia

Project objective(s):

- To facilitate development of the domestic and international road transport industries within the Recipient States (Armenia, Azerbaijan and Georgia).
- To assist viable private/to be privatized or state autonomous operators in gaining an equitable market share of international traffic.

Planned outputs:

- Pilot or demonstration business plans for common road cargo hauliers and, possibly, for automotive support and service enterprises providing essential operational support to the road transport industry.
- Identified foreign (West European) transport sector partners for Joint Ventures or other models for cooperation.
- Manual for making business plans (vehicle operations related).
- Technical Report.

Project activities (main activity groups numbered in accordance with plan of operations in final inception report):

1. General tasks; project organisation and management etc;
2. Liaison with Recipient agencies/enterprises in Azerbaijan, Georgia and Armenia;
3. Identification of viable 'parties' interested in international road cargo transport in the Recipient States and identification of foreign (West European) road cargo hauliers interested in JV's or other ways for co-operation with partners from the Recipient States;
4. Organisation of 'business' visit(s) of foreign (transport sector) enterprises wishing to investigate the joint venture partnership potential/possibilities in the three Republics;
5. Analysis of comparative advantages of TRACECA corridor (Caucasus);
6. Business plan preparation:
 - Training on developing business plans in road transport sector;
 - Technical assistance with business plan formulation/preparation;
7. Advice on Repair/Maintenance workshops modernization;
- 8&9 Road transport department reorganization and road transport taxation were turned down by the EC after the 'final inception report';
10. Reporting and project closing activities including monitoring of JV creation.

Target group(s):

- Road Transport Departments (or Ministry of Transport, if existing), and (international) road transport enterprises and (private) enterprises interested in providing essential operational support to the road transport industry.

Project starting date : 28 November 1995 (date of signing contract)
Project duration : until January 1997

2 SUMMARY OF PROJECT PROGRESS SINCE THE START

2.1 'Inception' Phase (December 1995 - June 1996)

The Contract was signed on November 28, 1995 and the Consultants started project preparations in December 1995 from the home office. The Project had a difficult start, due to ambiguous interpretation of the Terms of Reference. Also, the exact contents of the Project were somewhat unclear for the Final Recipients. The Project got a new impulse in June 1996 after the discussion of the 'Final inception report' with 7 'Technical Annexes'. Two missions were made to the Caucasus in the 'inception phase':

<u>From</u>	<u>Until</u>	<u>Countries</u>	<u>Name of Expert</u>	<u>Position</u>
16.01.1996	07.02.1996	Azerbaijan	Klaus Broersma	Team Leader I
		Georgia	Harry de Breet	Operations Expert
08.04.1996	20.04.1996	Azerbaijan	Klaus Broersma	Team Leader I
		Georgia	Douwe Hoekstra	Maintenance Expert
		Armenia		

The outputs of these missions were laid down in several reports:

- Draft Inception Report (February 1996)
- Updated Inception Report (May 1996)
- Final Inception Report with 7 technical annexes (June 1996)
- Action Plan Business Visit Western European JV Partners (June 1996)

After discussing the 'Final Inception Report' with the Task Manager it was agreed to shift away from the initial Terms of Reference and to target the project to the following outputs:

- Identifying possible partners for joint ventures or other possibilities for investments and co-operation and implementation of a business trip by Western European road haulage firms;
- Training and Technical Assistance in the field of business plan preparation.

The input of the experts was adjusted to these new project outputs and targets (see form 1.4 'overall plan of operations' next page). The performance of the Team Leader was not considered satisfactory by the Task Manager and a shift in Team Leaders was agreed. As of 1. of July 1996 Ms. Esther van Garderen was assigned as Team Leader II. Mr. Broersma's input will be limited to 5 days for feedback and advice to Team Leader II.

2.2 July and first week of August 1996

In the month of July the third mission was made to the Region:

<u>From</u>	<u>Until</u>	<u>Countries</u>	<u>Name of Expert</u>	<u>Position</u>
08.07.1996	30.07.1996	Azerbaijan	Esther v. Garderen	Team Leader II
		Georgia	Harry de Breet	Operations Expert
		Armenia		

The activities and findings of this mission are discussed in Chapter 4 (Project progress).

