


**TRACECA: Trade Facilitation,
Customs Procedures & Freight
Forwarding Project - Uzbekistan
Cotton Extension
Progress Report 3
May 1997**

Form 1.2. REPORT COVER PAGE

Project Title	: TRACECA Project: Trade Facilitation, Customs Procedures and Freight Forwarding
Project Number	: TNREG 9308
Countries	: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
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Name of Report: Uzbekistan Cotton
Progress Report No 3

Reporting period : March 1997 - May 1997

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1. PROJECT SYNOPSIS

Wider Objectives: To promote a transport corridor between Europe and the Caucasus/Central Asia through greater regional harmonisation and integration with international transport & trade practices and to promote the movement of traffic along that corridor.

Specific Project Objectives: To provide technical assistance to the Government of Uzbekistan on the movement of cotton along the TRACECA corridor in respect of Presidential Decree No 194 of 31st May 1996 to ship cotton fibre through the Georgian ports. To provide technical assistance to promote the use of multi-modal transport systems for cotton traffic along the TRACECA corridor and to enhance logistical performance to make the route competitive. To monitor and promote the implementation of specific recommendations made during the Trade Facilitation, Customs Procedures and Freight Forwarding Project.

Outputs:

- the establishment of a Transport Commission for Cotton to facilitate the development of cotton logistics
- a European Market Survey identifying the existing cotton market from an international perspective
- an Uzbekistan Market Survey identifying current logistical systems used in connection with the export of cotton and market views from an Uzbek perspective
- the monitoring of logistics on cotton shipments routed via the TRACECA corridor
- an appraisal of potential investments to enhance movement of cotton along the TRACECA corridor
- a Technical Report on the potential containerisation of cotton
- a Cost Benefit Study on the use of conventional and unitised logistical systems for the shipment of cotton on each of the different routing options
- the formation of Freight Forwarding Associations
- information on implementation of Trade Facilitation Project recommendations

Target Group: The immediate target group for the cotton extension is the Transport Commission for Cotton and, through them, to the Governments of Uzbekistan and Georgia and those organisations involved in the movement of cotton from Uzbekistan. In respect of the Trade Facilitation, the target groups are the freight forwarders, State Customs and the Ministries of Transport.

Inputs: Technical assistance will include 3 man months of long term experts and 104 man days of short term experts in different specialities.

2. SUMMARY OF PROJECT PROGRESS

Following an exchange of letters with the TRACECA management and issuing of a draft Terms of Reference published in the Multi-Modal Project Progress Report, a technical assistance programme was agreed. The project was confirmed and commenced late October. Phase 1 consisted of two key elements:

- **A Market Appraisal.** Two surveys were to be conducted in parallel, one in Europe studying the European market and its perspectives and the other in Uzbekistan studying the current market situation from an Uzbek market perspective. The objective of the appraisal was to provide a clearer understanding of the current environment and to identify the specific needs of the technical assistance programme. This was considered essential in order to ensure that the project was relevant and focused towards recommendations which would initiate change. These surveys were undertaken in November and December and the survey results were published in a report "Transportation of Uzbekistan Cotton - a Profile" which was issued in January 1997 in English and Russian.
- **Establishment of a Transport Commission (or Shipment Task Force)** to facilitate the development of cotton shipments along the TRACECA corridor. Following a formal approach through TACIS to the Government, the Commission to co-ordinate and develop this programme was agreed to be formed by the Cabinet of Ministers on 1st November 1996 and the membership was confirmed at the end of November with an inaugural meeting in December.

The Market Appraisal Report was initially intended to be produced by the Transport Commission but due to the lead time necessary to form the Commission, it was agreed that the Consultant would issue the report on behalf of the Commission to its members and other interested parties. The report was well received and widely circulated, especially in Uzbekistan, as it provided a comprehensive picture as to the existing market.

