

**EUROPEAN UNION - TACIS**

Technical Assistance to the Southern Republics of the CIS and  
Georgia - TRACECA

**TRADE AND TRANSPORT SECTORS**

Terms of Reference

for

**IMPROVEMENT OF ROAD TRANSPORT SERVICES,  
CENTRAL ASIA**

Final Recipients:  
TRACECA Region Ministries of Transport  
(Kazakhstan, Kyrgyzstan, Tadjikistan, Turkmenistan,  
Uzbekistan)

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## 1. Introduction and Background

1.1 During May of 1993 a conference was held in Brussels organised by the Commission and attended by authorities of the eight Republics of the south of the former USSR:

- Armenia,
- Azerbaijan,
- Georgia,
- Kazakstan,
- Kyrgyzstan,
- Tadjikistan,
- Turkmenistan,
- Uzbekistan.

The objectives of the conference were :

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

TRACECA (Transport Corridor Caucasus Europe Central Asia) was thence created as a component of the TACIS interstate programme.

The "Brussels Declaration" issued at the conclusion of this conference recommended the European Union to include in the TACIS programme technical assistance to road transport operations, including the automotive supplies and services sector, upon which operators depend.

1.2 A project with similar though not identical aims to this one is to commence shortly in the Caucasus (Armenia, Azerbaijan, Georgia). The Beneficiary States of this present project are the Central Asian States (Kazakstan, Kyrgyzstan, Tadjikistan, Turkmenistan, Uzbekistan, see also section 3.6).

1.3 Road transport in the USSR used to be administered by Republican ministries of road transport which also provided common carrier transport services. The road transport industry of the FSU exhibited a high degree of vertical integration and monopoly, characterised by own-account operations, and large diversified carrier enterprises with extensive in-house support services, terminal networks etc.

Restructuring is underway. A private sector has emerged both spontaneously and with foreign technical assistance. The present economic crisis in the Region is imposing radical changes.

The pattern of privatisation of state assets varies from country to country. For example, Kazakh carriers must now operate with a high degree of autonomy and generate their own investment capital, whereas in Uzbekistan and Turkmenistan more centralisation is apparent, and some quite substantial investments in new fleets have been made. In all cases managements are dynamic and ambitious, but are little prepared for operations in a truly competitive environment.

Small operators typically use obsolete trucks not adapted to long-distance haulage.

Support services, such as mechanical servicing, forwarding, and clearing houses for backhauls, are inadequate. It is an open question whether, or at least how fast, demand for support services will stimulate adequate response from entrepreneur suppliers. Uzbekistan is particularly concerned with the development of roadside services. In Kazakhstan a project for post-privatisation support to small road hauliers has been provided by non-European aid agencies.

1.5 The majority of commercial vehicles operating in the region originate in the FSU. The range of vehicles types available has been extremely limited. Pick-up trucks, full size heavy goods vehicles and specialised bodies are not manufactured.

This fleet is ageing and the mechanical availability of these vehicles is excessively low. This situation constitutes a financial burden on trucking enterprises, which reduces the competitiveness of the sector.

Operators are very interested in expanding their present minor participation in international trucking. Most of their vehicles do not conform to Western standards of efficiency, fuel (petrol/diesel), emission and safety. Operators are inclined to see re-equipment as a solution for all their problems. However, the total costs (depreciation and operation) of vehicles imported from the West is relatively high.

1.6 Components manufacturing is presently carried out locally on a relatively small scale, and using dated equipment.

Large stocks of certain spare parts are reportedly held in certain of the beneficiary states, but unevenly distributed relative to need. Whatever, the distribution system is underdeveloped.

Local maintenance, engine and transmission overhaul facilities are devolving from centralised para-statal organisations. They tend to be over-centralised, so that the management organisation, the capacity of existing facilities and their geographic dispersion do not correspond with the evolving market economy needs.