FORM 1.4 OVERALL PLAN OF OPERATIONS

Project Title: TRACECA IRTS		Project Number: Traceca 94P508 contract #VW.94.07/04.01/B001												Country: Georgia, Armenia and Azerbaijan							
Project Objectives: "...to facilitate development of the domestic and international road transport industris within the Republics of Armenia, Azerbaijan and Georgia		Time frame																			
Name	Position	1996												1997				Personnel EC cons (workdays)		other: tickets	
		12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	field	home	A.
K.Br	Team Leader I	■	■	■	■	■	■						■	■	■	■	■	27	23	2	8
EvG	Team Leader II					■	■	■	■	■	■	■	■	■	■	■	■	50	28	4	12
HdB	Operations Exp/Training		■	■	■		■	■	■	■	■	■	■	■	■	■	■	58	17	5	15
NN	Business Economist									■	■	■	■	■	■	■	45	10	2	6	
DH	Service/Supply Expert						■					■	■	■	■	■	14	7			
DK	loc.cons Georgia											■	■	■	■	■	66				
EP	loc.cons Armenia											■	■	■	■	■	66				
AM	loc.cons Azerbaijan											■	■	■	■	■	66				
Reporting													■	■	■	■					
		local consultants												expatriate consultants(home/field) and tickets				198			
																		194	85	13	41

■ = full time Caucasus ■ = part time Europe ■ = part-time Europe ■ = full time Europe

▶ = progress report ■ manual on how to make business plans ■ draft technical report

◀ = project completion report

A. International : From Europe to Caucasus

B. local : Tickets within Caucasus

3 SUMMARY OF PROJECT PLANNING FOR REMAINDER OF THE PROJECT

3.1 Progress Report

August 1996 the progress report will be completed. The draft report will be discussed in Brussels with the Task Manager on 16. of August 1996. Based on the feedback of the Task Manager and Monitor the final Progress report is foreseen for mid September 1996.

3.2 Study Tour 'Business Opportunities for Road Haulage Enterprises' to the Caucasus

3.2.1 Preparing the Study Tour from Western Europe

A brochure on the Study Tour on 'Business Opportunities for Road Haulage Enterprises' in the Caucasus (enclosed in the report) and a letter of invitation was disseminated in the first week of August 1996. As commissioned by the EC, Consultants have approached the road unions of Belgium, Denmark, Austria and Germany to inform them about this opportunity for their members. So far they have not reacted. Consultants will approach them again the second half of August. The Dutch companies that Consultants reported on in the Action Plan of June 1996 have been invited to the Tour. DAF Trucks has agreed to join the Tour.

September will be devoted to the preparation of the Study Tour 'Business Opportunities for Road Haulage Enterprises in the Caucasian Region' and to searching for Joint Venture interested firms in Western Europe. In order to inform the Western European participants for the Study Tour a half day Seminar will be organised in The Netherlands to inform the participants on business opportunities, the transport market, Joint Venture Creation and the most viable companies in the region. Extensive effort will be put in making the logistic arrangements of the Study Tour and keeping in contact with the Caucasus to prepare the final recipients in an optimal way. The Study Tour itself is planned for 19-25 October 1996.

3.2.2 Preparing the Study Tour from the Caucasus

In September or early October the Team Leader will visit the Caucasus to prepare the Study Tour with the recipients; Consultants will assist the local firms in the preparation of their presentations for the 'opening conference' and will check the facilities and arrangements with the local consultants. The output of this mission will be profiles of each firm presented in (one or 2 page) brochures.

3.3 Training in the Caucasus

3.3.1 Training in Preparing Business Plan (Georgia and Azerbaijan)

A training of three days in Georgia and Azerbaijan on developing business plans for enterprises in the road transport sector is in preparation. The compilation of the colloquium and translation of manuals is planned for August/September 1996. The actual Training (plenary) will be done mid September or early October 1996 (3 days in each country). Output: short business plans that can be used during the Study Tour in October 1996 to present to Western European firms.

3.3.2 Carnet TIR Training

In Georgia, the road Association has already received Carnet TIR training by the IRU (International Road Union). This is not the case in Armenia and Azerbaijan. Consultants will do their utmost to see that Armenia will receive the training of the IRU within the time frame of this project, and that Azerbaijan will also get the Training as soon as possible. Given the present situation in Armenia (privatization of state firms has not yet started in the road transport sector) the formation of Joint Ventures may be one step ahead of the process, therefore training efforts in Armenia will be targeted to Carnet TIRs.

3.4 Technical Assistance with Joint Venture Creation

Technical assistance with business plan formulation/preparation: Consultants will select in Georgia and Azerbaijan 1 or 2 companies to give them technical assistance (in-company) for preparation of a business plan. This Technical Assistance will take 9 weeks starting in November 1996.

In Europe, Western Companies will be assisted in activities for possibilities (subsidies etc.) and constraints for joint venture formation in the Region. This activity is foreseen for the months of November and December 1996.