The report highlighted significant changes in the original perceptions as to the requirements of the technical assistance. It was clear that current selling methods were not conducive to the use of container shipments on a door-to-door basis and that there was limited demand for the development of such multi-modal systems by either buyers or sellers in the short term, using either the TRACECA corridor or alternative corridors. The report also indicated the constraints, both physical and psychological, in using the port of Poti and of difficulties in the cotton classification methodology.

The report recommended a re-focusing of the programme placing greater emphasis on improving existing transport systems and lower emphasis on containerisation. This change required the approval of the Transport Commission but an early response was not obtained. The Consultants continued to monitor activity with visits to various facilities in Uzbekistan and Georgia. Final approval to proceed with Phases 2/3 of the programme was agreed at the meeting of the Cotton Commission on the 12th May 1997.

The Trade Facilitation project implementation monitoring has involved visits to Georgia, Kazakhstan and Kyrgyzstan to assist in the formation of Freight Forwarding Associations and presentations at international conferences to promote changes in trade facilitation procedures. Liaison has been maintained with EBRD on customs procedural recommendations.

3. SUMMARY OF PROJECT PLANNING

The following tasks will be undertaken within the next and final planning period:

- **Monitoring of Logistics (Activity 4)**

An examination of the existing logistics monitoring system and its data output will be made in order to assess the reliability of current logistics chain between the ginneries and Poti port. This would assist in the identification of delay points and the reasons, in order that remedial action could be taken.

- **Investment Appraisals (Activity 5)**

A review be undertaken to identify what investment is required to make the route more attractive to the cotton buyers. This will include consolidation warehouses in Uzbekistan, rail wagon availability, terminal facilities at Turkmenbashi and Baku, the rail infrastructure and cargo handling/storage at Poti. Additional emphasis is to be placed on financial assessment of the warehousing requirements in Uzbekistan and Georgia with estimates of funding requirements

- **Containerisation (Activity 6)**

An appraisal of the technical and marketing issues in respect of containerisation will be undertaken. This will include a review of the experience of such shipments via China identifying the operational difficulties and as to whether similar problems could occur using the TRACECA corridor and if so how could this be avoided.

The review will also assess the resources available in Uzbekistan for handling containerised cotton and make recommendations on the possible siting of consolidation points for handling such shipments. It would also comment on the "downstream" resources at the Caspian and Georgian ports for processing cotton containers.

- **Cost Benefits of Containerisation (Activity 7)**

A cost benefit study will be undertaken which will examine the financial impact of the movement of cotton in conventional form and in containers. This would clarify the potential benefits of using the different transport corridors and whether unitisation will provide significant commercial benefits using both existing and new terms of sale conditions. The costing work will include handling and processing costs, as well as logistical charges.

- **Formation of Freight Forwarding Associations (Activity 8)**

Promotion will be undertaken, in parallel with the TRACECA Legal Framework Project, with a view to the formation of national Freight Forwarding Associations and to obtain international recognition through membership of FIATA.

- **Monitoring implementation of Trade Facilitation Project (Activity 9)**

Contact is being maintained with the National Trade Task Forces in each country to identify implementation of the proposals agreed in the Almaty Declaration of February 1997.

4. PROJECT PROGRESS

PROJECT STRATEGY

The Cotton Extension was commissioned in October to assist the Government of Uzbekistan in developing the movement of cotton along the TRACECA corridor. This is expected to have benefits to those countries on the route and to demonstrate the international importance of this transport corridor.

The original operational strategy for undertaking the Uzbekistan Cotton Project extension was to divide the initial tasks to be carried out by two specialist teams. The first team consisted of the Team Leader and Regional Co-ordinator, supported by local specialists along the TRACECA route. Their role was to create and participate in the Uzbek Transport Commission, who would be responsible for overseeing the shipment of cotton to Poti and the establishment of a monitoring system to record movements along the corridor. Shipment is expected to be mainly in conventional covered wagons in block trains. The second team from BCEOM, who undertook the TRACECA Multi-modal project, would examine new methods of shipment. This would commence with a European marketing study to identify purchasing systems, current use of containers in cotton importation and buyer preference factors.