There are national aspirations to enter the vehicle assembly market. One major European truck manufacturer has arranged local assembly of a certain number of heavy goods vehicles (38 tonne). Reportedly, these do not match the present market, and a reorientation of the product line to be offered is underway.

1.7 The likely evolution of demand by market segment for trucking is not known. Such information would be an invaluable reference, for business plans proposed by operators in the sector.

Transit traffic has developed throughout the Region (from Iran, Turkey, Pakistan, Western Europe,....) Operators are typically nationals of those countries, and use Western heavy goods vehicles.

1.8 Federation(s) for road transport carriers exist, at least nominally, and IRU membership applications are in progress.

The Federations do not appear to have a broad membership base within industry.

1.9 All states are seeking adhesion to international conventions, such as to allow them the TIR facility. They are interested in the full range of international conventions for road transport.

1.10 A number of specific external factors burden the road transport industry at present and add to its problems. These include the inconvertibility of currencies (Turkmenistan, Uzbekistan), interdiction on cash transactions (Uzbekistan) and high import duties (Kazakhstan). In practical actions related to the present technical assistance these factors must be accommodated.

## 2. Objectives

The overall objective of the project is to facilitate development of the domestic and international road transport industries within the Recipient States.

To this end this project sets out to:

- determine the size and segmentation of the Recipient States market for inter-urban and international road freight transport, at present and as may be foreseen in the medium term
- determine the size and characteristics of the truck fleet appropriate to match the market demand
- advise and assist on investment decisions in vehicles, and support services industries
- advise on restructuring and re-deployment of assets belonging to former state-owned trucking and automotive supply enterprises
- promote an active free market for trucking services
- promote the development of a range of automotive technical support (overhaul, spare parts, roadside services,...)

Certain institutional and regulatory aspects must be considered along with the above objectives:

- promote adherence to all relevant international conventions on road transport ( UN/ECE; TIR, temporary importations, hazardous goods,...)
- identify and propose practical remedies for legislation, price controls, monopoly situations, restrictive transit agreements or other regulatory handicaps which hinder the development of the industry
- provide advice on subjects related to the foregoing, such as international transit documentation, fleet management, stock control, information technology
- provide recommendations for licensing of common carriers in the Recipient States
- provide recommendations for the technical certification of vehicles (weight, size, safety, emissions,...)
- promote harmonious regulation and concerted policy between the Recipient States

The end scenario desired is a broadly based industry composed of viable private autonomous operators, both carriers and common support service providers, matched to the foreseen demand for national and international road transportation.

### 3. Scope of Work

#### 3.1 General

The Consultant will:

- carry out studies leading to determination of the:
  - present level of activity in the trucking industry
  - truck fleet owned by the Recipient States and the structure of that ownership.
  - structure and capabilities of the automotive supplies industry
  - clearing-house, forwarding, back-haul or other trucking brokerage services on offer, particularly to SME trucking companies
- enter into close contact with selected enterprises and credible entrants to the industry, and mount collaborative pilot projects.
- formulate recommendations for operator licensing (carriers) and vehicle certification, based on EU standards and DG7 recommendations.
- conduct seminars:
  - for know-how transfer
  - to answer questions on Western practice and international regulations
  - to bring together enterprise managers and officials from across the Region:
    - to consider regulatory questions of common interest
    - to promote a free and open Regional market for trucking services
    - to highlight restrictive practices with common disbenefits
    - to highlight unfair competition

The elements which follow form a loose framework for carrying out the project. The activities described are not to be considered limitative, nor is sequence imposed by the order below. The contractor is welcome to enlarge upon the activities described and to introduce his own approach in his Methodology, for achieving the project objectives.

#### 3.2. Studies

Data collection and processing methods including validation should be described in the contractor's proposal. The relative economic importance of States, Oblasts and main transit corridors should be taken into account, to concentrate on those of highest Regional interest.

Based on the Regional needs and capacity analysis implied in this study, and the site investigations that the contractor would have conducted, carriers, automotive service providers, parts fabrication enterprises and/or specialist operational brokerage services should be identified for possible development assistance, as described in Section 3.3.