3.5 Technical Report, Project Completion and Monitoring

All gathered data and recommendations on strengthening the sector will laid down in a Final Technical Report. This includes reporting on inter alia tasks 5 and 7: TRACECA corridor and advice on maintenance and workshops. The report is foreseen for early December and it will be presented in the Caucasus in January 1997. This gives an excellent opportunity to monitor the Joint Venture Creation and to discuss the future steps to be taken in order to strengthen the road transport sector in the three Caucasian Republics. Consultants will also do a survey among the participants from Western Europe to monitor the outputs from the Western European side. The project will be rounded off with a project completion report in accordance with TACIS reporting guidelines.

4 PROJECT PROGRESS IN REPORTING PERIOD

4.1 Introduction: Scope of Progress Report

This progress report is the follow up of the so-called 'final inception report' of June 1996. Because it would be a too short time-span to discuss only the progress of the project in the month July 1996, this progress report will also shortly discuss shortly the period since the start.

4.2 Activities implemented during 'Inception Phase'

On 28 November 1995 the contract was signed and Consultants started with the project mobilisation. January/February 1996 the first mission to the Caucasus of 4 weeks was carried out by the Team Leader I and Operations Expert. A Second mission was carried out in April 1996 by the Team Leader and the Maintenance expert.

The project had a somewhat difficult start because of several reasons:

- Different interpretations of the Terms of References by Consultants and Final Recipients;
- The elapsed time between the preparation of the Terms of References and the actual start of the Project leading to different circumstances in the Region;
- With the final recipients it was unclear for which specific project Consultants were working and the recipients showed some 'consultants fatigue' which was understandable, given the circumstances (many consultants working for different project all asking the same questions);
- Reporting by the Consultants was not in line with EC standards and therefore not acceptable. Two inception reports were disapproved and finally a so-called 'final inception report' was handed over in June 1996 including seven 'Technical Annexes'.

Reports delivered in the period from 28 of November 1995 till July 1996:

- Draft Inception Report (February 1996)
- Updated Inception Report (May 1996)
- Final Inception Report with 7 technical annexes (June 1996)
- Action Plan Business Visit Western European JV Partners (June 1996)

4.3 Main Problems identified in the Road Haulage Sector The Caucasus

The four main problems in the road haulage sector in the Caucasus can be summarized as:

- (1) Obtaining suitable "Eurostandard" heavy goods vehicles (20+ ton payload HGV's) and sufficient spare parts at reasonable prices;
- (2) Joining international conventions (Geneva convention on T.I.R.) and arranging bilateral transport (Quota) agreements, in particular with EU member countries which are generally very strict on various regulations;
- (3) The lack of transport demand. For development of the road haulage sector it is important to obtain cargo consignments **abroad** in the first place, as long as the import cargo flows

- (from West-to-East and from South-to-North) are very dominant with very few 'exports' (return loads) available, probably for considerable time to come (next 5 years);
- (4) Arranging the required documentation (visa, etc.) for their drivers to operate in- and transit the various, foreign countries;
 - (5) The lack of road transport regulations and institutional arrangements.

The project 'Improvement of Road Transport Services is especially concerned with problems 1,2 and 3 whereas a problem no. 4 is within the scope of the Trade Facilitation Project.

Problem no. 5 is of critical importance for the succes of this project and Consultants plead for extensive attention for road transport legislation and -taxation in the 'legal and regulatory framework' project implemented by Scott Wilson Kirkpatrick'. In chapter 5 the main issues and the requested actions by the TRACECA Co-ordinating Office are described more in-depth.

Consultants concluded that Joint Venture Formation (or other ways of cooperation with Western European Firms) could be an instrument to resolve the first three main problems. Therefore, the Project was narrowed down to arranging a Business Trip by Western European Firms to the Caucasus and Assistance with the formulation of Business Plans in order to increase the chance of successful Joint Venture Creation. This in turn implied to shift away from the initial Terms of Reference and to redefine the goals of the project:

4.4 Transition of objectives

The initial Terms of Reference indicated seven project objectives/key tasks, i.e:

- (1) determine the size and segmentation of the Recipient States market for inter-urban and international road transport;
- (2) determine the size and characteristics of the truck fleet appropriate to match demand;
- (3) advise and assist in procurement of trucks, taking fully into account the required mechanical availability of vehicles and all of the support services and spare parts supply channels required;
- (4) promote adherence to all relevant international conventions on road transport (UN/ECE, TIR);
- (5) advise on restructuring and re-deployment of assets belonging to former state-owned enterprises.
- (6) identify and propose remedies for legislation, price controls, monopoly situations, restrictive transit agreements or other regulatory handicaps which hinder the development of the industry;
- (7) provide advice on subjects related to the foregoing, such as international transit documentation, fleet management, stock control, information technology.