The project was in phases with Phase 1 being to provide a profile of the market from both a European and an Uzbek perspective. This commenced with two parallel studies. The first was a market research study in Europe to identify the size and growth potential of the European market and obtain the views of the major cotton buyers. The second was a market research programme in Uzbekistan to identify the current methods used in the transportation of cotton from Uzbekistan to its external customers and to obtain the views of those involved in movement of cotton. The results of the two studies were combined into a "Profile of Transportation of Uzbekistan Cotton" report which was published in January 1997. In practical terms, this document served as an Interim Report.

Due to the uncertainties regarding the accuracy of the initial marketing data provided in connection with the original proposal, it was proposed that a review would be undertaken prior to commissioning Phases 2 & 3. This would ensure that the project was focused on the specific requirements of the beneficiaries and funding organisation. The report identified significant changes of emphasis and highlighted a number of critical issues. As a result, there has been a modification of the strategy which is described in Section 5.

In order to proceed, it was essential to obtain the authorisation of the recommended changes from the Transport Commission for Cotton. Unfortunately, there was a significant delay in being able to obtain a positive response, mainly due to the time commitments and availability of the members of the Transport Commission. This has resulted in a delay to the project, but action has now been taken to expedite Phases 2 and 3 to complete the project by end July and to publish the projects conclusions and recommendations. The delays will not effect the validity of the results and there are some benefits in the delays in that there have been more shipments along the TRACECA route to evaluate.

TASK PERFORMED

Establishment of Transport Commission for Cotton (Activity 1)

In order that the Transport Commission for cotton would have an official status, a formal approach to the Government was made through the TACIS Co-ordination Unit and meetings were held with the

Ministry of Foreign and Economic Relations. A Transport Commission to co-ordinate and develop this programme was agreed by the Cabinet of Ministers on 1st November 1996. The composition of the Commission was decided by the relevant organisations and was confirmed at the end of November by the Government.

The appointed membership of the Commission is as follows:

Abdugaffar A Vakhabov, Chief of the Department, Uzgoshlopkopromsbyt

Fuod V Bakhadirov, General Director, Uzbekjeldorexpediciya

Murat A Khalisov, Assistant of General Manager, Shoshtrans

Sergey G Trikov, Head of Auto Transportation Department, MVES

Rustam Tashpulatov, Chief Expert, Firm "Export", Uzvneshtrans

Tulkum Rathmanor, Head of Main Customs Organisation of Customs Control of Trading Customs Department

Meetings were held with all members explaining the objectives and the inaugural Commission meeting was held on 12th December 1996. Subsequent meetings were held in January to present the "Profile" report and in May to obtain the approval to the recommended strategy for Phases 2 and 3 contained within that report.

It is regretted that since the inaugural meeting that attendance has been poor, not exceeding 4 members. It should be noted that there were significant changes between the proposed participants of the Commission in the original Terms of Reference and those actually assigned by the Government at a later stage. The Consultant's Regional Co-ordinator has acted as an external secretariat to the Commission in arranging the meetings.

Following meetings with the regional TRACECA Management Team, it was proposed that the Consultants should adopt a change in role in that they should provide information to the Transport Commission to assist it in "facilitating the development of cotton shipments along the TRACECA corridor", rather than the initial proposal of whereby the Commission obtained the information with the assistance of the Consultant. This change should not effect the scope of input to the Commission or the results of the study. It is important that attendance at and data input from the Commission is improved if it is to become a significant force in the facilitation of cotton shipments.

European Market Survey (Activity 2)

The European Market Appraisal was undertaken in November 1996 with further analysis in December. It commenced with a review of the world cotton market and indicated trends. This was followed by visits to all the major European buyers. The cotton buyers trade in an international market and therefore, although they are based in Europe, they represent a world-wide rather than a purely European perspective.