The study phase of the project is not to be prolonged, or given more emphasis than is needed to generate fully credible, segmented, low-demand/high-demand scenarios, and to select enterprises or entities to assist in Section 3 activities.

### 3.2.1. Commercial Vehicles Supply and Demand.

It will be necessary to determine State by State (or by Oblast for the most developed regions) the size of the commercial vehicle fleet actually operational. Type, ownership, usage, and other characteristics are to be summarised.

The market segmentation for common carrier services is to be determined, estimates and forecasts of demand are to be established. Existing and desirable levels of service to be provided by operators are to be described.

Mismatches between supply and demand are to be highlighted and quantified.

Forecasts of the future evolution of the commercial vehicle fleet are to be made, taking into account the age of the fleet, regional disparities, the economic situation of operators and their clients.

The future model range and pricing plans of Russian and Bielorussian truck manufacturers, as well as European manufacturers, are to be taken into account

As well as common carriers, this study should to the extent possible cover vehicles presently utilised for own account transport be they privately or state held. Underutilisation of vehicles in the traditional enterprises and on state farms has been reported.

### 3.2.2. Automotive Parts and Services

An investigation of the automotive support industry is to be carried out. Present distribution channels for vehicles, automotive parts, and service facilities are to be determined.

Components of this investigation should consider the availability of servicing, overhaul and repair facilities, and local parts manufacturing.

The former state transport enterprises possess extensive ancillary facilities such as offices, service bays, warehouses, lodging for drivers, etc., many of which may be redundant to a focused transport enterprise operating in free market. The consultant should make an inventory of these assets, for eventual recommendations for their redeployment or divestiture.

Market opportunities for providing support services (lodging, fuel, mechanical services,..) to transit vehicles are to be reviewed. This is of particular interest to Uzbekistan. Traffic thresholds, service area separation distances, etc. for profitable operation of such facilities, based on EU experience, would provide authorities with planning guidelines.



### 3.2.3. Commercial Services; Freight Brokering Services(FBS)/Commercial Transport Centres (CTC)/Vehicle Off Road (VOR)

A non-European aid agency has provided technical assistance for dealerships in vehicles (initially auctioned privatised vehicles, CTC), and in the establishment of autonomous centres for brokering road transport services (FBS). Both are reported to have been financially successful. The CTC survive but the FBS disappeared sometime after assistance ceased. A more efficient market for trucking services was reported to have been created by the FBS, particularly in serving the agricultural sector. The need for improved market mechanisms remains. The project concerned Kazakhstan and Kyrgystan.

Road freight forwarding offices dating from the FSU still function but service only the traditional established carrier enterprises.

The Consultant is to appraise the potential of surviving successful entities (or other SME candidates) for diversification of their activities into support services, particularly freight brokering, but also spare parts distribution, and possibly break-down assistance (VOR).

### 3.3. Business Plans and Direct Technical Assistance

In the Project Progress Report, recommendations should be made for the preparation of selected business plan projects and active pilot business development assistance.

After approval by TRACECA management the contractor will work with chosen enterprises in the preparation of such plans, and provide active on-site management assistance in business development.

The intention is not to provide a business incubator. The project should support proven dynamic managements in pilot business development, into new or geographically expanded activities. Competitive attitudes should be encouraged. Chosen companies should be eager to collaborate and voluntarily provide facilities for the Consultant. Indicators for success of the businesses should be established, and incentives provided to encourage success (fax, computers,... specifically designated in the project budget and from the end-of-project close down). Salaries should not be paid to local participants in pilot developments.

Foreign partners for joint ventures or business twinning exercises should be sought. Tender proposals encompassing outline projects conceived and resourced by EU sectoral partners could be considered.

At least half of the project resources (Consultants man.months, incentives and other) should be designated for activities under this heading.

### 3.4. Licensing and Technical Standards

This section of the work is to be carried out in particularly close collaboration with the TRACECA Transport Legal Framework programme concerned with legislation. It should complement that project with the technical, operational and commercial input for regulation.

European Union standards should be transposed and a schedule for their adoption proposed for local circumstances as far as possible and appropriate.

The close involvement of local Research Institutes is essential, to promote local acceptance of the results (*see Section 3.4*). Co-authorship of the proposals would be desirable.

#### 3.4.1. Licensing

Recommendations for Regional licensing of motor transport carriers are to be made. These should be based on quality of service, and business standards, rather than quotas or zoning.

#### 3.4.2. Technical Standards

Recommendations for common TRACECA regional technical standards for vehicles are to be made, including aspects such as safety, environmental and maximum size of units. They should take into account the present fleet mix, its age, new models currently available, manufacturers plans for the future, and a realistic time-table for the adoption of new regulations.

The recommendations should cover in outline the control facilities which should be set up before any technical regulation may be applied.

### 3.5. Seminars

During the course of the project the contractor is to organise on-site seminars for local transport industry managers and officials. These are to cover a wider audience than participants in activities foreseen under Section 3.3. Synergies with Section 3.3 are to be developed.

The Recipient State National Federations should be drawn into these activities and the opportunity taken to explain and expand the role of such Federations to correspond with EU models. Regional collaboration between Federations is to be encouraged.

Subjects of interest would include:

- typical operating targets for competitive road transport within the EU (mechanical availability, utilisation rates, manning ratios, etc.)
- vehicle operating costs
- the structure and workings of the road haulage market in the EU
- banking and insurance procedures connected with TIR and the CMR.
- specialist services such as brokering for back-hauls, vehicle-off-road,
- the standard contracts for commercial vehicle procurement (purchase, leasing,...)

- conditions offered (or to be negotiated) for after-sales service, parts supply, guarantees, training of mechanics and managers, technical assistance (eg. estimation of vehicle operating costs,...)
- the European market for commercial vehicles (new, factory reconditioned, second-hand,...)

A seminar manual should be produced which would also serve as a straightforward Management Handbook on road freight transport operations.

At least one Regional seminar should be organised to promote Regional harmonisation. Costs (participants transport, accommodation,...) are to be foreseen within the project budget.

### 3.6 Other Related Projects

The TRACECA project should dovetail with this programme, in addressing downstream issues facing the new operators. Co-ordination with SME support programmes should also be developed.

Several related reports prepared by Western consultants precede this project. They include:

Roads & Road Transport Study	Russia, Ukraine, Kazakhstan & Bielorussia	EBRD
Central Asia Outline Transport Strategy	Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan	EBRD/TACIS
Freight Brokering Services in Shymkent and Kustanai		USAID

At the time of writing the following projects within a similar domain of interest are expected to commence shortly:

Transport Legal Reform	TRACECA
Dolphin	TRACECA
Programme of Economic Integration between the Republics of Kazakhstan, Uzbekistan, and Kyrgyzstan (CACOM), Regional Governmental Initiative supported by TACIS	

The TACIS Dolphin project is of particular interest and has commenced in Uzbekistan and Turkmenistan, addressing for those two States only, certain of the business development issues which this Region wide project covers. Regulatory issues are not addressed in Dolphin.

The Consultants appointed to carry out this project are to co-ordinate their work closely with all other related activities within the TRACECA region. This particularly applies at the Inception Report stage, when preceding reports by others should be fully assimilated (TACIS will not provide copies of preceding reports for tender preparation). Duplication of effort is to be avoided. The listing above must not be considered limitative.

### 3.7 Local Participation

National consultants and local Institutes should be involved in every aspect of the project. All TRACECA countries have Institutes specialising in various aspects of roads planning and engineering. It is a requirement that Organisation and Methodologies include local experts and Institutes to:

- make full use of local experience, antecedent projects and data bases
- promote the emergence of a financially viable local consulting sector
- ensure the effective transfer of know-how to the Beneficiary states
- ensure the enduring effect of project output

Consultants should base their activities, including the writing of reports, largely in the TRACECA region, carrying out the project in close collaboration with local technical organisations, and employing both senior and junior professional staff, from several TRACECA states.

The Consultants Methodology should fully explain his training and know-how transfer programme within the project.

Consultants must make amply clear in their proposal the arrangements they have made to work with local entities.

The close involvement of local Research Institutes in the proposals for licensing and technical standards proposals is vital for local acceptance of the output. Proposals should be co-authored, or prepared by authoritative local partners with the European Consultants assistance.

National Road Transport Carriers Federations are to be drawn into all project activities to the extent possible.

### 3.8 Foreign Expertise

The Consultant is free to compose his expatriate Team for this project, mobilising long and short term participants, as he sees fit. The following domains of expertise should be clearly visible in the proposed staff list:

- project management
- road freight haulage company management
- automotive support services management
- road transport regulation

### 3.9 Logistics, Accommodation, Equipment.

The Consultant shall be responsible for arranging necessary living accommodation, transportation, telecommunications, equipment (IT and other), surveys, investigations, document reproduction, printing, secretarial services, interpretation, translation, office space and all other input required for the purposes of the work.

Equipment used to support the Consultants activities should be left with Beneficiary State organisations at termination of the project (computers, software, communication equipment). The Consultant should detail in his proposal the equipment which he intends to provide and its cost to the project. This covers general equipment required for his own activities, as well as specific equipment to mount pilot projects.

#### 4. Time Table and Reporting

4.1 The project is to be completed within a period of twelve months.

Task durations and staff assignments are to be clearly shown on planning schedules in the proposal. Time on-site and at home office should be clearly visible. Milestones for output and key dates for data acquisition are to be indicated.

#### 4.2 Publication of Reports

Technical output is to be the unrestricted property of TACIS and cannot be considered confidential by the Consultant or any other participants.

#### 4.3 Technical Deliverables

The contractor will catalogue in his proposal the individual Deliverables by which he proposes to address the full range of issues raised in the Objectives and Scope of Work, and his schedule for their provision.

Technical Deliverables may be specific reports, model procedures, manuals, databases, or any other tool which the Contractor proposes to utilise.

A Technical Deliverable containing the Licensing and Technical Standards of Section 3.4 should be provided by or before month six, to allow assimilation in the Transport Legal Framework Project..

All Technical Deliverables must be provided in both English and Russian, in numbers and formats to be agreed with TACIS.

4.3 All reports are to be delivered in the numbers, languages and locations as follows:

	Bound		Loose-leaf		Diskette (Eng.+Rus)
	English	Russian	English	Russian	
TACIS Brussels	5	1	1	1	2
TRACECA CU (per state)	1	5	1	1	0

The word processing programme to be used will be agreed with TACIS (and DOS compatible).

4.4 All reports are to be prefaced by an Executive Summary, and be in accordance with standard TACIS Guidelines. These foresee:

*Project Inception Report*

An Inception Report will be issued within two months of the commencement of the project. It will summarise initial findings and propose any modifications to the methodology and work plan. In particular it will adapt the work plan to the needs of each individual TRACECA state taking into account the parallel activities of other Technical Assistance programmes, avoiding duplication of effort, and addressing unfilled needs.

In particular the activities of the Dolphin project are to be taken into account.

*Project Progress Report*

This report will be issued no later than the end of month 5.

It will contain the results of studies outlined in Section 3.2, and the proposal for pilot business development.

*Final Report*

The Draft Final Report will be submitted no later than the end of month 12.

Any comments on the Draft Final Report will be issued by TACIS Brussels within six weeks of its receipt. The Final Report incorporating any modifications will be issued one month thereafter (2,5 months after issue of the Draft Final)

**5. Budget**

The budget for this project is set at a maximum of ECU 600 000.