Based on the discussions with the final recipients, the main problems identified in the Caucasus it was agreed to target the project to the **cooperation between Western European firms and Transport Hauliers in the Caucasus**. This implies the following new project objectives:

- (1) Identification of potential partners interested in Joint Venture formation;
- (2) Preparation and organisation of a visit to the region of a concerned 'Business Group' of Western European Firms;

- (3) Analysis of comparative (road transport) advantage of the TRACECA Corridor through the (Southern) Caucasus;
- (4) Training and Technical Assistance for business plan preparation;

Project Objectives beyond the scope of the Joint Venture Formation/International Cooperation but within the scope of the project are:

- (5) Advice and Assistance on obtaining Carnet TIRs (only for Armenia and Azerbaijan)
- (6) Advice on maintenance, workshop organisation and vehicle repair.

Consultants have made a visit to the International Road Union (IRU) in Geneva to discuss the Carnet TIR situation in the Caucasus and to seek their assistance in the process of obtaining Carnet TIRs. In Georgia the Road Association GIRCA has received the (free) Carnet TIR training. In Azerbaijan and Armenia this training has not been given yet. Consultants will intermediate between IRU and the recipient countries to see that Azerbaijan and Armenia will receive the training as well. Consultants will also invite the IRU to the Study Tour 'Business Opportunities for Road Haulage Enterprises' in the Caucasus.

4.5 Searching for Partners interested in Business Trip in Western Europe

During the months April and May consultants have visited a number of transport firms and a truck manufacturer in The Netherlands to investigate their interest in the Business Trip. The EC requested to seek some balance in participants from Western Europe, therefore, the road hauliers associations of Belgium, Denmark, Austria and Germany have been approached to seek participation of their members for this Tour. About fifteen companies in The Netherlands were visited and around seven to eight showed interest in participation.

4.6 Activities during July 1996 Mission

Main activities during the third mission were:

- Visit Istanbul to DAF Turkey to discuss their input in the October business trip;
- Finding local consultants in order to strengthen the project base in the region;
- Visits to ministries in order to commit them to the project and the Trip in October
- Interviews/Company research: Survey to find most viable companies;
- Data gathering: Interviews with transport firms, recipients and research for statistics on import/export, transport etc.

The annex with the minutes report more in-depth on the relevant issues and main findings. In the paragraphs hereafter summarize the present situation in the road transport sector for each country.

4.7 Present Situation in The Road Haulage Sector in the Caucasus: Main findings and Issues

The set of problems that these three countries have in common are described in paragraph 4.3 on page 8. Hereafter we describe the more specific problems that these countries have to deal with:

4.7.1 Armenia

At present, the Armenian transport market is divided in two segments with very different features:

The Private sector:

Mostly one-truck private drivers (who rent their vehicles from the large state-owned firms). These small trucks do the regional and city transport for small businesses like farmers and shop-owners. There are also a few large freight forwarders arranging international transports, but these firms use Georgian trucks and drivers for transport to the north and Iranian drivers for transport to the south (this is caused by problems no 4 and 5 described hereafter).

The State-owned sector:

The state-owned transport companies belong to the ministry of transport and these firms used to carry out the hub of transport in Armenia. Nowadays, these firms have practically no work. Their main revenues come from renting out their vehicles to the one-truck private firms, which cover the internal transport demand. The state-owned (international) transport sector is in a very difficult position because of the problems no. 4 and 5.

In general, the Armenian road haulage sector faces the following set of problems:

1. The ministry of transport is still in transition from doing economic activities to policy design and -implementation (whereas Georgia has already made this transition and it is evolving in Azerbaijan);
2. The lack of a legal base for road transport;
3. The closing of the borders with Azerbaijan and Turkey;
4. The protection of the transport market in Iran;
5. The safety related problems (robbery, but more important the 'fines' by the Georgian police).
6. The absence of Carnet TIRs; Armenia has signed the Carnet TIR convention, but has no Road Association that is member of IRU. The Government of Armenia has made a decree in which is commissioned to establish 'TIR Armenia'. The legal entity chosen in Armenia for this 'TIR board' is a 'joint stock association' in which the following organisations have shares:
 - Ministry of Transport (35%)
 - Customs Department (25%)
 - Ministry of Trade (3%)
 - Ministry of Internal Affairs (3%)
 - Ministry of Food (3%)

The other 25 % of the stocks will be tendered. Any interested company may enter this tender. The construction they have chosen reflects the political and policy making culture in Armenia (ministries still intend to have a direct involvement in economic activities).

Consultants have checked the TIR regulations and it turned out that the legal entity they have chosen - a ltd. firm - cannot be the so-called guaranteed association for Armenia. An Association ought to be an interest organisation representing the transport firms in a country. The IRU Carnet TIR department advises Armenia to choose another legal entity to get into agreement with the IRU.