The survey showed world consumption is falling, stocks are rising and that exports to Europe are in decline, except to southern Europe. Cotton is sold on FOB (Free-on-Board) terms. The seller is responsible for the primary distribution from the point of origin through to the port of shipment with the buyer being responsible for the movement from the port of shipment through to the end user. The price of cotton is mainly dependant on quality or grade but also on subjective factors such as image and

market factors, such as increased stock levels. Cotton from Uzbekistan currently sells at lower prices than other cottons. Grading reliability is a significant factor in lower pricing.

Most Uzbek cotton has been routed via Riga in Latvia. This is the preferred location of most buyers because of good facilities. Problems were being incurred due to lack of storage capacity, organised crime and increased rail charges. Ilyechovsk was used mainly for shipments to the Mediterranean area as secondary distribution costs for such destinations are lower than using Riga. Bandar Abbas was perceived as the new opportunity with the rail link and good shipping services to the Far East, but suffers from operational and procedural difficulties.

The cotton buyers use containers extensively for secondary distribution to the end users. The Central Asian bales are considered to be the most suitable for containerisation given their higher load factor. However, it will be necessary to consider changes in shipping terms if containerisation is to take place at source as use of CIF and free delivered terms are essential to the economic use of containers.

The cotton buyers do not yet consider Poti to be an attractive port of shipment. They have concerns relating to security, restrictive practices and lack of shipping services. Although some concerns may not be fully justified, it was clear that there was a credibility problem which will need to be addressed, even though performance has improved.

It was evident from this research that a change of focus was necessary. Given the predominance of FOB selling and the role of the cotton buyers, it is clear that early containerisation will be difficult to achieve. More emphasis was therefore required on how to enhance the movements of conventional cotton shipments via Poti rather than using Riga or Ilyechovsk. Containerisation will become a factor at a later stage and therefore some preparatory work will be necessary, though not on a high priority basis.

The results of the survey were incorporated within the "Profile" Report (Chapters 2 & 3) which acted as an Interim Report for the Uzbekistan Cotton Extension and was published in January 1997. This was circulated to the Transport Commission, representatives of the Uzbek and Georgian Governments and various embassies, on request. The results were considered to be useful by all the receiving parties as it clearly identified the nature of the cotton market and its associated logistics. The report has been analysed by the Commission with no significant changes required.

Uzbekistan Market Survey (Activity 3)

The Uzbekistan Market Survey was commenced in October and completed in December 1996. The purpose of the Survey was to examine the situation in Uzbekistan and along the TRACECA corridor and also to act as a cross reference to the European Survey.

The report described the methods of sale by the Government and the purchasing systems used by the cotton buyers, including terms of sale, classification and pricing. It also examined the logistics of the TRACECA route with particular emphasis on the provision of facilities in Poti, as this had been cited as a major constraint.

The results confirmed the need for a change of emphasis towards enhancing conventional movements with containerisation as a secondary issue. It highlighted the need to look at the provision of specialist warehousing in both Uzbekistan and also at Poti. The findings were presented in the "Profile" Report (Chapter 4).

Monitoring of Logistics (Activity 4)

Due to the delay in authorisation of the recommended strategy in the "Profile" or Interim Report, it was decided to limit the amount of monitoring work. This would mean that as more shipments were moved along the corridor it would be possible to obtain more accurate data on performance. Usvneshtans are the preferred forwarder for export of cotton shipments and have a monopoly, though theoretically other organisations could move cotton provided they meet certain criteria. They have data on all movements along the TRACECA corridor and have established a basic monitoring procedure. Unfortunately, this data is not available to the Consultants or the Commission.

The Consultants have concentrated on examining the procedures in Uzbekistan from the farm to the ginneries through to the despatch along the TRACECA corridor by rail to establish a clear logistics chain for Uzbek cotton. This will be used for later work in the project. Another team has been examining the situation at Poti. There has been a significant improvement in performance since last November, mainly due to more experience in handling the traffic rather than provision of any new facilities. There are now significant volumes of Uzbek cotton moving along the TRACECA corridor and through Poti. However these are bulk shipments, mainly through to Mersin for FOB sale or to Trieste. There have been no container shipments to date. It should be noted that Azeri cotton has now been diverted from Iran to Poti, though problems in Iran are cited as the main reason. Average rail times from Uzbekistan are currently indicated as around 12 days.