For this specific reason Consultants choose to target the project in Armenia to setting up the correct institutional relations for selling Carnet TIRs and IRU membership and not to Joint Venture Creation. This would be too soon, because in Armenia the privatisation process in the Road Transport Sector is not expected to start before next year.

4.7.2 Azerbaijan

In the private sector in Azerbaijan viable firms are evolving. In the field of transport services the companies Makro Trans Terminal and Gate East are very active. The core activities of both enterprises are:

- Forwarding;
- Customs clearance;
- Accommodation for drivers;
- Maintenance workshop for (small) repairs and maintenance;
- Storage;
- (Container) transport.

Gate East is also involved in insurance both do container transport.

In the state-sector the Concern Azeravtonaglijat and SovAvtoBaku are supplying (international) transport. SovAvtoBaku is the former SovTransAvto Branch in Azerbaijan and is still Russian owned. The privatisation of this firm is in process.

Azeravtonaglijat is the state concern holding several subsidiaries in Azerbaijan. The companies involved in international transport are Intercity Transporters and Azintrans.

The problem fields discussed in paragraph 4.3 cover the problems in the road transport sector in Azerbaijan. There are two additional problems -specific for Azerbaijan- that hinder the development of the road transport sector and -services:

1. At present, there is still no ministry of transport in Azerbaijan. Consultants recommend that the legal and regulatory framework project will advise to the Azeri authorities to set up a Ministry of Transport;
2. The closure of the borders in the Russian Federation (Chezchenia and Abchazia). This project cannot resolve this issue, but it is definitely affecting the development of the economy and transport flows in Azerbaijan. In the past, a trip to Moscow from Baku took 3-5 days, nowadays it takes up to 25 days to drive to Moscow.

4.7.3 Georgia

(Services in the) Road Transport Sector

Road Transport of goods is privatised for almost 100 % now in Georgia. The main problems described in paragraph 4.3 cover the present situation in Georgia.

Road transport services Georgia are not as developed as they are in Azerbaijan. The company Tibilautoservice (a former state company) is one of the firms that may step into this pigeonhole in the market. They have a plan to develop a TIR park with services similar to the Gate East model. Consultants visited the premises, which are close to the main transit road around Tbilisi, and they look very suitable for this goal, there is a small hotel, workshop and facilities for storage. Consultants recommend to target the business plan assistance to this firm.

GIT is another candidate for business plan assistance. This is also a former state-owned firm. Tibiltransexpedition has already received business plan assistance during the April mission.

Cautrex is also a very viable firm with a high potential, but Consultants are of the opinion that this company is strong enough to develop on its own, without Technical Assistance in Business Plan Preparation. Cautrex will also be involved in the visit by Western European Firms in October.

Ministry of Transport in Georgia

The recently established Ministry of transport in Georgia made a very active impression and they seem to be open for the Assistance within the TRACECA Programme and willing to implement changes in the future. The legal and taxation problems are high on the political and policy making agenda in Georgia.

Tables: form 2.2 and form 2.3 (next pages).

FORM 2.2: PROJECT PROGRESS REPORT

No	ACTIVITIES IMPLEMENTED	TIME FRAME 1995 - 1996 months ³							PERSONNEL EC CONSULTANT				COUNTERPART				EQUIPMENTS AND MATERIAL				OTHER Trips/flights			
		12	1	2	3	4	5	6	7	Planned ¹	Utilised	Planned ¹	Utilised	Planned ¹	Utilised	Planned ¹	Utilised	Planned ¹	Utilised	Planned ¹	Utilised	Planned ¹	Utilised	
		Planned ¹		Utilised		Planned ¹		Utilised		Planned ¹		Utilised		Planned ¹		Utilised		Planned ¹		Utilised		Planned ¹		Utilised
1	General tasks								2	2	4	2												
2	Discussions with relevant Agencies/Enterprises								10	10														
3	Identification of potential JV-interested parties								3	3	2	1												
4	Preparation & organisation of 'Business Group' visit								2	1	2	1												
5	Analysis of comparative advantage of TRACECA Corridor (Caucasus)								4	0	0	0												
6	Advising on Business Plan preparation ²								0	0	0	0												
7	Advising on Repair/Mtce Workshop (TIR parks) Modernization ²								3	2	3	2												
10	Conclusions & reporting								2	2	0	0												
	TOTAL																							

Project title: **TRACECA IRTS**
 Planning period: 28.11.1995 - 01.08.1996
 Project objectives: To facilitate development of the domestic and international road transport industries within the Recipient States

Project no. **Traceca 94P508**
 Prepared: 08.08.1996

Country: Armenia, Azerbaijan & Georgia
 EC Consultant: DHV Consultants BV

¹) Planned for this period
²) Subjects to be represented/discussed in Seminar(s)
³) = Europe, [stippled] = Caucasus