Formation of Freight Forwarding Associations (Activity 8)

In conjunction with the Legal Framework Project, it was decided to target certain countries where it was considered that conditions were most favourable towards the formation of an Association. The main criteria was the presence of a significant number of forwarders operating in both the public and private sectors and requests for assistance. The initial target countries selected were Azerbaijan, Georgia, Kazakhstan and Kyrgyzstan. Uzbekistan already has an Association, although there are concerns over how representative this is of the industry as a whole and that it excludes foreign owned and private operators. Armenia, Turkmenistan and Tadjikistan have low numbers of independent operators and are scheduled for action later, though it is known that Turkmenistan is now interested in forming such an association.

Significant problems have arisen in attempting to form such associations. This is due to the differing perspectives between the Government and the state transport sector and the private operators. An association should be independent and represent the interests of all its members and therefore have non-governmental status (NGO). However, in some countries the association is being promoted as a government organisation, led by the Ministry of Transport or its equivalent, and is perceived by the private sector as being a government regulatory body and therefore not independent. It is recognised that in order to be effective it will need official status and that in itself will require support from a Ministry. It is clear that a compromise will be required which recognises both the independence of the organisation to attract the private operators and the authority which can only be provided by Government support. The Chamber of Commerce may represent a suitable neutral organisation to be responsible for such an association.

The team have been engaged in active discussion with the government and forwarders in all four countries and are still on schedule to form national associations over the next few months. Draft Articles of Association have been provided, along with seminars when requested.

Implementation of Trade Facilitation Project (Activity 9)

The project team have been maintaining contact with the National Trade Task Forces in each country to promote the implementation of the recommendations. It is recognised that the Declaration signed in Almaty was a notice of intent to promote to their respective Governments the adoption of the recommendations, rather than official acceptance. It was envisaged that many of the proposals would take some years to implement, especially those regarding customs procedures which may require changes in legislation.

Some early progress has been achieved in the Caucasus region. Armenian Customs are using the project documents as part of their training materials for modernisation of procedures in connection with the ASYCUDA programme. The Ministry of Transport in Georgia is placing before Parliament the recommended changes in border procedures for discussion. In Kazakhstan the reports have been actively debated as part of the current programme to modernise the State Customs. Turkmen Customs are interested in developing the ASYCUDA system provided funding can be obtained. In other countries the initial project emphasis has been on forwarding, rather than trade facilitation.

Liaison has been maintained with other on-going TRACECA projects, especially the Legal Framework Project where there is an overlap. Meetings have also been held with EBRD in connection with trade facilitation requirements in connection with developments at the Caspian Sea ports.

DEVIATIONS FROM INCEPTION REPORT PLANS

Whilst there was no formal Inception Report for this extension, the "Profile of Transportation of Uzbekistan Cotton" effectively fulfilled that function. As indicated above and in Section 5, the report recommended changes in the emphasis of the project. With regard to the current situation, the only deviation has been the delay in commencing Phases 2 and 3. This was due to the lack of authorisation to proceed from the recipient. This has now been resolved and sufficient input resources have been reserved to enable completion by August 1997.

REPORT FORMS

Progress Report (Form 2.2), Resource Utilisation Form (Form 2.3) and Output Performance Report (Form 2.4) are included at the end of this section. Comments are as follows:

- * The Progress Report indicates that progress has only been achieved on 5 of the 9 activities. The Trade Facilitation project was completed in February and therefore work on Activities 8 and 9 were allocated to that project and included in the Progress Form in the Completion Report for that project. Activities 4 -7 were delayed due to lack of authorisation. It can be seen that approximately 50% of the inputs have been used in the reporting period leaving the balance for completion of the project in the next reporting period.
 - * The Output Performance Report indicates deviation on 5 of the 9 activities. This is due to delays awaiting formation of the Commission and authorisation to proceed. These will be recovered during the final reporting period.
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FORM 2.2: PROJECT PROGRESS REPORT