FORM 2.3: RESOURCE UTILISATION REPORT

Project title: TRACECA IRTS
 Planning period: 28.11.1995 - 01.08.1996
 Project objectives: To facilitate development of the domestic and international road transport industries within the Recipient States

Project no. Traceca 94P508
 Prepared: 08.08.1996

Country: Armenia, Azerbaijan & Georgia
EC Consultant: DHV Consultants BV

Page: 1

RESOURCES/INPUTS	Total planned	Period planned	Period realised	Total realised	Available for remainder
PERSONNEL					
K. Broersma	50	45	45	45	5
E. van Garderen	78	22	22	22	54
H. de Breet	75	44	44	44	31
D. Hoekstra	21	14	14	14	7
Business Economist	55	0	0	0	55
Local Consultants	198	0	0	0	198
Sub-total	477	125	125	125	350
EQUIPMENT AND MATERIAL					
1 Overhead project	3	0	0	0	3
Training materials (ecu)	2,000	2,000	0	0	2,000
OTHER INPUTS					
Translation (pages)	1,200	200	158	158	1,042
Tickets international (Europe-Caucasus v.v.)	13	6	6	6	7
Tickets local (within Caucasus)	41	13	13	13	28
Visa	13	9	9	9	4

5 PROJECT PLANNING FOR NEXT REPORTING PERIOD

5.1 Critical Success Factors for the Project

The project has two main objectives:

1. To facilitate development of the domestic and international road transport industries within the Recipient States (Armenia, Azerbaijan and Georgia).
2. To assist viable private/to be privatized or state autonomous operators in gaining an equitable market share of international traffic.

5.1.1 Critical Success Factors for the development of the road transport Sector in the Caucasus

To reach this general goal Consultants will target to the cooperation with Western European Companies. This is the second project goal, but there are a number more general conditions that will facilitate the development of the domestic and international road transport sector in these three countries. In general, there are common general conditions that affect the development in all three countries:

- Political and economic conditions (the unstable political situation in the region and the subsequent economic problems leading to a declining transport demand);
- Road conditions;
- General infrastructure (malfunctioning of electricity/communications);
- Safety related issues (especially in Georgia, but affecting the transport sector in all three republics);
- Legal and regulatory transport environment in the three Caucasian Republics;
- The succes of other related TRACECA projects.

Most of these conditions are beyond the control of consultants, but as the visit reports of the July 1996 mission indicate, the most urgent problem for all three countries is the development of a **legal and regulatory framework** for the road transport sector. All ministries and/or road department urged consultants to give them advice on- and examples of road transport laws for goods and passenger transport, licensing of motor vehicles and road safety regulations. Because of the importance of this problem the legal and regulatory framework is discussed in a separate paragraph hereafter.

5.1.2 Coordination with Legal And Regulatory Framework Project

Consultants feel that, although the legislative issues are beyond the scope of this particular project, these issues affect the output of our project and the extend to which the project goal will be reached very directly. The TRACECA Co-ordinating Office is requested to co-ordinate that the following issues are treated extensively within the frame of the Legal and Regulatory Framework Project:

(1) *Dealing with Legal Affairs & Foreign relations*

- Legislative issues (first: modernizing the **Transport Law** for Goods & Passenger Transport respectively & then implementing this new Law);
- Harmonisation of international (cargo) transport documentation;
- Bilateral transport agreements with relevant, foreign countries and administration of negotiated results (e.g. quotas);
- Joining and maintaining international transport conventions.

(2) *Licensing of motor vehicles*

- Issuing licenses for (1) cargo transport, (2) passenger transport and (3) auxiliary (transport) services;
- Monitoring of Licensing systems, both in a technical sense -related with (3) Safety Regulations (see hereafter)- and in a financial sense, i.e. assessing the adequacy of Revenue generation for the Republic's Transport Budget.

(3) *Road Safety Regulations & Vehicle Inspection*

- Technical standards of motor vehicles (for licensing and 'on the road');
- Regulations on road transport/traffic concerning i.a. (maximum) weights/volumes/sizes, dangerous cargo, driver qualifications, compliance with driving- and rest hours, and with (international) documentation.

5.1.3 Critical Success Factors for Joint Venture Creation

Although the present project is targeting to cooperation with Western European firms in order to obtain modern European standard vehicles, regional joint venture formation between companies from Georgia and Armenia could also be a tool for strengthening the transport sector in the region.

5.2 Interchanging Inputs of Experts

To reach the new project goals as stated in the project summary Consultants will carry out a number of key tasks. The key tasks for the remainder of the project are described hereafter. The work programme for the remaining period is laid down in forms no. 1.6 "Plan of Operations for the next period" at the end of this chapter.