Project title: TRACECA: Trade Facilitation, Customs Procedures and Freight Forwarding - Cotton Extension		Project number: TNREG 9308		Countries: Uzbekistan		Page: 10									
Planning Period: February - May 1997		Prepared on: May 1997		EC Consultant: Scott Wilson Kirkpatrick											
Project objectives: To promote a transport corridor between Europe and the Caucasus / Central Asia through greater regional harmonisation and integration of international transport and trade practices and to promote the movement of traffic along that corridor.															
No	ACTIVITIES IMPLEMENTED	TIME FRAME 1997 months						INPUTS							
		Nov	Dec	Jan	Feb	Mar	Apr	May	Personnel EC Consultant	Personnel Counterpart	EQUIPMENT AND MATERIALS		OTHER		
										Planned	Utilised	Planned	Utilised	Planned	Utilised
1	Establish Transport Commission	x							0.5	0.5					
2	European Market Survey	xxx							1.0	1.5					
3	Uzbekistan Market Survey	xxx							1.5	1.5					
4	Monitoring of Logistics				x	x	x	x	1.0	0.5					
5	Investment Appraisals								1.0	0					
6	Containerisation								1.0	0					
7	Cost benefit Study								1.0	0					
8	Formation of Freight Forwarding Associations					x	x	x	1.2	0.4					
9	Monitoring Implementation Trade Facilitation								1.0	0					
TOTAL								9.2*		4.5*					

* includes balance man-months from Trade Facilitation Project (1.5 man months) as per Completion Report.

FORM 2.3: RESOURCE UTILISATION REPORT

Project title: TRACECA: Trade Facilitation, Customs Procedures and Freight Forwarding - Cotton Extension	Project number: TNREG9308	Countries: Uzbekistan	Page: 11		
Planning Period: February 1997 - May 1997	Prepared on: May 1997	EC Consultant: Scott Wilson Kirkpatrick			
Project objectives: To promote a transport corridor between Europe and the Caucasus / Central Asia though greater regional harmonisation and integration of international transport and trade practices and to promote the movement of traffic along that corridor.					
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER
PERSONNEL					
ITTF staff	9.2 work months	9.2 work months	4.5 work months	9.2 work months	4.7 work months
Sub-total	9.2 work months	9.2 work months	4.5 work months	4.5 work months	4.7 work months
EQUIPMENT & MATERIAL					
TOTAL	9.2 work months	9.2 work months	4.5 work months	4.5 work months	4.7 work months

FORM 2.4: OUTPUT PERFORMANCE REPORT

Project title: TRACECA: Trade Facilitation, Customs Procedures and Freight Forwarding - Cotton Extension		Project number: TNREG 9308	Countries: Uzbekistan	Page: 12
Planning Period: February - May 1997		Prepared on: May 1997	EC Consultant: Scott Wilson Kirkpatrick	
Output results	Deviation original plan + or -	Reason for deviation	Comment on constraints & assumptions	
1) Establish Transport Commission	+10%	Delayed formation and Government approval required	Limited assistance	
2) European Market Survey	0%			
3) Uzbekistan Market Survey	0%			
4) Monitoring of Logistics	+75%	Delayed authorisation	Lack of access to data	
5) Investment Appraisals	+100%	Delayed authorisation		
6) Containerisation	+100%	Delayed authorisation		
7) Cost Benefit Study	+75%	Delayed authorisation	Lack of access to data	
8) Formation of Freight Forwarding Associations			Problems of conflict of interests between state and private forwarders	
9) Monitoring Implementation Trade Facilitation	0%			

5. PROJECT PLANNING

PROJECT PROGRAMME AND ACTIVITIES

The Project Programme for undertaking Phases 2 and 3 have been modified as a result of the information provided in Phase 1. These are in-line with the strategy described in the "Profile of Transportation of Uzbekistan Cotton" (Chapter 6) which has acted as an Inception Report. In order to ensure clarity of focus, an amended Programme was presented to the Transport Commission on 12th May 1997 and agreed by the TRACECA Co-ordination Unit. This Programme has been included in this section with indications as to how it will be undertaken.

The report highlighted 4 key issues for the remainder of the project:

- Monitoring of Logistics
- Investment in Facilities
- Containerisation
- Cost Benefits of Containerisation

Monitoring of Logistics (Activity 4)

It was recommended in the report that an examination of the existing logistics monitoring system and its data output will be made in order to assess the reliability of the current logistics chain between the ginneries and Poti port. This will assist in the identification of delay points and the reasons in order that remedial action can be considered. The objective is to assist in the development of a logistical system which is perceived to be sufficiently reliable so as to attract the cotton buyers into using the TRACECA corridor and to enable maximisation of the limited storage facilities at Poti.

Although Uzvneshttrans have established a basic monitoring system, it was intended that this could be upgraded and computerised, similar to western practice, and that data could be provided to the Commission. However, the information on cotton movements is considered to be commercially sensitive and such access has not yet been possible. It is proposed that the Consultants make a further attempt to obtain access to such information to establish current reliability levels. Alternatively, the Consultants will provide the Commission with more general logistical information on the movement of cotton along the TRACECA route. Particular areas where further information was considered useful were at the points of loading and discharge, identifying any operational constraints.

The objective is to provide the Commission with logistical information on cotton movements and provide recommendations on how these can be improved to make the route more attractive to western buyers. This work will be undertaken by the Regional Co-ordinator and the Team Leader, on a part time basis.

Investment in Facilities (Activity 5)

It was recommended in the report that a review be undertaken to identify what investment is required to make the route more attractive to the cotton buyers. This included

- **Consolidation warehouses in Uzbekistan**
- **Availability of good rail wagons**
- **Terminal Facilities at Turkmenbashi and Baku**
- **Rail Infrastructure**
- **Cargo Handling at Poti**
- **Warehousing at Poti.**

Some of these facilities have been examined as part of other TRACECA projects. The Consultants will re-evaluate the results in the context of the movement of cotton and indicate how these will help or constrain logistics.

Two additional key areas will be evaluated. The first is the proposal to improve the performance of Poti port with investment on quayside facilities and the use of a dedicated berth and labour force. The separation of the Port Authority from the Maritime Branch and formation of a joint stock company offers a new opportunity to examine this proposal. The second is to evaluate proposals for consolidation warehouse facilities for cotton. This will include an assessment of the optimum operation of such facilities, including the functional definition, size, equipment and locations.

Proposals for development of the storage facilities at Poti will be examined to ascertain how the facilities could be up-graded and extended, such that they were comparable to those at Riga or Illychovsk. This will include recommendations on stock control and storage management systems.

There will be particular consideration of the potential for TACIS to undertake technical innovations etc. requiring minor investments which would improve the logistical performance of the cotton shipments along the TRACECA route.

The objective is to provide the Commission with information on proposed investments along the TRACECA route and as to how these will enhance the movement of cotton along that corridor. This work will be undertaken by the Containerisation Specialist, assisted part time by the Team Leader and Regional Co-ordinator.

Containerisation (Activity 6)

It is recognised that there are a number of reasons for the slow development of containerisation of cotton direct from Uzbekistan to the end user. However, it was felt that containerisation would gradually be introduced to comply with Presidential Decrees. It was recommended in the report that an appraisal of the technical and marketing issues in respect of containerisation should be undertaken. This would include a review of the shipments via China, identifying the operational difficulties and as to whether similar problems could occur using the TRACECA corridor and if so how could this be avoided.

The review would assess the resources available in Uzbekistan for handling containerised cotton and make recommendations on the possible siting of consolidation points for handling such shipments. It

would also comment on the “downstream” resources at the Caspian and Georgian ports for processing cotton containers.