The changed emphasis of the project has led to a change in the Team, both in terms of input and experts:

name	position	no. of days in proposal	no. of days after progress report
K. Broersma	Team Leader	58	50
E. van Garderen	Team Leader II	0	78
H. De Breet	Operations Expert and trainer	50	75
D. Hoekstra	Service and Supply Expert	26	21
no name	Business Economist	0	55
Local Consultants		PM	198

Key inputs/tasks

- Teamleader:** Project management/backstopping Teamleader II, supervision/quality control of technical project activities (no's 4-7), reporting.
- Teamleader II:** Project management/coordination, liaison with Recipient Agencies, identification of JV-interested parties, preparation and implementation of 'business visits', JV creation, reporting.
- Operations Expert and trainer:** Identification of JV-interested parties, preparation and implementation of 'business visits', Business Plan preparation and JV creation.
- Service and Supply Expert:** Advice repair/maintenance workshop modernization, (support to) JV creation.
- Business Economist:** Analysis of comparative advantages of Traceca corridor, Business Plan preparation and JV creation.
- Local Consultants:** Identification of JV-interested parties, Business Plan preparation and JV creation.

5.3 Activities Study Tour Business Opportunities for Enterprises in the Road Haulage Sector to the Caucasus

5.3.1 Preparing the Study Tour from Western Europe

A brochure on the Study Tour on 'Business Opportunities for Road Haulage Enterprises' in the Caucasus (enclosed in the report) and a letter of invitation was disseminated in the first week of August 1996. As commissioned by the EC, Consultants have approached the road unions of Belgium, Denmark, Austria and Germany to inform them about this opportunity for their members. So far they have not reacted. Consultants will approach them again the second half of August. The Dutch companies that Consultants reported on in the Action Plan of June 1996 have been invited to the Tour. DAF Trucks has agreed to join the Tour.

September will be devoted to the preparation of the Study Tour 'Business Opportunities for Road Haulage Enterprises in the Caucasian Region' and to searching for Joint Venture interested firms in Western Europe. In order to inform the Western European participants for the Study Tour a half day Seminar will be organised in The Netherlands to inform the participants on business opportunities, the transport market, Joint Venture Creation and the most viable companies in the region. Extensive effort will be put in making the logistic arrangements of the Study Tour and keeping in contact with the Caucasus to prepare the final recipients in an optimal way. The Study Tour itself is planned for 19-25 October 1996.

5.3.2 Preparing the Study Tour from the Caucasus

In September or early October the Team Leader will visit the Caucasus to prepare the Study Tour with the recipients; Consultants will assist the local firms in the preparation of their presentations for the 'opening conference' and will check the facilities and arrangements with the local consultants. The output of this mission will be profiles of each firm presented in (one or 2 page) brochures.

5.4 Training in the Caucasus

5.4.1 Training in Preparing Business Plan (Georgia and Azerbaijan)

A training of three days in Georgia and Azerbaijan on developing business plans for enterprises in the road transport sector is in preparation. The compilation of the colloquium and translation of manuals is planned for August/September 1996. The actual Training (plenary) will be done mid September or early October 1996 (3 days in each country). Output: short business plans that can be used during the Study Tour in October 1996 to present to Western European firms.

5.4.2 Carnet TIR Training

In Georgia, the road Association has already received Carnet TIR training by the IRU (International Road Union). This is not the case in Armenia and Azerbaijan. Consultants will do their utmost to see that Armenia will receive the training of the IRU within the time frame of this project, and that Azerbaijan will also get the Training as soon as possible. Given the present situation in Armenia (privatization of state firms has not yet started in the road transport sector) the formation of Joint Ventures may be one step ahead of the process, therefore training

efforts in Armenia will be targeted to Carnet TIRs.

5.5 Technical Assistance with Joint Venture Creation

Technical assistance with business plan formulation/preparation: Consultants will select in Georgia and Azerbaijan 1 or 2 companies to give them technical assistance (in-company) for preparation of a business plan. This Technical Assistance will take 9 weeks starting in November 1996.

In Europe, Western Companies will be assisted in activities for possibilities (subsidies etc.) and constraints for joint venture formation in the Region. This activity is foreseen for the months of November and December 1996.