The objective is to provide the Commission with detailed information on how future demands for containerisation could be met and what preparatory action may be required. This work will be undertaken by the Containerisation Specialist, with assistance as requested.

Cost Benefit (Activity 7)

It was recommended in the report that a cost benefit study was undertaken which examined the financial impact of the movement of cotton in conventional form and in containers. This would clarify the potential benefits of using the different transport corridors and whether unitisation provided significant commercial benefits using both existing and new terms of sale conditions. The costing work would include handling and processing costs, as well as logistical charges.

The objective is to provide the Commission with financial information on the current and potential methods of moving cotton from the ginneries to the markets. This work will be undertaken by the Transport Economist, with assistance as requested.

Freight Forwarding Associations (Activity 8)

The draft Articles of Association and explanation of the benefits of forming an association have been circulated to all countries in the Institutions Report. Specific visits are being made to the target countries - Azerbaijan, Georgia, Kazakhstan and Kyrgyzstan to discuss with Ministry officials and the forwarders how such associations can be formed. As indicated in Section 4, problems are being experienced in formation due to the conflicting interests of the Government Departments and state forwarding companies and the private sector. Attempts are being made to resolve these issues with prospect of forming national associations by June/July.

A visit programme by the President of FIATA, the international forwarding association, is scheduled as part of the project. The first visit will take place in the Caucasus in June and the second will take place in July to Central Asia. He will be accompanied by the Team Leader or Regional Co-ordinator. The objective is to enable the national associations to obtain international approval at the FIATA Conference in Vienna in October. If national associations cannot be formed in time, the fall-back is associate membership for the main national forwarders.

Monitoring of Implementation of Trade Facilitation Recommendations (Activity 9)

Although the National Trade Task Forces (NTTFs) from the Trade Facilitation project have disbanded, the Consultant will use the individuals from the NTTF as contacts to establish what progress is being achieved. It is intended that the Team Leader or Regional Co-ordinator will visit all countries to re-establish contact and promote the implementation of the project recommendations and present national seminars as required.

Schedule

The revised Schedule is that the project team, which had been stood down, has been re-mobilised for June 2nd to complete all the field work by end July for production of the Final Report in August 1997.

Deliverables

The following deliverables are expected during the Plan of Operations period

*** Final Report:**

It is intended that the existing "Profile of Transportation of Uzbekistan Cotton" will be updated and extended with the additional data to form a comprehensive guide to the transportation of cotton and the potential options for future methodology. It was considered that a single document covering the whole project was preferable to two separate reports.

*** Freight Forwarding Associations, with applications for membership of FIATA**

All reports will be provided in both English and Russian during the next reporting period.

Report Form

The Plan of Operations for the next and final period (Form 1.6) is included at the end of this section.

Form 1.6. PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work programme)

Project title : TRACECA Project: Trade Facilitation, Customs Procedures and Freight Forwarding - Cotton Extension		Project number : TNREG 9308	Countries : Uzbekistan	Page : 17	
Planning period : February - May 1997		Prepared on : May 1997	EC Consultant : Scott Wilson Kirkpatrick		
Project objectives : To promote a transport corridor between Europe and the Caucasus / Central Asia through greater regional harmonisation and integration of international transport and trade practices and to promote the movement of traffic along that corridor.					
		TIME FRAME			
		1996/1997 (months)			
No	ACTIVITIES	June	July	INPUTS	
				PERSONNEL	EQUIPMENT AND MATERIAL
				EC Consultant	Counterpart
1	Establish Transport Commission			0	
2	European Market Survey			0	
3	Uzbekistan Market Survey			0	
4	Monitoring of Logistics	x	x	0.7	
5	Investment Appraisals		xx	1.0	
6	Containerisation		xx	0.7	
7	Cost Benefit Study	xx	x	0.7	
8	Formation of Freight Forwarding Associations			0.7	
9	Monitoring Implementation Trade Facilitation	xx	xx	0.9	
TOTAL man months				4.7	