5.6 Project Closing, Monitoring of JV Creation and Final Technical Report

5.6.1 Final Technical Report

Consultants will deliver -early December- a draft Technical Report. This report will cover the following subjects:

Description of the transport sector and its environment:

- Geopolitical and economic environment in the Caucasian Region
- General Transport Situation in the Caucasian Region
- Transport Demand Side
- Transport Supply Side
- Maintenance
- Road conditions
- General infrastructure (electricity/communications)
- Safety related issues
- Legal and regulatory transport environment in the three Caucasian Republics

Country reports on each country covering:

- Geopolitical and economic background
- Road Haulage Transport Demand Side
- Internal transport of goods
- International transport of goods
- Road Haulage Transport Supply Side
- Road Transport Services
- Truck handling facilities
- Price setting for road transport services
- Present state of vehicle fleet and equipment
- Privatisation
- Joint Venture Creation
- Obtaining modern Western European Standard Vehicles
- Carnet TIR and international conventions
- Legal and regulatory transport environment in Georgia
- Licensing, tariffs and taxes

Recommendations on the improvement of maintenance

General Conditions for improvement of road transport (services)

- Political and economic conditions
- Road conditions
- General infrastructure (electricity/communications)
- Safety related issues
- Regional joint venture formation
- Legal and regulatory transport environment in the three Caucasian Republics
- Other related TRACECA projects

5.6.2 Project Closing and Monitoring of Outputs

January or early February 1997 Consultants will visit the region to present the Technical Report on a workshop with the final recipients. This gives an excellent opportunity to monitor the Joint Venture Creation and to discuss the future steps to be taken in order to strengthen the road transport sector in the three Caucasian Republics. Consultants will also do a survey among the participants from Western Europe to monitor the outputs from the Western European side. The project will be rounded off with a project completion report in accordance with TACIS reporting guidelines.

FORM 1.6: PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work Programme)

Project Title: TRACECA Improvement of Road Transport Services		Project Number: Traceca 94P508 (Contract # WW.94.07/04.01/B001)										Page:						
Planning Period: 01/08/1996-30/01/1997		Prepared on: 08.08.1996																
Project Objectives: "...to facilitate development of the domestic and international road transport industries within the Republics of Armenia, Azerbaijan and Georgia"																		
no.	ACTIVITIES	Time Frame 1996-1997 in Calendar Months										PERSONNEL		EQUIP/MATERIAL	OTHER:trips/flights			
		8	9	10	11	12	1	EC consultants weeks	Counterp. weeks	inter nat.	local							
1.	General Tasks: project management/coordination	xx	xx	xx	xx	xx												
2.	Liaison with Recipient Agencies/enterprises Caucasus and local market research			xx*								1.5 weeks						
3.	Identification of potential JV-interested partners																	
3.1	Identification viable partners in Caucasus	xxxx	xxxx															
3.2	Identifying interested partners in Western Europe	xxxx	xxxx															
4.	Preparation and implementation of "business visit"																	
4.1	(Logistic) preparations of Study Tour in W-Europe,	xxxx	xxxx	xxx														
4.2	Brochure, invitation, visits firms in W-Europe	xxxx	xxxx															
4.3	Information seminar September for Tour Participants	xxxx	x															
4.4	Technical Assistance for Caucasus Firms to prepare their presentations in October			xx								1.5 weeks	2 weeks		(portable) overhead-projector	1	3	
5.	Analysis of comparative advantages of Traceca Corridor(part of technical report)			xxx	xxx	xxx						2 weeks						
6.	Business Plan Preparation & JV creation																	
6.1	preparing training, manuals and translation: How to make business plans		xxxxxx									3 weeks						
6.2	Plenary training of 3 days in each country (seminar)			xxx	xxxxxxx	xxxxxxx	xx					1.5 weeks	9 weeks			1	3	
6.3	Technical Assistance for companies in the Caucasus making business plans				xxxxxxx	xxxxxxx						9 weeks	2 weeks			2	6	
6.4	Assistance with subsidizing JV's for Western European Firms (activity in W-Europe)					xxxxx						2 weeks						
7.	Advice Repair/Maintenance workshop modernization (in final technical report based on findings april 1996)				xxx							1.5 weeks						
10.	Reporting and project closing																	
10.1	Final Technical Report				xxxxxxx	xxxxxxx						6 weeks	1.5 weeks					
10.2	Feedback/monitoring Caucasus: Workshop Final Report				xxxxxxx	xxxxxxx	xxx					1.5 weeks	1 week			2	6	
10.3	Feedback/monitoring Europe: Survey JV creation						xxx					1 week	1 week					
10.4	Project completion report						xxxxx											

PLEASE NOTE: the crosses indicate elapsed time and the input in workdays per experts is indicated in form 1.4 and in the bar chart of activities in progress report
 * First week of October the Team Leader II and the Trainer will go to the Caucasus, TL will liaise with recipients and prepare upcoming study tour in Caucasus and Trainer will give Business Plan Seminar

6 COLOPHON

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Project	: TRACECA - Improvement of Road Transport Services
File	: k 4249.01.001
Length of report	: 23 pages
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Contributions	:
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Project Director	: Pim Engelsman
Date	: 5 August 1996
Authorization	:
