



The European Union's TACIS programme
for "Moldova and Ukraine"

**Feasibility for the
Improvement of
Road and Rail Border crossings
between Moldova and Ukraine,
and for the upgrading
of the Multimodal terminals
in Moldova and Ukraine**

Progress Report



This project is funded by
the European Union



A project implemented by
EURECNA



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**Moldova/Ukraine Border Crossings and Multimodal Terminals
(Europe Aid/113199/c/SV/Multi-4)**

Contract: Europe
Aid/113199/C/SV/MULTI-4

**“Feasibility for the
Improvement of Road and Rail
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May 2003

release 1.0



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**Project Title : Feasibility for the Improvement of Road and Rail crossings between
Moldova and Ukraine, and upgrading of the multimodal terminals in
Moldova and Ukraine**

Project Number: EuropeAid/113199/C/SV/Multi, 27530

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Date of report : 01/06/2003

Reporting period : 01/03/2003-31/05/2003

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Progress Report

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Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

Glossary of Abbreviations:

BC	<i>Border Crossings</i>
CIS	<i>Commonwealth of Independent States</i>
DFR	<i>Draft Final Report</i>
EBRD	<i>European Bank for Reconstruction and Development</i>
EC	<i>European Commission</i>
EIA	<i>Environmental Impact Analysis</i>
EIRR	<i>Economic Internal Rate of Return</i>
EU	<i>European Union</i>
FIRR	<i>Financial Internal Rate of Return</i>
FR	<i>Final Report</i>
FSU	<i>Former Soviet Union</i>
GDP	<i>Gross Domestic Product</i>
IFI	<i>International Financial Institution</i>
IR	<i>Inception Report</i>
IT	<i>Information Technology</i>
MSA	<i>Monthly Summary of Activities</i>
OPO	<i>Overall Plan of Operation</i>
OPP	<i>Output Performance Plan</i>
PR	<i>Progress Report</i>
PSC	<i>Project Steering Committee</i>
SA	<i>Summary of Activities</i>
TA	<i>Technical Assistance</i>
TACIS	<i>Technical Assistance to the CIS</i>
TEN	<i>Trans-European Network</i>
TOR	<i>Terms of Reference</i>
TRACECA	<i>Transport Corridors between Europe, the Caucasus and Asia</i>



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Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

1. Project Synopsis

Project Title:	Feasibility for the Improvement of Road and Rail crossings between Moldova and Ukraine, and upgrading of the multimodal terminals in Moldova and Ukraine
Project Number:	EuropeAid/113199/C/SV/Multi, 27530
Date Financing Agreement:	
Countries:	Moldova, Ukraine
Start Date – actual:	23/12/2002
End Date - planned:	23/12/2003
End Date - likely:	23/12/2003
Primary Commitment:	1.700.000€

Overall objective(s):	Support to the region to improve the freight transport facilities by road and rail through a reduction in cross-border travel time and by the development of multimodal terminal facilities within the framework of the TEN and TRACECA corridors
Specific objective(s):	Prepare conditions for upgrading selected border-crossings and multimodal terminals in order to improve freight flows between Moldova and Ukraine, and to foster intermodal traffic, by the preparation of bankable studies to encourage investment
Planned outputs:	<p>Module A Border Crossings</p> <ul style="list-style-type: none">A.1 Existing Border Crossing Points analysedA.2 Border Crossing Points for upgrading selectedA.3 Engineering design for selected BC Points preparedA.4 Bankable projects for selected BC Points preparedA.5 Selected BC Points promoted with IFIs <p>Module B Multimodal Terminals</p> <ul style="list-style-type: none">B.1 Existing terminals in the region analysedB.2 Forecast of freight traffic volumes in the region doneB.3 Intermodal transport model for the region developedB.4 Recommendations on Phase 2 Activities madeB.5 Engineering designs for selected terminal improvements preparedB.6 Bankable projects for selected terminal improvements prepared
Project activities:	<p>Module A</p> <ul style="list-style-type: none">A.1.1 Catalogue international rail and road crossing pointsA.1.2 Collect technical documentation on crossing pointsA.1.3 Preparation of database and classification parametersA.1.4 Site visits to all pointsA.1.5 Classification of Points and descriptive reportsA.1.6 Feeding data into databaseA.1.7 Hand the database of CB Points over to local counterparts <p>A.2.1 Prepare justified recommendations for the Steering Committee</p>



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A.2.2 Database delivery and recommendations formulation
A.2.3 Advise the Steering Committee and supply additional info on request

A.3.1 Site visits and surveys of selected locations
A.3.2 Agree formats and standards with interested IFIs
A.3.3 Prepare engineering design
A.3.4 Supervise specialist inputs and surveys
A.3.5 Site visits for final verification and agreement
A.3.6 Complete tender documents as necessary
A.3.7 Engineering designs, BoQ, Unit Prices and Tender Docs prepared

A.4.1 Prepare pre-feasibility for initial discussion with clients
A.4.2 Complete and finalise economic and financial feasibility
A.4.3 Support presentation to beneficiaries and IFIs
A.4.4 Advice on removal of procedural bottlenecks at crossings
A.4.5 Bankable projects for selected BC points prepared

A.5.1 Advise governments on approach and negotiation with IFIs

Module B

B.1.1 Site visits to 4 terminals
B.1.2 Preparation of report and classification of terminals
B.1.3 Second site visit and agreement on draft plans
B.1.4 Preliminary study for intermodal terminals submitted

B.2.1 Desk research of available data and models
B.2.2 Commissioning and supervision of surveys and interviews
B.2.3 Prepare the Manual of Operation of the forecast model
B.2.4 Feeding the data and test the forecast model
B.2.5 Training counterpart staff and hand-over system to beneficiaries
B.2.6 Traffic forecast model taken over by beneficiaries

B.3.1 Initial research for intermodal modal

B.4.1 Advise the Steering Committee and supply additional info on request
B.4.2 Decision made on Phase 2 activities

B.5.1 Site visits and surveys of selected terminals
B.5.2 Agree guidelines with interested beneficiaries/investors
B.5.3 Prepare engineering designs
B.5.4 Supervise specialist inputs and surveys
B.5.5 Site visits for final verification and agreement
B.5.6 Complete tender documents as necessary
B.5.7 Engineering designs, BoQ, Unit Prices and Tender Docs prepared

B.6.1 Complete and finalise economic and financial analysis
B.6.2 Advise on presentation to beneficiaries and investors/IFIs
B.6.3 Advise on improved management of intermodal services
B.6.4 Bankable projects for selected terminals prepared

Target group(s):

Moldova: Ministry of transport and Communication, Border Committee,
Customs Department, Moldovan Railways
Ukraine: Ministry of Transport, State Committee of Border Guards, State
Customs Service, Ukrainian Railways

Project start date: 23 December 2002

Project duration: 12 months



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Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

2. Introduction

This Progress Report is issued in accordance with the requirements of Section 7.1 of the TOR and serves as the first Interim Report. As this report contains details of the activities undertaken up to the end of May 2003, no MSA will be issued for this month.

Discussions on the Inception Report have been held with the TACIS Monitoring Unit, as a result of which both the Project Synopsis and the LogFrame have been revised. The new Project Synopsis is attached as the first section of this and subsequent reports. The revised Logframe is attached as Appendix A. At the time of the IR the Overall Plan of Operations (OPO) and the Output Performance Plan (OPP) had not been completed according to the TACIS guidelines. These have now been done and are attached as Appendices B and C respectively. It is not possible to allocate the resources exactly in the manner in which the Guidelines propose, as the construction of the Project Budget differs from normal TACIS contracts in that the fees element contains the re-imbursable air-fares and per-diem allowances for all the international experts on an all-inclusive basis, and all other expenditures are covered by the Incidental Expenses Budget already approved by the EU.

As the project starts in January, and ends in December, there is exact alignment between "project month" and calendar months. For the sake of clarity and convenience, month 1 is therefore referred to as January, month 2 as February, and so on. This protocol will be maintained for this and future reports.

The remainder of this report is structured as follows:

- Summary of overall Project Progress
- Project Plan for the remainder of the project
- Project progress in the reporting period + Tables
- Project Plan for the next reporting period + Tables.

The report is supported by 4 additional Appendices, which include the first of the Short-term experts technical on EBRD Financing (Appendix D), the Recommendations for Phase 2 of Module A (Appendix E). The Minutes of the first Project Steering Committee meeting (Appendix G) and the Descriptive Reports of the Border Crossings (Appendix G). As already agreed with the PSC, Appendix F will be issued at the end of June and is not therefore attached to this report.



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3. Summary of Project Progress

3.1 *Inception Report Period*

The project commenced early in January, with the first visit to the region being in the middle of January. The first tasks were to establish the project offices in Chisinau and Kiev, and select local support staff. Local experts were advertised for and interviewed during February, and initial meetings were held with the Beneficiaries and EC offices in both countries. Field work commenced on both Modules. Details of the project activities during the first 2 months were included in Chapter 3 of the Inception Report.

3.2 *March - May*

On March 6th the CVs and inputs of both the local experts and the international short-term experts were approved by the EU, and the Inception Report was issued to, and approved by, the Beneficiaries. Nominations to the PSC were made, and Project Registration completed in Ukraine.

Field visits to the Border crossings continued throughout the period and were completed in May. The Template for the BC database was completed at the end of April and the database constructed and demonstrated at the May PSC.

Data collection and traffic forecasting continued throughout the period and is largely complete for Moldova. Additional information has been sought from Ukraine, and this activity will continue during the first half of June.

The first visits by short-term experts were completed during the period. The IT expert supervised the construction of the database, and prepared the documents for the sub-contracting. The Customs and Transit advisor visited a number of BCs, and produced a preliminary paper of the current procedures. The intermodal team visited in May and carried out a series of visits to the existing and potential multi-modal terminals.

The first of the three PSC meetings was prepared for and held in Chisinau on 22nd May; project progress to date was reported on, and a summary of the recommendations for Phase 2 (Module A) was given. Presentations were also made on Traffic Forecasting and Investment Appraisal by the project economist, and the database was demonstrated. Preparations were also made for the Study visits which will be held in Italy and Slovenia during the first two weeks in June.



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4 Project Planning for the remainder of the Project

This section summarises the project planning for the remainder of the project which runs till 23.12.03

4.1 Project Management Activities

The Team leader will participate in the Study visits during the first half of June. The second PSC meeting will take place in Kiev towards the end of August (depending on members' vocation), and the third and final PSC meeting will take place towards the middle of November, at a location still to be decided – possibly Odessa. Following advice from the Monitoring unit, these will be combined with some secondary partnership activities to maximize the use of Beneficiary and EU resources.

The second Progress Report will be delivered at the end of August, and the Draft Final Report at the end of November.

Throughout the project the short-term experts will continue to write their technical papers, and these will be attached as Appendices to the reports as they are completed.

4.2 Module A activities

During June the information gathered from the BC visits will continue to be collated, formatted and translated to produce Appendix G to this report. The information will also be entered into the database.

As soon as the Beneficiaries and the EU have confirmed their acceptance of the recommendations for Phase 2, sub-contracts will be completed and the initial topographical, geo-technical and environmental surveys will take place, followed by preliminary design and costing work, and the preparation of the deliverable tender documents. Work will also start on the preparation of bankable project documents and the promotion of schemes to IFIs where appropriate.

4.3 Module B activities

The analysis of the multimodal facilities will be completed during June, and recommendations made to the Beneficiaries and the EU for Phase 2. The forecast for multi-modal traffic will also be completed.

Initial research will continue on the intermodal transport model, and a recommendation will be made in June as to whether to continue with this task in view of the results of the analysis.

Following the acceptance on the recommendations for Phase 2, the appropriate survey and design work will commence in July, along with the preparation of bankable documents. Economic and financial analysis for both Modules will be done. During September/October it is proposed to hold a "Transport Infrastructure Investment" workshop and seminar in Kiev, to which the Beneficiaries and other government and private sector organizations will be invited.

No significant changes to the timing of project activities as laid out in Appendix H of the Inception Report are currently envisaged.



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5. Project Progress in the Reporting Period

5.1 Introduction

In this Chapter of the report we outline in greater detail the progress made in the project during the reporting period from 01.03.03 - 31.05.03. This covers the period from the Inception Report to date. In accordance with the request from the EC Delegations, an additional Monthly Summary of Activities (MSA) has been prepared and distributed electronically providing a summary of activities for March and April.

This Chapter divides the activities into:

- Project management activities
- Module A activities
- Module B activities.
-

and is followed by the tables stipulated in the Guidelines

5.2 Project Management Activities

5.2.1 Personnel inputs

The Task Manager approved the CVs and time inputs submitted by the Contractor at the end of February, with effect from March 6th. This enabled the local experts to be employed and to start work at the beginning of the reporting period. There is no change to the composition of the local expert team, which was given in Table 4.2 of the IR. There are a total of 42.68 person/months approved (939 person days), and up until the end of April some 25.9% of this amount (243 days) had been used. Much of the data collection and IT support falls in the first Phase of the project, and this use of resources is in line with planning.

The Task Manager also approved the CVs and time inputs for the short-term international experts, totaling 17 person/months (374 person/days), allowing them to be contracted and mobilized. The use of the short-term experts is spread more evenly over the period of the project, and up until the end of April some 31 days (8.3%) had been utilized.

5.2.2 Inception Report

The Inception report was issued early in March, and accepted by the beneficiaries and the Task Manager. One question was raised by the Ministry of Transport in Ukraine, and responded to by letter. Discussions were held with the TACIS Monitoring Unit, and the Monitoring Report has been received by the Contractor. The changes required have been described in Chapter 2 and implemented for this report.

5.2.3 Project Steering Committee

Members of the project Steering Committee were nominated by the Beneficiaries during March, and the first PSC meeting was held in Chisinau, courtesy of the Ministry of Transport, on May 22nd. The Team Leader gave a report on Project Progress, and a summary of the recommendations that the Contractor would be submitting for Beneficiary approval on the Phase 2 activities for Module A. Presentations were also made by the Project Transport Economist and the local IT expert. Full details are contained in the Minutes of the PSC meeting, and for reference these are attached to this report as Appendix F.

5.2.4 Study Visits

During May the arrangements were put in hand to organise the Study visits to Italy and Slovenia. The Beneficiaries were issued with the programme immediately prior to the Easter holidays, and the delegates were nominated at the beginning of May. The Study Tour will comprise 2 components in line with the 2 Modules of the project. The multimodal visit will take place between 3-6th June, and will include visits to terminals, railways, forwarders and warehousing companies in both Padova and Verona. The Border Crossing visit will take place from 9th – 11th June at a number of points on the Italy-Slovenia border, and will include visits to Customs facilities, Border Guards facilities, freight terminals, and passenger terminals.



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The final programme, together with a report on the activities undertaken, will be submitted in the next Progress Report.

5.3 Module A Activities

5.3.1 Analysis and Description of BCs (Task A.1)

Despite the difficult field conditions which prevailed until the middle of March, the information template was refined at the beginning of March, and initial visits were made to all the BC points by the middle of April. The template deliberately set out to list all the available information, and a very substantial volume of data was therefore collected from some 44 BC points, in 2 countries and 3 languages. Throughout the remainder of April, and during May, the Transport Infrastructure Engineer concentrated on completing this activity, filling in the gaps where information was missing or inadequate, and formatting the reports into a standard format. A substantial amount of translation was also required, and this task will continue throughout the early part of June.

The final description of BC points will be issued as Appendix G to this report, but as agreed at the PSC, will not be completed till the end of June. The data has been collated into adjacent descriptions for each side of the same border point, and there will be separate volumes in Russian and English. The document will also be issued in electronic form on a CD.

During March the short-term IT expert, working with the local IT expert, constructed a database into which all the relevant information collected from the analysis can be put. This will include both static information (type of crossing, facilities, structures, utility provision, personnel etc), and dynamic information including volume and type of traffic. It is planned that the database should be held by the Customs departments of each country, and accessible via internet to staff at the BCs to enable them to up-date and access the live information on a regular basis.

The short-term IT expert also completed a review of the IT facilities currently available at the BC points.

5.3.2 Engineering design for BCs (Task A.3)

As stated in the IR, a substantial amount of the preliminary engineering work for Phase 2 must be done by local sub-contractors in order to adapt the EU standards to the EU documents. Provisions for this has been made in the Incidental Expenses budget approved in March. The engineering team have therefore drawn up all the necessary documentation to enable this process to start. In April advertisements were placed in the local media in both countries inviting suitable companies to pre-qualify for this work, and the shortlist has been sent to the Task Manager. The short-term hydrologist expert made his first field visit in May to assist the team in the geo-technical tasks for the design phase.

The short-term procurement expert also prepared a technical paper on the current EBRD loan procedures and a summary of their current recent activities in both countries. This paper is attached as Appendix D

5.3 Module B activities

5.3.1 Analysis of Multimodal terminals (Task B.1)

This task runs approximately one month behind the analysis of the BC points, and was therefore started in March, with initial visits being made to Ungheni and Chisinau (Moldova), and to Usatovo and Liski (Ukraine). Following these visits a list of questions and information required was issued via the Kiev office to both Liski terminal and to the seaports of Odessa and Ilyichevsk, and via the Chisinau office to Moldovan railways (for Ungheni and Chisinau terminals). The responses were received at various times in April and May, and in some cases further information has been collected or sought at the follow-up visits in May.

In April the Transport Infrastructure Engineer paid a brief visit to Vinnitsa terminal. At a meeting with the Ukraine Ministry of Transport in May the Contractor was instructed to no longer consider Vinnitsa as a terminal for this project, and no further activity will therefore take place at that location.



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At the beginning of May the intermodal team, comprising the Team Leader and the three short-term experts paid more exhaustive visits to the remaining four terminals. A detailed analysis of the existing capacity and state of the infrastructure was completed, together with assessments on the lifting equipment. The team also had meetings with the railway authorities in both countries. Following these visits the experts' reports and technical papers are in preparation, and the Contractor's recommendations on Phase 2 of Module B will be delivered at the end of June.

5.3.2 Freight Traffic forecasts (Task B.2)

Data collection for this task has continued throughout the reporting period in both countries. The activity has been substantially completed for Moldova by the middle of May, but is ongoing in Ukraine, where completion is anticipated by the middle of June. This is slightly behind the original programme as additional information is required and will be collected by the Transport Economist at the beginning of June.

There have been some discrepancies in data collected from each side of the same border crossing point, partly due to the use of different criteria by the different authorities. Where it has not been possible to resolve these discrepancies, the data has been averaged to provide a statistical database from which to forecast. These discrepancies have not affected the recommendations which the contractor will be making for Phase 2 of Module A.

Substantial differences have also been found between the official data for vehicle transit time – the number of hours that it takes a truck to pass the border. It is apparent that the figures for this collected by the authorities only include the time actually spent inside the BC, and ignore the time spent waiting to get in, which is of course a part of the elapsed time. This issue will be addressed in the recommendation paper.

5.3.3 Initial Research for Intermodal Model (Task B.3)

This task was started during the May visit of the intermodal team, following initial research by the Team Leader in April. It has been decided to write a brief paper on the future of domestic (i.e. within the CIS) intermodal transport to assess the advantages and disadvantages of developing the concept. The team has noted that the development plans at Liski terminal include both container and rail-wagon facilities apparently targeted towards the same traffic – it is unlikely that both will be successful. During June the Transport Economist will be holding a series of meetings in Odessa and Kiev to assess the demand and future trends for both intermodal and traditional rail-wagon traffic.

5.4 Supporting Documents

In accordance with the TACIS Guidelines, these tables follow this section:

- Project Interim Report for the period
- Resource Utilisation Report
- Output Performance Report.

The Resource Utilisation report gives the utilization of resources up till the end of April, as the reporting period runs till the end of May, but the Contractor's financial reporting system runs till the middle of each calendar month. The resources utilization report expresses the consumption of the Incidental Expenses Budget in Terms of percentage utilization of the lump sums agreed as there are no unit measurements in the approved budget



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PROJECT INTERIM REPORT

Project title : Feasibility for the Improvement of Road and Rail crossings between Moldova and Ukraine, and upgrading of the multimodal terminals in Moldova and Ukraine	Project number : EuropeAid/113199/C/SV/Multi, 27530	Country : Moldova, Ukraine	Page :1
Planning period : 23/12/2002- 23/12/2003	Prepared on : Mach 2003	Contractor : Eurecna CNA Veneto International Services	

Project objectives :
Overall objective(s): Support to the region to improve the freight transport facilities by road and rail through a reduction in cross-border travel time and by the development of multimodal terminal facilities within the framework of the TEN and TRACECA corridors
Specific objective(s): Prepare conditions for upgrading selected border-crossings and multimodal terminals in order to improve freight flows between Moldova and Ukraine, and to foster intermodal traffic, by the preparation of bankable studies to encourage investment

No	ACTIVITIES IMPLEMENTED	TIME FRAME					INPUTS(23/12/02-01/05/03)								
		January	February	March	April	May	PERSONNEL INTERNATIONAL		PERSONNEL		EQUIPMENT AND MATERIAL		OTHER		
							Planned	Utilised	Planned	Utilised	Planned	Utilised	Planned	Utilised	
A 1.1/A1.2	Catalogue international rail and road crossing points, collect technical documentation on crossing points						1. 75 days	69 days	4. 240 days	243 days		52.41%			
A1.4	Site visits to all points						2. 170 days	163 days					1. 25.89%		
A1.5	Classification of Points and descriptive reports						3. 32 days	31 days					2. 28.80%		
A1.6	Feeding data into database												3. 0.00%		
A2.2	Database delivery and recommendations formulation												4. 0.04%		
A2.3	Advise the Steering Committee and supply additional info on request												5. 0.00%		
B1.1	Site visits to 4 terminals												6. 5.07%		
B1.2/1.4	Preparation of report and classification of terminals, Preliminary study for intermodal terminals submitted														
B2.1	Desk research of available data and models														
B3.1	Initial research for intermodal modal														
		TOTAL													



**Moldova/Ukraine Border Crossings and Multimodal Terminals
(Europe Aid/113199/c/SV/Multi-4)**

This project is funded by
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RESOURCE UTILISATION REPORT

Project title : Feasibility for the Improvement of Road and Rail crossings between Moldova and Ukraine, and upgrading of the multimodal terminals in Moldova and Ukraine		Project number: EuropeAid/113199/C/SV/Multi, 27530		Country : Moldova, Ukraine		Page :1	
Planning period : 23/12/2002- 01/05/2003		Prepared on : 25/05/03		Contractor : Eurecna CNA Veneto International Services			
Project objectives :							
Overall objective(s): Support to the region to improve the freight transport facilities by road and rail through a reduction in cross-border travel time and by the development of multimodal terminal facilities within the framework of the TEN and TRACECA corridors							
Specific objective(s): Prepare conditions for upgrading selected border-crossings and multimodal terminals in order to improve freight flows between Moldova and Ukraine, and to foster intermodal traffic, by the preparation of bankable studies to encourage investment							
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER		
PERSONNEL							
1.Team Leader	220 days	75 days	69 days	69 days	151 days		
2.Long Term International Experts	440 days	170 days	163 days	163 days	277 days		
3. Short Term International Experts	374 days	32 days	31 days	31 days	373 days		
4. Local Experts	939 days	240 days	243 days	243 days	296 days		
Sub-total	1973 days		506 days	506 days	1467 days		
EQUIPMENT AND MATERIAL				52.41%	47.59%		
Sub-total							
OTHER INPUTS							
1.Office and Local expenditure				25.89%	74.11%		
2.Travel Costs and Per Diem				28.80%	71.20%		
3Studies, Interviews and Surveys				0.00%	100.00%		
4.Partnership Activities				0.04%	99.96%		
5.Seminars, Workshops and Training				0.00%	100.00%		
6.Publications, Marketing				5.07%	94.93%		
Sub-total							
TOTAL							



Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

This project is funded by
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OUTPUT PERFORMANCE REPORT

Project title : Feasibility for the Improvement of Road and Rail crossings between Moldova and Ukraine, and upgrading of the multimodal terminals in Moldova and Ukraine		Project nr : EuropeAid/113199/C/SV/Multi, 27530		Country : Moldova, Ukraine		Page :1	
Prepared on : 25/05/03				Contractor: Eurecna CNA Veneto International Services			
Output number	Output results	Deviation original plan + or - %	Reason for deviation		Comment on constraints & assumptions		
A.1	Incomplete	-20%	Volume of information to be formatted and translated, and entered to Database		Will be completed by end of June		
A.2	Complete	Nil					
B.1	Ongoing	Nil	Awaiting further information from Ukraine		Data for completion by end of June. Vinnitsa terminal cancelled by Beneficiaries Completion by mid June. Does not affect recommendation for Phase2		
B.2	Nearly completed Postponed till Phase 2	-10%					
B.3							



6. Project Planning for the Next Reporting Period

6.1 Introduction

In this Chapter we describe in greater detail the project planning for the next reporting period, which runs from 01.06.03 - 31.08.03. This covers the period between the first and second Progress reports. As agreed with the EC Delegations, Monthly Summaries of Activities will continue to be produced against which progress can be measured, and these will be issued at the end of June and July.

This Chapter divides the activities into:

- Project Management Activities
- Module A activities
- Module B activities.

6.2 Project Management Activities

6.2.1 Study Visits

The most significant Project Management activity will be the completion of the Study visits to Italy and Slovenia during the first half of June. The basic programme for these visits has been outlined in Chapter 5.2.4 above. Delegates will come from all the beneficiaries, and the interpretation for the visits will be provided by locally-employed staff from the project office in Chisinau. This ensures that:

- The interpreters are already well aware of the project technical details
- Interpretation services are available in the evenings/weekend periods at no additional cost
- The interpreters already know many of the delegates
- There is an additional transfer of skills and knowledge to the beneficiary countries.

The team will spend the first part of the visit in Italy, and the second part of the visit in Slovenia. Delegates will be encouraged to participate interactively throughout the visit, and there will be adequate time for Question & Answer sessions on each visit. At the end of the Study Visits the Beneficiaries will be asked to comment to the Contractor on:

- The relevance of the meetings and tours to the project
- The lessons learnt from the visit
- Possible improvements for future study visits

6.2.2 Project Steering Committee

The second Project Steering Committee meeting is scheduled for the third week in August, and will be held in Kiev. The principle items on the agenda will be project progress to date, a discussion of the contents of the second Progress report, and the arrangements for a proposed Transport Infrastructure Investment workshop to be held in September October, and to which all the Beneficiaries, and other government and private sector parties will be invited.

In order to maximize the benefits and make best use of the considerable resources in time that the joint 2-country PSC meetings require, we intend to combine the PSC meeting with some additional "Project Partnership" activities. The content will be decided on during July, but may include:

- Visit to Liski terminal
- Bi-lateral meetings for Customs and Border Guards departments
- Visit to railway facilities



6.3 Module A Activities

6.3.1 Completion of BC database (Task A.1.7)

The translation and formatting of the description of the BC points is currently ongoing and expected to be completed by the end of June. This will then be issued as Appendix G to this report.

The computerised database will also be completed, and the arrangements made for the 1-day training course to teach selected staff from the Beneficiaries – primarily the Customs department – how to use it. The training will be designed as a “Train the trainers” exercise, so that it can be cascaded down through the beneficiary organizations. Courses will be held in Chisinau and Kiev.

6.3.2 Sub-contracted surveys (Task A.3)

As outlined in the IR, much of the preliminary survey work for the engineering tasks will be sub-contracted to competent local companies. As soon as the recommendations have been approved by the Beneficiaries and the EU, tenders will be issued and evaluated in accordance with TACIS procedures for:

- Topographical surveys for the selected sites, including the production of any additional drawings required on a scale of 1:500
- Hydrological and geotechnical surveys to establish ground condition data and for input into the environmental impact analysis
- Environmental impact analysis to EU and local standards applicable to transport infrastructure projects, and covering both the construction and operational phases of the development. Particular attention will be paid to the effects of traffic disruption, increased traffic flows, socio-economic benefits to the local areas, and improved employment opportunities.

The sub-contracted surveys will be completed sequentially for both Module A and Module B, and will therefore be on-going through much of the reporting period, with the final surveys likely to be completed early-mid August. As each survey is completed, the conceptual design for each site will commence.

6.3.3 Conceptual layout and design (Task A.3)

Preparation of conceptual design documents for the approved infrastructure improvements will start as soon as approval is granted and will also continue throughout the reporting period, following further more detailed site visits to the chosen locations by both the international and local engineers.

Detailed material specifications and cost estimates will be prepared using local materials wherever possible. Where imported materials proposed, the percentage will be identified to identify the foreign exchange requirement and risk. All cost estimates will differentiate between material and labour costs.

Conceptual design and drawings will be discussed with the beneficiaries throughout the process and in liaison with both the national and local authorities who have the responsibility for approving transport infrastructure projects of this type.

All the initial conceptual designs are programmed to be completed in time for discussion with the PSC at the meeting in August and presented in the second Progress report.

6.3.4 Production of Tender documents (Task A.4)

The task of producing the tender documents will also commence during the reporting period and will be supervised by the Transport Infrastructure engineer, with support as required from the short-term experts and deputy engineer. All Tender documents will conform to standard EC procedures and will comprise:

- Formal Instructions to Tenderers
- EU contract for works - General and Special Conditions
- Technical specifications for the work
- Price schedule
- Design documents.

This task will be ongoing throughout both this and the next reporting period, and the completed documents will form a part of the Draft Final Report.



6.4 Module B activities

6.4.1 Completion of Traffic forecast (Task B.2)

This task will continue into June, with the Project Economist and the local experts concentrating on collection of the final data from Ukraine. This is expected to be completed by 23rd June. Much of the data to be collected comprises data required for the Multimodal recommendations (Task B.4); the data for the BC recommendations is essentially complete, and the provision of the additional data will not therefore compromise the recommendations that are being made in this report for Phase 2 of Module A. At the same time additional verification of data from the Ukrainian side will be carried out. The need for additional traffic surveys or selected BC points will be identified and a contract with a local supplier made if appropriate

The traffic forecasting model will be completed, together with a manual of instructions.

6.4.2 Recommendations for Phase 2 (Task B.4)

The analysis of multi-modal terminals will be completed by the end of June, together with detailed descriptive reports of the facilities at the four sites (Liski and Usatovo in Ukraine, Chisinau and Ungheni in Moldova). Further investigation of Vinnitsa terminal in Ukraine has been cancelled by the Ukraine Ministry of Transport. The reports will contain:

- General description and layout of the facilities
- Comments on the rail layouts and road and rail access
- Photographs
- Details of traffic handled
- Forecast for future development

A recommendation paper will also be written giving the Contractor's recommendation for future activities in Phase 2 of the project. It is assumed at this stage that some infrastructure development will be required, and that therefore Phase 2 will proceed according to plan following approval by the Beneficiaries and the EU.

6.4.3 Engineering designs for terminal improvements (Task B.5)

Dependant on the recommendation for multimodal terminal development and their acceptance by the Beneficiaries and the EU, work will commence in July for the selected improvements. The sub-contracted surveys for topographical, geotechnical and environmental design will follow the pattern already outlined in section 6.3.2 above. These will then be followed, commencing in August, with the conceptual designs and drawings for approval by the relevant authorities and the Beneficiaries in September. At the same time the task of drawing up tender documents to the same standards as for Module A will commence.

6.4.4 Financial and economic Analysis for Bankable documents (Task B.6)

The detailed financial and economic analysis for the selected developments for the Module A recommendations will start at the end of June and will continue throughout the period. The investment appraisals will cover 3 scenarios:

- The "Do-Nothing" option, where any investment is strictly limited to basic repair and maintenance
- Efficiency improvements to improve quality and appearance and promote joint border crossing points for passenger traffic
- Overall reform of the border crossing points and procedures and the establishment of joint border crossing points for both passenger and freight traffic.

The analysis will cover the financial costs and revenues to arrive at a FIRR, and the economic analysis will be carried out in accordance with standard practice to arrive at an EIRR. Benefits will include the reduction in vehicle and passenger time, the benefits of the time saved, environmental and socio-economic benefits, human resource benefits, improvement of national image, and other external benefits.

These analyses will form a key part of the bankable documents, and the task will be ongoing throughout the reporting period.



**Moldova/Ukraine Border Crossings and Multimodal Terminals
(Europe Aid/113199/c/SV/Multi-4)**

This project is funded by the European Union

PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work programme)

Project title : Feasibility for the Improvement of Road and Rail crossings between Moldova and Ukraine, and upgrading of the multimodal terminals in Moldova and Ukraine		Project number : EuropeAid/113199/C/SV/Multi, 27530		Country : Moldova, Ukraine		Page :1	
Planning period : 01/06/03-31/08/03		Prepared on : 25/05/03		Contractor : Eurecna CNA Veneto International Services			
Project objectives : Overall objective(s): Support to the region to improve the freight transport facilities by road and rail through a reduction in cross-border travel time and by the development of multimodal terminal facilities within the framework of the TEN and TRACECA corridors Specific objective(s): Prepare conditions for upgrading selected border-crossings and multimodal terminals in order to improve freight flows between Moldova and Ukraine, and to foster intermodal traffic, by the preparation of bankable studies to encourage investment							
No	ACTIVITIES	June	July	August	Inputs (...../months)		Other
					International	Local	
A.1	Existing Border Crossing Points analysed				1	-	(as per Incidental Expenses Budget approved by EU)
A.2	Border Crossing Points for upgrading selected	▲					
A.3	Engineering design for selected BC Points prepared				4	6	
A.4	Bankable projects for selected BC Points prepared				1	1	
A.5	Selected BC Points promoted with IFIs				5	-	
B.1	Existing terminals in the region analysed				1.5		
B.2	Forecast of freight traffic volumes in the region done				5	5	
B.3	Intermodal transport model for the region developed				1		
B.4	Recommendations on Phase 2 Activities made	▲					
B.5	Engineering designs for selected terminal improvements prepared				1	3	
B.6	Bankable projects for selected terminal improvements prepared				1	1	
Other	Study Visits				1		
				TOTAL	12.5	11.5	



APPENDIX A

Logframe



Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

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LOGFRAME MATRIX

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions (External Factors)
Overall Objectives	Support to the region to improve the freight transport facilities by road and rail and by the development of multimodal terminal facilities within the framework of the TEN and TRACECA corridors	<ul style="list-style-type: none"> Reduced travel times Improved railway operations Increased multimodal traffic Increased trade activities 	<ul style="list-style-type: none"> Customs and border guards statistics Railway operating timetables Intermodal throughputs Trade statistics 	<ul style="list-style-type: none"> Sufficient financing available Beneficiaries proceed to construction
Specific Objectives	Prepare the conditions for upgrading selected Border-crossings and multimodal terminals in order to improve freight flows between Moldova and Ukraine and foster intermodal traffic, by the preparation of bankable studies to encourage investment.	<ul style="list-style-type: none"> Completed analysis of 22 BCs and 5 MM sites Approval of selected options Adequacy of design Completeness of cost indicators Completion of bankable studies 	<ul style="list-style-type: none"> Progress Reports Delivery of MM terminal pre-feasibility study Completion of Design documents Indication of approval by national and local authorities Acceptance by IFIs and other potential investors 	<ul style="list-style-type: none"> No difficulties in the fieldwork No delays in approval of selected options Adequacy of local survey and design capacity
Outputs	<p><u>Module A</u></p> <p>1 - Analysis of BC points and selection of options for improvement 2 - Forecast of freight traffic 3 - Preparation of Engineering designs and bankable studies 4- Promotion of BC projects with selected IFIs</p> <p><u>Module B</u></p> <p>1 – Analysis of Multimodal terminals and recommendations for Phase 2 activities 2 – Forecast of freight traffic volumes 3 – Development of an Intermodal model 4 – Preparation of engineering designs and bankable studies</p>	<ul style="list-style-type: none"> Description of facilities Pre-feasibility study for MM terminals Preliminary work on Intermodal Model Adequate pre-design surveys Completeness of cost data Completed traffic forecast Design to approved standards Completeness of tender documentation Strategic plan for MM terminal development 	<ul style="list-style-type: none"> Computerized database Completed study Topographical survey Hydrological and geotechnical survey Traffic forecast model Environmental Impact Analysis Approved conceptual design Price schedule/Bill of quantities 	<ul style="list-style-type: none"> Adequate data available No major geotechnical problems Full cooperation of beneficiaries No delays in approvals
Activities	<p><u>Module A</u></p> <p>1- Site visits and collection of technical information 2 - Completion of Descriptive reports 3- Preparation and hand-over of BC database + training 4- Selection of Options for BCs and advice to PSC 5- Completion of surveys and EIAs 6- Completion of designs and Cost estimates 7- Preparation of tender documents 8- Cost Benefit, Financial and Economic Analysis 9- Preparation of summary documents, bankable studies,</p>	<p>Means</p> <p>Project Team Inputs Local Expert Inputs Sub-contracting of some activities</p> <p>(see Resource tables and Work Plan)</p>	<p>Costs</p> <p>Fee costs as per Contract Incidental Expenses (as per budget)</p>	<ul style="list-style-type: none"> Quick approval of CVs by EC Cooperation of Beneficiaries Early approval of selected options (EC and Beneficiaries)



Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

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	<p>and discussions with IFIs</p> <p><u>Module B</u></p> <ul style="list-style-type: none">1- Site visits and collection of technical information for multimodal terminals2- Forecast of freight traffic volumes3- Preparation of pre-feasibility study4- Preliminary study for Intermodal model5- Recommendation on Phase 2 activities and advice to PSC6- Completion of surveys and EIAs7- Completion of engineering designs and cost estimates8- Preparation of Tender Documents9- Cost Benefit, Financial, Economic and Risk Analysis <p><i>Note: Module B Tasks 6-9 will depend on the output of Task 5.</i></p>			
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**Moldova/Ukraine Border Crossings and Multimodal Terminals
(Europe Aid/113199/c/SV/Multi-4)**

APPENDIX B

Overall Plan of Operation



**Moldova/Ukraine Border Crossings and Multimodal Terminals
(Europe Aid/113199/c/SV/Multi-4)**

This project is funded by the European Union

OVERALL PLAN OF OPERATIONS

Project title : Feasibility for the Improvement of Road and Rail crossings between Moldova and Ukraine, and upgrading of the multimodal terminals in Moldova and Ukraine	Project number : EuropeAid/113199/C/SV/Multi, 27530	Country : Moldova, Ukraine	Page :1
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Planning period : 23/12/2002- 23/12/2003	Prepared on : Mach 2003	Contractor : Eurecna CNA Veneto International Services
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Project objectives :
Overall objective(s): Support to the region to improve the freight transport facilities by road and rail through a reduction in cross-border travel time and by the development of multimodal terminal facilities within the framework of the TEN and TRACECA corridors
Specific objective(s): Prepare conditions for upgrading selected border-crossings and multimodal terminals in order to improve freight flows between Moldova and Ukraine, and to foster intermodal traffic, by the preparation of bankable studies to encourage investment

No	MAIN ACTIVITIES	TIME FRAME												INPUTS		OTHER	
		2003												PERSONNEL(person/months)			
		1	2	3	4	5	6	7	8	9	10	11	12	International	Local		
A.1	Existing Border Crossing Points analysed																(As per Incidental Expenses Budget approved by EU)
A.2	Border Crossing Points for upgrading selected																
A.3	Engineering design for selected BC Points prepared																
A.4	Bankable projects for selected BC Points prepared																
A.5	Selected BC Points promoted with IFIs																
B.1	Existing terminals in the region analysed																
B.2	Forecast of freight traffic volumes in the region done																
B.3	Intermodal transport model for the region developed																
B.4	Recommendations on Phase 2 Activities made																
B.5	Engineering designs for selected terminal improvements prepared																
B.6	Bankable projects for selected terminal improvements prepared																
										TOTAL		37	42.68				



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**Moldova/Ukraine Border Crossings and Multimodal Terminals
(Europe Aid/113199/c/SV/Multi-4)**

APPENDIX C

Output Performance Plan



**Moldova/Ukraine Border Crossings and Multimodal Terminals
(Europe Aid/113199/c/SV/Multi-4)**

This project is funded by
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OVERALL OUTPUT PERFORMANCE PLAN

Project title : Feasibility for the Improvement of Road and Rail crossings between Moldova and Ukraine, and upgrading of the multimodal terminals in Moldova and Ukraine		Project number : EuropeAid/113199/C/SV/Multi, 27530	Country : Moldova, Ukraine	Page :1
Planning period : 23/12/2002- 23/12/2003		Prepared on : Mach 2003	Contractor : Eurecna CNA Veneto International Services	
Outputs		Agreed Objective Verifiable Indicators		Constraints and Assumptions C/A
Description	Target Date			<ul style="list-style-type: none"> • Sufficient financing available • Beneficiaries proceed to construction • No difficulties in the fieldwork • No delays in approval of selected options • Adequacy of local survey and design capacity • Adequate data available • No major geotechnical problems • Full cooperation of beneficiaries • No delays in approvals • Quick approval of CVs by EC • Cooperation of Beneficiaries • Early approval of selected options (EC and Beneficiaries)
A.1 Existing Border Crossing Points analysed	1/6/03	• Database completed and delivered		
A.2 Border Crossing Points for upgrading selected	1/6/03	• Recommendations made to Beneficiaries		
A.3 Engineering design for selected BC Points prepared	23/11/03	• Survey and Design completed • Cost data completed		
A.4 Bankable projects for selected BC Points prepared	23/11/03	• Completed Tender documentation		
A.5 Selected BC Points promoted with IFIs	23/11/03	• Advice given to Beneficiaries		
B.1 Existing terminals in the region analysed	30/6/03	• Pre-feasibility study completed		
B.2 Forecast of freight traffic volumes in the region done	23/6/03	• Traffic forecast completed		
B.3 Intermodal transport model for the region developed	23/11/03	• Strategic plan for multi-modal development issued		
B.4 Recommendations on Phase 2 Activities made	30/6/03	• Recommendation made and accepted		
B.5 Engineering designs for selected terminal improvements prepared	23/11/03	• Survey and Design completed • Cost data completed		
B.6 Bankable projects for selected terminal improvements prepare	23/11/03	• Advice given to Beneficiaries		

APPENDIX D

EBRD Financing



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Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

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Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

EBRD Financing at a Glance

1. Introduction

The European Bank for Reconstruction and Development was established in 1991 when communism was crumbling in central and Eastern Europe and ex-soviet countries needed support to nurture a new private sector in a democratic environment. Today the EBRD uses the tools of investment to help build market economies and democracies in 27 countries from central Europe to central Asia.

The EBRD is the largest single investor in central and Eastern Europe and the CIS. The Bank has committed more than €20 billion to over 800 large projects. Small projects are almost always financed through financial intermediaries. By supporting local commercial banks, micro-business banks, equity funds and leasing facilities, the EBRD has helped finance around 200,000 smaller projects.

The EBRD provides loan and equity finance, guarantees, leasing facilities and trade finance. The Bank also finances professional development through support programmes.

Every EBRD investment must

- Help move a country closer to a full market economy: the transition impact
- Take risk that supports private investors and does not crowd them out
- Apply sound banking principles

Through its investments, the EBRD promotes

- Structural and sectoral reforms
- Competition, privatisation and entrepreneurship
- Stronger financial institutions and legal systems
- Infrastructure development needed to support the private sector
- Adoption of strong corporate governance, including environmental sensitivity

Functioning as a catalyst of change, the EBRD

- Promotes co-financing and foreign direct investment
- Mobilises domestic capital
- Provides technical assistance

2. Country Specific EBRD Strategies

2.1 Moldova

The full text of EBRD's strategy for the development of Moldova can be found at <http://www.ebrd.com/about/strategy/country/moldova/moldova.pdf>

2.2 Ukraine

The full text of EBRD's strategy for the development of Ukraine can be found at <http://www.ebrd.com/about/strategy/country/ukraine/ukraine.pdf>, and the Annexes at <http://www.ebrd.com/about/strategy/country/ukraine/annexes.pdf>



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Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

3. Financing Large Projects

The EBRD finances private sector projects from €5 million - €250 million. The average amount of involvement is €25 million. The Bank takes a flexible approach and tailors solutions to the needs of private investors. The Bank finances privatisations and restructures. It also supports municipal services and the infrastructure that underpins the private sector.

3.1 EBRD funding criteria for projects from €5 million - €250 million

- The project must be located in an EBRD country of operation. These countries are Albania, Georgia, Romania, Armenia, Hungary, Russia, Azerbaijan, Kazakhstan, Serbia and Montenegro, Belarus, Kyrgyz Republic, Slovak Republic, Bosnia and Herzegovina, Latvia, Slovenia, Bulgaria, Lithuania, Tajikistan, Croatia, FYR Macedonia, Turkmenistan, Czech Republic, Moldova, Ukraine, Estonia, Poland and Uzbekistan.
- The Project must have good prospects of being profitable.
- Significant equity contributions in cash or in kind are required from the project sponsor.
- The project must benefit the local economy.
- It must satisfy EBRD's environmental standards as well as those of the host country. EBRD's environmental policy can be found at the EBRD web site at <http://www.ebrd.com/>

3.2 Project Structure

The Bank tailors solutions to client and project needs and to the specific situation of the country, region and sector. It assigns a dedicated team of specialists with expertise in project finance, the region and sector, law and environment.

- The **EBRD funds up to 35%** of the total project cost for a greenfield project or 35% of the long-term capitalisation of an established company.
- Additional funding by **sponsors and other co-financiers** is required. The EBRD may identify additional resources through its syndications programme.
- Typical private sector projects are based on at least one-third equity investment.
- Significant **equity contributions** are required from the sponsors. Sponsors should have a majority shareholding or adequate operational control. In-kind equity contributions are accepted.

3.3 Excluded sectors

The EBRD does not finance Projects from the following sectors:

- Defence-related activities
- Tobacco industry
- Substances banned by international law
- Stand-alone gambling facilities.

In addition, the Bank may not finance certain products or processes due to their environmentally harmful nature or if adverse impact cannot be adequately alleviated.



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Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

4. Financing small and medium Projects

Many projects are too small to be funded directly by the EBRD. To give entrepreneurs and small firms greater access to finance, the EBRD supports financial intermediaries, such as local commercial banks, micro-business banks, equity funds and leasing facilities.

Investment criteria are consistent with EBRD policy, but financial intermediaries make independent decisions about which small and medium enterprises (SMEs) they fund.

4.1 SME Loan Finance

For loans of over € 10 000, the contact Banks are the following:

4.1.1 For Moldova:

a. Moldova-Agroindbank S.A. (MAIB)

The EBRD has provided MAIB with a US\$ 8 million senior convertible loan in support of the Moldovan private sector and the consolidation of the banking system. The EBRD has also signed a bank-to-bank loan with a sovereign guarantee. MAIB will provide loans for projects in all sectors for a period of up to five years. The maximum loan size is US\$ 1 million. There is no minimum loan size.

Moldova-Agroindbank S.A.

9 Cosmonautilor Street

2006 Chisinau, Moldova

Contact: Mrs Natalie Vrabie, Chairwoman

Tel: +373 2 244 649

Fax: +373 2 242 454

Email: aib@maib.md

Contact: Mr Veniamin Jucenco, Assistant to Chairwoman

Tel: +373 2 227 486

Fax: +373 2 227 486

Email: aib@maib.md

Contact: Ms Svetlana Saromova, Vice Director of Commercial Loans

Tel: +373 2 220 725

Fax: +373 2 221 104

Email: aib@maib.md

Contact: Mrs Galina Grecu, Deputy Head of Treasury Operations

Tel: +373 2 241 358

Fax: +373 2 225 464

Email: aib@maib.md

Web site: www.maib.md

b. Victoria Bank

The EBRD has an equity participation and has signed a bank-to-bank loan with Victoria Bank, which will make loans to projects in all sectors for a period of up to three years. The maximum loan size is US\$ 500,000. There is no minimum loan size.

Victoria Bank

141 31 August Street

2004 Chisinau, Moldova

Contact: Mr Victor Turcanu, President

Tel: +373 2 233 065

Fax: +373 2 233 561

Email: office@victoriabank.md



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Web site: www.victoriabank.md

4.1.2 For Ukraine

a. First Ukrainian International Bank

The EBRD has signed a bank-to-bank loan with First Ukrainian International Bank, which makes medium and long-term loans to SMEs. Customers are private enterprises, although state-owned enterprises are also eligible, subject to certain defined conditions.

First Ukrainian International Bank

2A Universitetskaya Street

83000 Donetsk, Ukraine

Contact: Mr Nikolai Vinogradov, Chairman of the Management Board

Tel: +380 623 324 500

Fax: +380 623 324 700/845

Email: krivts@fuib.com

Web site: www.fuib.com

b. Ukraine SME Credit Line

The EBRD has made available a €100 million Apex line of credit for private SMEs in Ukraine. An €80 million extension was signed in May 1998 and the first tranche was released in late 2000. The loan proceeds are on-lent through qualifying private participating banks. The object is to promote private sector development by financing SMEs and by strengthening local private banks. The loan size is from US\$ 125,000 to US\$ 2.5 million, but will not be more than 70 per cent of the total project cost. The Project Monitoring Unit (PMU), an autonomous unit of the National Bank of Ukraine, was established to administer the lines of credit. Both lines include micro lending components to be disbursed to micro and small enterprises.

Project Monitoring Unit

12 Instituskaya Street, Room 9

01008 Kiev, Ukraine

Contact: Ms Nathalie Yakubenko, Head of PMU

Tel: +380 44 230 1818

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Email: pmu@bank.gov.ua

Aggiobank

10 Chervonoarmiyska Street

252004 Kiev, Ukraine

Contact: Ms Irina N Opanasenko, Head of Project Finance Division

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Contact: Ms Tatiana Y Perednya, Head of the Loans Department

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Contact: Ms Irina V Anikushina, Head of Microcredits Division

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Avalbank

4A Kutuzova Street

01011 Kiev, Ukraine

Contact: Mr Vadim M Berezovik, Head of Long-Term Project

Finance Department

Tel: +380 44 295 1633

Fax: +380 44 295 2869

Forum Bank

7 Verkhovnoy Rady Blv.

02100 Kiev, Ukraine

Contact: Mr Mykola M Tytorenko, Chief of Project Finance Unit

Tel: +380 44 559 6284

Fax: +380 44 558 7714

Email: interfax@forum.com.ua

Web site: www.forum.com.ua

Joint Stock Commercial Bank "Nadra"

15 Artema Street

04053 Kiev, Ukraine

Contact: Mr Dmytro D Myshovets, Chief of Project Finance Unit

Tel: +380 44 238 8472 / 246 5260

Fax: +380 44 246 4842

Email: myshovets@nadrabank.kiev.ua

Web site: www.nadrabank.kiev.ua

Privat Bank

50 Naberezhna Peremohy

320094 Dnipropetrovsk, Ukraine

Contact: Mr Sergey Prokofiev, Head of Foreign Investment Department

Tel: +380 562 463 333

Fax: +380 44 471 230

Email: prokofiev@cc.pbank.dp.ua

Contact: Mr Anatoliy V Grechin, Chief of Project Finance Unit

Tel: +380 562 390 418

Fax: +380 562 390 629

Email: dep_css@cc.pbank.dp.ua

Ukrgazprombank

13 Dniprovska Naberezhna

253098 Kiev, Ukraine

Contact: Mr Alexander A Kouritsyn, Member of the Board, Head of Credit Department

Tel: +380 44 558 2993

Fax: +380 44 553 2985

Email: kuritsyn@ugpb.com

Web site: www.ugpb.com

4.1.3 SME Funding requirements

The EBRD has established funding requirements for SMES in order to be eligible for applying for loans. These are the following:

- Sound business plans for establishing or expanding a company's business.
- Solid management with a proven track record.
- Products that are competitive in the marketplace.
- Information on owners/partners.
- Financial history.
- Security in the form of pledges, mortgages, etc.



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- Funds provided must be used in strict accordance with the aims stated in the original business plan.
- In line with the EBRD's mandate, banks ensure that all proposals pay due regard to environmental issues.
- Funding cannot be provided to majority state-owned companies or for government-guaranteed projects.
- In addition, equity contributions, either in existing or new business, of around 35% are often required.

5. Projects of the EBRD in Moldova

The projects executed in Moldova and Financed by EBRD are summarised below (more information at <http://www.ebrd.com/>)

No.	Project name	Sector	Date disclosed
1	Chisinau water services rehabilitation project	Infrastructure	4 Apr 97
2	Chisinau airport priority modernisation project	Transport	20 Sep 96
3	Micro Enterprise Credit (MEC) S.A.	SME finance	26 May 00
4	Micro Enterprise Credit Bank	SME finance	4 Mar 02
5	Moldova-Agroindbank – senior convertible loan	Bank lending	20 Nov 98
6	Moldova-Agroindbank credit line II	Bank lending	6 Feb 02
7	Moldovan Metallurgical Works	General industry	17 Aug 98
8	Post-privatisation power distribution loan	Power & energy	9 Nov 00
9	Power distribution equity investment	Power & energy	23 Mar 00
10	Swiss-American Micro-Enterprise Programme – Universal Bank	SME finance	30 Apr 97
11	Victoria Bank – capital increase	Bank equity	29 Apr 99
12	Victoriabank, Credit Line II	Bank lending	4 Oct 01

5. Projects of the EBRD in Ukraine

The projects executed in Ukraine and Financed by EBRD are summarised below (more information at <http://www.ebrd.com/>)

No.	Project name	Sector	Date disclosed
1	AD-Zarya	General industry	3 Nov 97
2	Air navigation system upgrading	Transport	1 Aug 97
3	Antarktika	Shipping	28 Oct 96
4	Balkan Gastransit Phase II	Natural resources	3 Aug 01
5	Bosch Service Franchisee Framework	General industry	3 Aug 01



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6	Capital increase in Kiev International Bank	Bank equity	18 Mar 99
7	Cerealia Boryspil Cereal Plant	Agribusiness	20 Mar 00
8	Cereol	Agribusiness	4 Oct 01
9	Chernobyl Shelter Implementation Plan	Nuclear safety	20 Jan 98
10	Consumers Sklo Zorya	General industry	12 Feb 03
11	Dniepropetrovsk Oil Extraction Plant	Agribusiness	11 Aug 97
12	DOEP (Amended)	Agribusiness	29 Apr 99
13	Eastern Ukraine Post Privatisation Fund	Equity funds	20 Oct 97
14	Equity investment in BNP-Dresdner Ukraine	Bank equity	17 Oct 97
15	Equity investment and term loan to Bank "Ukraina"	Bank equity and lending	5 Nov 96
16	Fuel Purchase Loan Facility	Power & energy	4 Sep 00
17	Gas meter financing project	Natural resources	15 Nov 96
18	Gostomel glass factory - Phase I	Agribusiness	7 Nov 01
19	ISTIL (Ukraine) working capital revolving credit facility	General industry	1 Aug 01
20	Iveco Ukraine	General industry	20 Sep 99
21	Kharkiv solid waste management project	Infrastructure	14 Apr 00
22	Kherson Municipal Utility Development Project	Infrastructure	28 Sep 01
23	Khmelnitsky 2 and Rivne 4 (K2R4) completion project	Power & energy	6 Aug 98
24	Kiev hotel and business centre	Property & tourism	7 Nov 01
25	Krivoy Rog Power Plant rehabilitation	Power & energy	8 Apr 97
26	Kvazar-Micro Corporation	General industry	25 Oct 02
27	Kyiv district heating rehabilitation	District heating	1 Aug 97
28	Kyivstar GSM900	Telecommunications	26 Aug 99
29	Local Private Sector Framework	General industry	3 Oct 02
30	Lviv	Power & energy	28 Aug 97
31	Malteurop	Agribusiness	30 May 02
32	Mariupol Municipal Utility Development Project	Infrastructure	28 Sep 01
33	Micro, small and medium-sized enterprise line of credit for Ukraine	Bank lending	10 Mar 98
34	Multi-bank equity financing facility for Ukrainian banks	Bank equity	4 Aug 97
35	OAO Slavutich	Agribusiness	22 Nov 01
36	Obolon Brewery	Agribusiness	8 Oct 97
37	Procter & Gamble	General industry	9 Oct 98
38	Radisson SAS Kiev Hotel	Property & tourism	10 Nov 98
39	Raiffeisenbank Ukraine subordinated loan facility	Bank lending	8 Nov 02



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40	Railway commercialisation and track management project	Transport	18 Feb 98
41	Railway commercialisation and track management project	Transport	22 Feb 99
42	Rehabilitation of M06 highway and reform of road sector financing	Transport	4 Aug 00
43	Second Ukraine Railways Development Project	Transport	4 Feb 03
44	Southern Ukraine Post Privatisation Fund	Equity funds	8 Oct 97
45	Starobeshevo power modernisation project	Power & energy	15 Oct 96
46	Subordinated debt facility to Raiffeisen Bank Ukraine	Bank lending	24 Jan 00
47	Svitoch confectionery	Agribusiness	28 Oct 96
48	Toepfer	Agribusiness	5 Apr 02
49	Ukraine Enterprise Support Facility	Bank lending	12 Jun 00
50	Ukraine International Airlines	Transport	6 Nov 00
51	Ukraine Municipal Utilities Development Programme	Infrastructure	22 Aug 01
52	Ukraine Microcredit Bank (UMB)	SME finance	18 Nov 99
53	Ukrainian energy service company	Energy efficiency	16 Apr 97
54	Ukrichflot III	Shipping	31 Jan 03
55	Ukrichflot	Shipping	4 Aug 00
56	Yuzhny	Transport	19 Jun 97
57	Zaporizhzhia water utility development and investment programme	Infrastructure	23 Jul 97



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APPENDIX E

Module A – Phase 2 Recommendations



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Moldova/Ukraine Border Crossings and Multimodal Terminals (Europe Aid/113199/c/SV/Multi-4)

Module A – Phase 2 Recommendations

1. Introduction

The provision of recommendations for the improvement of infrastructure at the BC points is the key task for Phase 1 of the project. This paper makes those recommendations, and is structured into the following sections:

- Current situation
- Overall strategy
- Specific recommendations

In accordance with the Terms of reference the beneficiaries and the EU are required to approve these recommendations in order for the Contractor to proceed to Phase 2.

2. Current Situation

2.1 Background

The current border between Ukraine and Moldova came into existence some 13 years ago on the break-up of the former Soviet Union. Unlike Moldova's western border, which follows the natural feature of the river Prut, the border with Ukraine is largely an artificial line on the map, apart from that portion in the north-east of the country which follows the river Dniester. Historically the border has changed a number of times – at one time in its history Moldova stretched well into what is now western Ukraine, and down to the Black Sea.

A long and narrow strip of territory east of the river Dniester was subsumed into Moldova under the FSU, and is now the self-proclaimed independent territory of Trans-Dniestria. The key transport corridors between the two countries connect up the principal commercial and industrial cities of the region – Kiev, Odessa and Chisinau, passing through Trans-Dniestria. A detailed study of BCs involving Trans-Dniestria has already been excluded from the project. There are effectively no Moldovan Border or Customs control points on the western side of Trans-Dniestria, and unofficial and illegal traffic in both directions is believed to be widespread, resulting in a substantial loss of tax revenue, and decreased national security.

The definitive list of BC points was established in the Inception Report, and is as per the table below.

Road Crossings

Name of crossing point	Category
1. Kriva - Mamaliga	International
2. Larga - Kelmentsi	International
3. Bricheni - Rossoshani	International
4. Oknitsa - Sokiriani	International
5. Otaci - Mogilev - Podolsk	International
6. Hristovaia - Bolgan	International
7. Goianul Nou - Platonovo	International
8. Pervomaisk - Kuchurgan	International
9. Palanka – Maiaki - Udobnoe	International
10. Tudora - Starokazacie	International
11. Mirnoe - Tabaki	International
12. Vulcaneshti - Vinogradovka	International
13. Giurgiuleshti - Reni	International

Railway Crossings

Name of crossing point	Category
1. Kriva - Mamaliga	International



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2. Larga - Kelmentisi	International
3. Oknitsa - Sokiriani	International
4. Volchinets – Mogilev - Podolsk	International
5. Kobasna - Timkovo	International
6. Novosavitskoe - Kuchurgan	International
7. Basarabeaska - Serpnevo 1	International
8. Giurgiuleshti - Reni	International
Ferry Crossing	
Name of the crossing point	
Kosautsi - Iampoli	International

Table 2.1 List of Border Crossings

2.2 Rail Border Crossings

The rail network in both countries formed part of the much greater railway network of the FSU. Railway corridors are largely decided by the topography of the land they pass through, and the existing railway alignments in Moldova take no account of the existing land border with Ukraine. Figure 1 overleaf shows the existing railway network and the Railway BCs. In both the north-west and south of Moldova, the rail alignment crosses the border between the two countries intermittently. In places where this occurs, subsidiary agreements have been made between the two countries to limit the number of control points; this operation generally works well, although some doubts about security have been raised. The vast majority of rail traffic (90%) passes through Kuchurgan, and into Moldova via Trans-Dniestria. Because rail traffic is essential "non-divertible", rail traffic, unlike road traffic, can be controlled on both sides of the border.

Under the FSU rail played the major role in the transport of freight. The railways had their own Ministry in Moscow, and although the component Republics had their own railway companies and organization, the whole operated as a unified, centrally-planned and coherent whole. There is therefore a long history of close cooperation between the individual countries, who operate to the same standards and technical system throughout the CIS. This unified operation has continued, and there remains close cooperation between Moldovan and Ukrainian railways at the operational level.

The FSU historically made substantial investments in railway infrastructure. Although maintenance of track and rolling stock may have been underfunded since the break-up of the FSU, the basic infrastructure at the key border crossings remains in place, and is more than adequate to handle both the current and forecast traffic. No substantial investments are therefore proposed.

2.3 Road Border Crossings

The international road crossings, on the other hand, have been distributed along the various principal roads that lead between the two countries without any clear definition of the key transport corridors. The result is that they are sometimes situated in illogical places, and some of them carry very little traffic.

The key corridors to Odessa and Kiev have no control points on the Moldovan side, although statistics from the Ukrainian side suggest that 50% of the road freight traffic passing to/from Moldova (including Trans-Dniestria) pass along these road corridors.

When the road BCs were set up, they were arranged in the traditional two-sided manner. Each country owns and maintains its own BC on its own territory, with the consequent duplication of all the facilities. This is the typical type of BC seen in the developing world and common throughout Africa (including South Africa) and the Middle East. The distance between the two control points varies considerably from BC to BC. Where the border runs down the median point of a river, there is some logic in erecting this type of crossing. Where the BC is situated on a land border there is no logic, and such crossing points have largely been dictated by a desire for national territorial integrity rather than by considerations of commercial effectiveness.

Duplication of facilities has also meant that the two countries have made different investments in different places, according to the national importance they place on the BC. At some points there are better



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facilities on one side, and at other points on the other side; at some points investments have been made in road access on one side, but not the other; there is a BC bridge with no road connection on the Moldovan side.

Duplication of facilities has also meant that there are 26 BC points to operate and maintain; given the budget constraints in both countries, this has meant that some (but not all) BC points have been poorly built, poorly maintained, or inadequately supplied with utilities for both staff and customers.

The detailed analysis of the road BCs has shown that:

- There is no overall strategy to decide how many international BCs there should be, or where they should be located
- Although there is some ongoing investment in new structures, there is no real strategy to decide this either
- Road access is in many cases problematic, including degraded roads or severe gradients
- There has been little attempt to coordinate the activities of each side of the crossing point
- There are a number of un-used investments (particularly shops)
- In some cases buildings clearly intended to be temporary have become effectively permanent
- Some BC points are located in inappropriate positions, such as town centres, or on inappropriate ground
- There is a general lack of facilities for staff and customers
- All the BCs have been set up on a "park and walk" basis – i.e. the drivers park their vehicles, and walk around the various offices to complete their paperwork, rather than proceeding to booths
- The lack of computers on the Moldovan side is a serious constraint to efficient operation
- The BCs generally present a poor image of both countries in both their external appearance and their efficiency in processing vehicles
- There is a widespread perception that there is corruption in their operation.

However there is a more fundamental problem common to both sides of each BC. Most of the delays currently experienced by both passenger and freight traffic appear to be caused by lack of process rather than lack of infrastructure. Delays to freight vehicles commonly exceed 5-6 hours, and delays to cars usually exceed half an hour for holders on non-CIS passports. Although the latter may be partly explained by the lack of computer facilities on the Moldovan side, it is difficult to understand why a procedure which takes less than one minute at a busy airport should take 15 – 20 minutes on average at a quiet road BC.

The whole issue of process is the subject of other projects. This project is liaising with the other project leaders to ensure that whilst the work is not duplicated, their long-term proposals are taken into account when making this project's recommendations. In particular we note the recent agreement from the World Bank to provide some funding for computers in Moldova.



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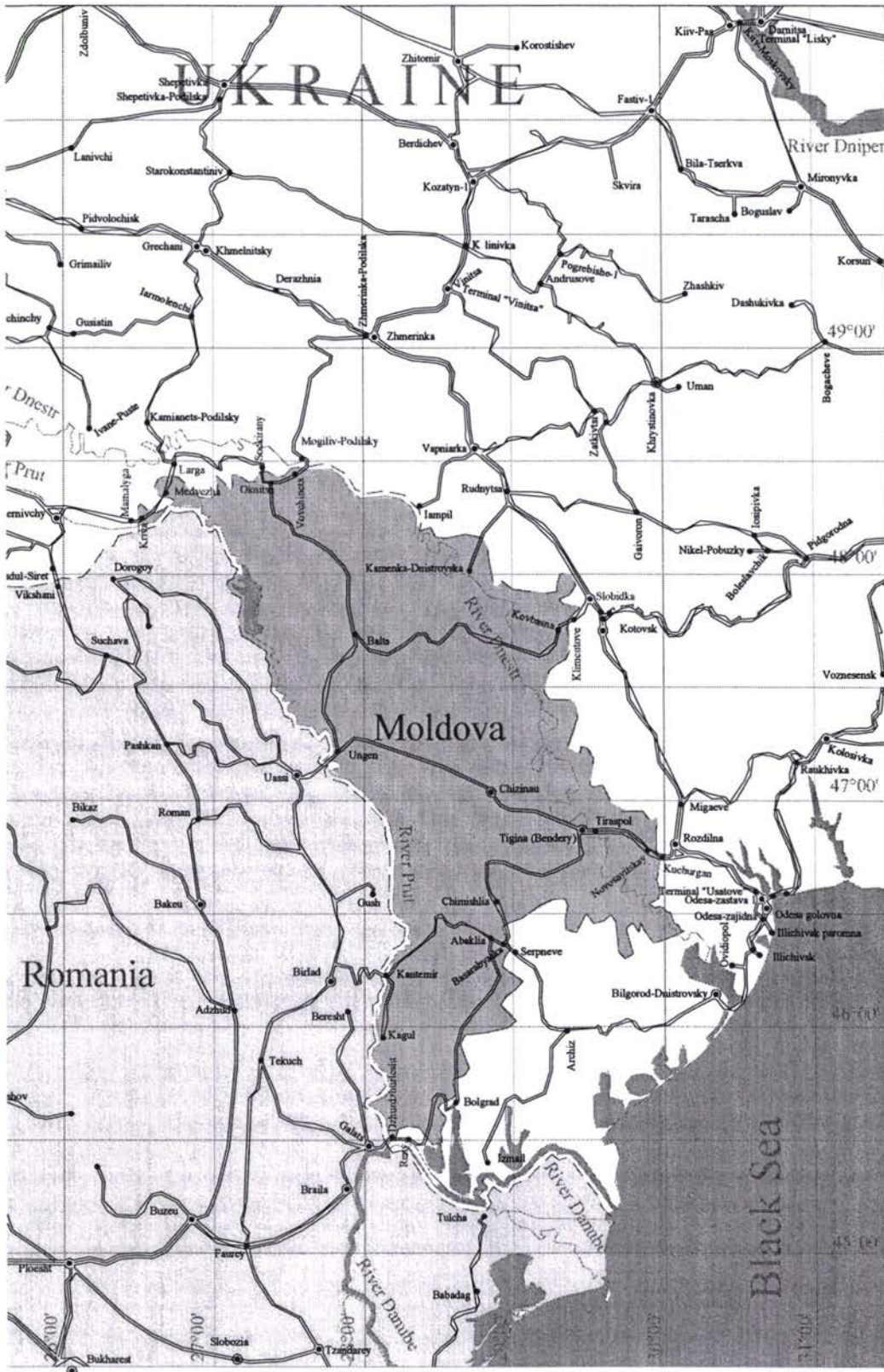


Figure 1- Railway Network



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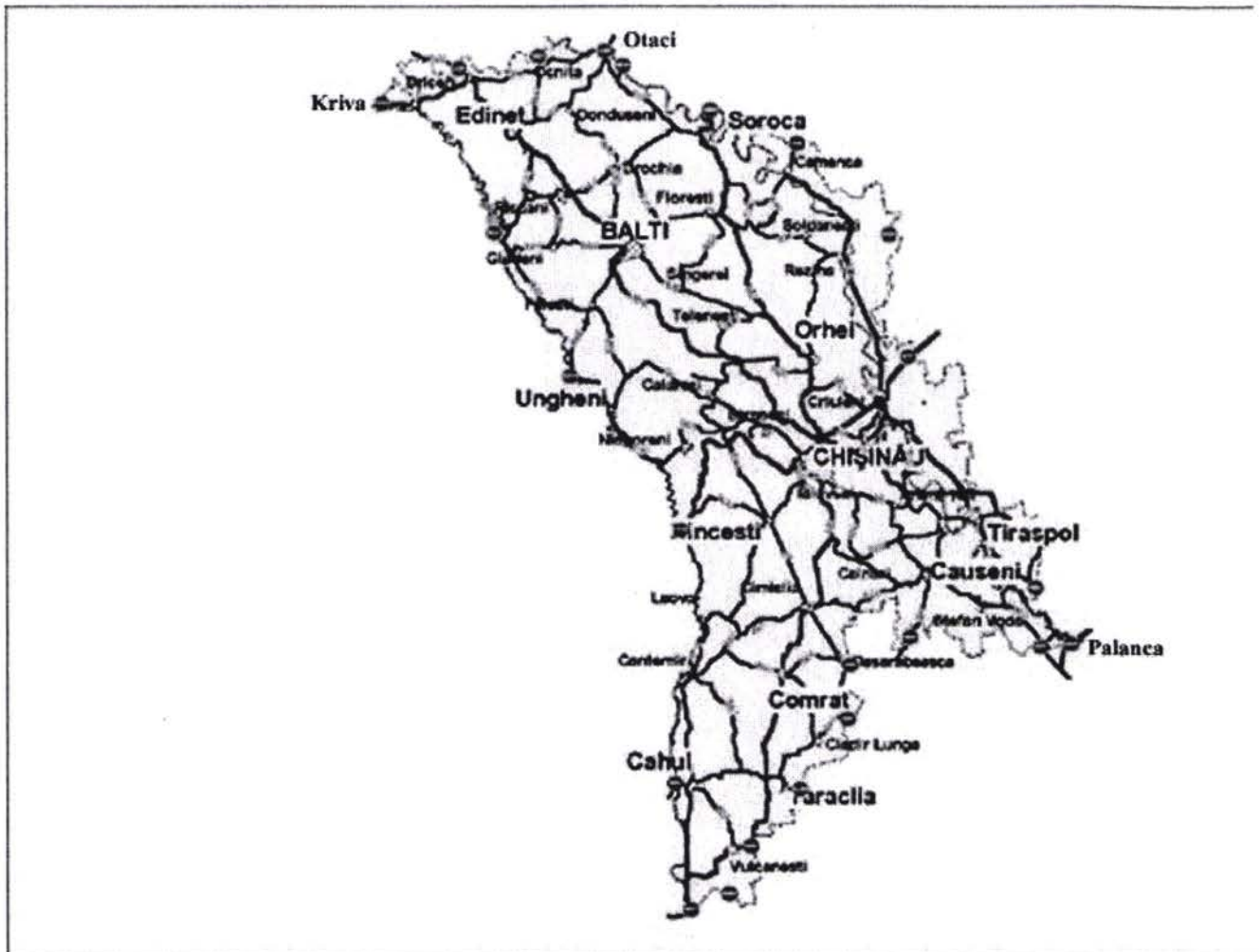


Figure 2 – Road Crossings

3. Recommendations

Our recommendations for Phase 2 are divided into two overall strategic proposals (section 3.1), and to more detailed technical improvements (section 3.2).

3.1.1 Overall Strategy – Joint Crossings

The overall strategic objective of the Beneficiaries should be to develop joint BCs along the lines of those now common in Central Europe. We note that at the PSC the Ukrainian Beneficiaries advised that they already had joint BCs with Poland and Russia, and that vehicle transit times had improved considerably. There are a number of benefits to such a development, and these may be summarized as follows:

- Such BCs meet international best practice standards and are the norm in developed countries
- They are also the standard practice within the EU (where applicable) and between the EU and its neighbours. Both beneficiary countries aspire to EU membership.
- The number of BC facilities is halved
- Joint operation will act as an incentive to speed up the processing time, as vehicles will no longer have any “no man’s land” in which to queue up
- Joint working facilities will encourage closer communication between staff, which will have spin-off benefits in terms of greater cooperation in security and fraud prevention.



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- Communication systems and computer networks can be more easily linked up
- Operating and maintenance costs are reduced in the long term.
- The higher initial investment cost will be offset by lower operating costs
- Staff can be trained together rather than separately
- A much better image is presented to the outside world.

We therefore recommend that in Phase 2 the design for at least one joint BC should be undertaken.

3.1.2 Overall Strategy – Rationalisation

As described in section 2.3 above, some of the international BCs are very close together (Tudora and Palanca, for example). We therefore propose that in Phase 2 consideration should be given to some rationalization of the overall number of BC points. There are both advantages and disadvantages in reducing the number of points. The advantages may be:

- Better control of fewer points, allowing Customs staff to be concentrated. This can lead to greater security and the better prevention of fraud.
- Better productivity of Border Guards for the same reason, preventing illegal immigration
- Reduced operating costs, as some international BCs could revert to “domestic” crossings, which require less staff and often operate for less than 24 hours per day.
- Increased benefits to certain regions through increased economic activity

The disadvantages may be:

- The effect on the overall roads policy of the two countries, as truck traffic may be more concentrated on specific corridors
- Economic disbenefits due to longer journey distances
- Reduction in labour mobility between the two countries
- Higher investment costs (although at fewer locations)
- Adverse effect on micro-businesses, particularly local cross-border trading
- Decreased benefits to certain regions through loss of economic activity.

We have selected three specific location for detailed technical improvement (see section 3.2.1 below), and ***we recommend that the Phase 2 designs for these locations should include a review of the options for rationalisation.***

3.2.1 Selection Criteria

The criteria for the selection of specific locations for improvement were identified in the IR and included traffic volumes, needs, and benefits.

The traffic statistics for the 11 road BCs outside Trans-Dniestra (but including the ferry crossing at Kosautsi-Ianpoli) are given in Table 3.1 below. These figures have been weighted to reflect the nature of the traffic (trucks, buses and cars). The weighted figures are given in table 3.2. The BCs have then been ranked in order of volume (Table 3.3)

Moldova	Otaci	Oknitsa	Kriva	Bricheni	Larga	Kosautsi	Palanca	Tudora	Mirnoe	Giurgiuleshti	Vulcaneshti
Ukraine	Mogilev-Podolsk	Sokiriani	Mamaliga	Rossoshani	Kelmentsi	Iampoli	Maiaki-Udobnoe	Starokazacie	Tabaki	Reni	Vinogradovka
Location	north						south				
Pax in '000	1 144	45	294	64	18	155	964	242	149	178	211
Buses	3 044	85	9 004	962	43	na	18 720	5 956	3 848	3 966	5 211
Cars	138 540	10 273	35 823	17 866	5 994	11 960	370 146	45 480	26 468	35 806	35 754
Trucks	20 789	1 756	10 349	4 574	3 457	1 465	20 926	5 768	1 875	1 795	835

Note: Data are average of Moldovan and Ukrainian figures

Table 3.1 Average traffic through Moldovan and Ukrainian Borders (year 2002)

In order to arrive at a more accurate definition of the workload and impact at each BC, these figures have been weighted to produce Table 3.2 below.

Moldova	Otaci	Oknitsa	Kriva	Bricheni	Larga	Kosautsi	Palanca	Tudora	Mirnoe	Giurgiuleshti	Vulcaneshti
Ukraine	Mogilev-Podolsk	Sokiriani	Mamaliga	Rossoshani	Kelmentsi	Iampoli	Maiaki-Udobnoe	Starokazacie	Tabaki	Reni	Vinogradovka
Location	north						south				
Buses weighted	15 218	425	45 020	4 810	215	0	93 598	29 780	19 238	19 828	26 055
Cars	138 540	10 273	35 823	17 866	5 994	11 960	370 146	45 480	26 468	35 806	35 754
Trucks weighted	207 885	17 555	103 485	45 735	34 570	14 650	209 255	57 675	18 750	17 950	8 350
Total	361 643	28 253	184 328	68 411	40 779	26 610	672 998	132 935	64 456	73 584	70 159

Note: One truck is weighted as equivalent to ten cars, one bus as five cars.

Table 3.2 Average traffic through Moldovan and Ukrainian Borders (year 2002)-weighted



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Ranking	Border Crossings	Weighed traffic flow
1	Palanca-Maiaki-Udobnoe	672,998
2	Otaci-Moghilev-Podolsk	361,643
3	Kriva-Mamaliga	184,328
4	Tudora-Stadokazacie	132,935
5	Giurgiulesti-Reni	73,584
6	Vulcanesti-Vinogradovka	70,159
7	Mirnoe- Tabaki	64,456
8	Briceni-Rossoshani	68,411
9	Larga-Kelmentsi	40,779
10	Oknita-Sokiriani	28,253
11	Kosauti-Iampoli	26,610

Table 3.3 The Moldovan / Ukrainian borders according to their traffic flows

Using these Tables we have therefore been able to rank the BCs in the project area in order of importance to the traffic flows between the two countries. This shows very clearly that the BCs at:

- Palanca-Maiaki
- Otaci-Moghilev-Podolsk
- Kriva-Mamaliga

carry the most significant volumes of traffic. The fourth most significant point is Tudora-Starokazacie, which is close to Palanca-Maiaki. On the basis of traffic flow there is an overriding case for recommending that the top three of four BCs should be those chosen for investment.

The needs analysis has shown broadly similar needs at most of the key crossing points, but has highlighted more serious problems at Palanca-Maiaki (inappropriate buildings, poor location and security risks) and at Otaci-Moghilev-Podolsk (congestion in Otaci and poor road access).

The preliminary traffic forecasts show an expected average growth of 4-5% in GDP over the next 20 years, though clearly the figures will fluctuate. The final forecasts will be given in the 2nd Progress report, but the early indications are that international traffic is expected to grow faster than GDP, and is likely to be 1-2% higher at 6-7% per year. This would indicate a doubling of traffic movements within 12 years.

We therefore recommend that Phase 2 should concentrate on the road BCs at:

- ***Palanca-Maiaki***
- ***Otaci-Moghilev Podolsk***
- ***Kriva-Mamaliga***

We also recommend that the BCs at Tudora-Starokazacie and Oknitsa-Sokiriani be included as part of the review for rationalization.

3.2.2 Palanca-Maiaki

The Palanca-Maiaka crossing provides both the principal alternative to road traffic on the Odessa to Chisinau corridor without going through Trans-Dniestria, and is also on the key traffic corridor across southern Ukraine from Odessa towards Ismail, Bolgrad and Reni.

Together with the Tudora-Starokazacie crossing it accounts for almost 50% of the total road traffic movements across the BCs in the project area.



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The existing BC has two border posts situated some 5km apart. The facilities at Maiaki are all in temporary buildings on the edge of the road with the Dniester river on one side, and marshland on the other side. The ground conditions are very poor, and there is little prospect of rebuilding with more permanent and adequate facilities. The facilities at Palanca are purpose-built.

An added complication is that the road between the border points is also a domestic road within Ukraine, although it passes through Moldovan territory. The road has been "leased" to Ukraine by agreement for a period of 99 years. The effect of this is:

- The facilities at Maiaki are totally inadequate. Those at Palanca are better, but require better utility provision and waste disposal.
- Domestic traffic remaining within Ukraine has to pass through checkpoints at each end of the stretch of road through Moldovan territory. The check-point at Maiaki therefore serves both international traffic (as a BC) and domestic traffic (as a police checkpoint) in a very restricted area
- There are serious security considerations as the domestic traffic is not security-cleared, but has access to Moldovan territory as the leased road is not fenced.

The whole arrangement is detrimental to both countries; Ukraine needs a new BC facility, and we therefore suggest that this is the ideal location to design a new joint border crossing in line with the strategic recommendations already made in section 3.1.1 above.

3.2.3 *Otaci-Mogilev Podolsk*

The region covering Otaci, Oknitsa and Kosautsi BC is the main route from Moldova to Vinnitsa and Northern Ukraine and Belarus. Previous developments to avoid heavy traffic passing through congested city centres in Otaci and Mogilev Podolsk have included agreements under the FSU to build new bridges across the river Dniester at Unguri and Kosautsi. Only the bridge at Unguri has been built, but there are no connecting roads on either side. Under the rationalization strategy outlined above, we propose to look at this area as a whole in Phase 2 to seek the best way to continue the previous development within the confines of the current economic situation and on an incremental basis, by optimizing the benefits for the minimum investment.

The possible areas for investment and improvement will therefore include:

- Road connections to the Unguri bridge to replace the existing bridge at Otaci (which is currently closed to road traffic for repairs)
- Construction of a bridge at Kosautsi-Iampoli to replace the old ferry crossing with a new bridge in a favourable topography
- Development of Oknitsa-Sokiriani to replace the Otaci crossing for international traffic
- Improved security measures at Otaci for domestic traffic

3.2.5 *Kriva-Mamaliga*

Kriva – Mamaliga is the principal road crossing from Moldova to western Ukraine, and is the main access point to Poland, Slovakia, the Baltic states and Northern Europe. It is currently lacking in basic utilities, having no water supply or any connection to mains drainage. Improvements or new structures are required for:

- Utilities provision
- Waste disposal
- Lighting and fencing
- Vehicle examination shed
- Customs storage



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In addition, the domestic road in Ukraine between Podvirne and Mamaliga passes through the BC causing delays to local traffic and disruption to BC activities. An alternative road to by-pass the BC is needed.

3.2.6 Rail BCs

Of the 8 listed rail BCs, 4 are on the northern border, 2 pass through Trans-Dniestria, and 2 are on the southern border; Basarabeaska is no longer connected on the Ukrainian side and is therefore discounted, as are the two in Trans-Dniestria. Analysis of the traffic flow data received from both railway organizations has showed that 90% of the total rail cross-border traffic passes through Kuchurgan, and 80% of that traffic goes on to leave Moldova through Giurguleshti-Reni. The BC at Giurguleshti-Reni therefore accounts for over 70% of the total rail BC traffic.

Giurguleshti also has significant importance for both countries as the gateway to Romania – an importance that will increase as Romania becomes the external border of the EU. The river port at Giurguleshti is Moldova's only outlet to the sea, and represents a considerable investment which is currently not reaching its full potential. There are plans to develop a free trade zone. The railway network is equipped with both Russian and standard gauge connections to Galati in Romania.

Improvement of the facilities for all three countries in the Giurguleshti-Reni-Galati region may lead to the area becoming a true multi-modal hub exchange point for road, rail and sea freight between the two Beneficiary countries and the EU. This is an option which will be discussed in more detail in the recommendations for Phase 2 of Module B.

In section 2.2 we listed the advantages that the historic rail BCs had over the newly-erected road BCs. Our analysis has shown that the improvement of rail facilities can best be improved by a series of selective improvements, and ***we recommend that these should be concentrated at the Giurguleshti-Reni BC.***

The improvements and investments required include:

- Access road on Moldovan side
- Water supply and waste disposal
- Administration buildings
- Rolling stock examination facilities
- Customs storage
- Improved lighting
- Inspection bridges
- Improved security.



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APPENDIX F

The Minutes of the first Project Steering Committee meeting



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PROJECT STEERING COMMITTEE MEETING No. 1

Held at Chisinau, May 22nd, 2003.

Minutes of Meeting

1. Welcome and Introduction

The delegates to the meeting were welcomed by Mr. Andrea Baldan, who introduced himself and other members of the Contractor's team

2. Project Progress Report

The project Progress report was presented by Mr Chris Haig-Prothero. The first 2 months of the project had been used to have the initial meetings in Brussels, and to establish the project offices in Chisinau and Kiev, to interview and select the local support staff, to interview the local experts for approval by the EU, and to commence the fieldwork for both Modules. These activities had been described in the Inception Report, which had been distributed to the beneficiaries at the beginning of March.

For Module A the Border Crossing analysis had now been completed. The reports were in the process of being formatted to a common standard and will be assembled to provide a complete set of data for each side of each crossing point. The results of the BC analysis would be contained in the Progress Report. The written database would be issued as an Appendix to that report, but would not be available in both Russian and English versions till the second half of June. The maximum distribution would be electronically in CD format.

The computerized database was constructed and would be demonstrated at the meeting. The next task was to enter the data from the completed reports. One-day training courses in the use of the database would be provided. The beneficiaries would be encouraged to comment on the database and to participate pro-actively in its development throughout the project.

For Module B the forecasting for the Border Crossing was largely completed; there had been some problems correlating the data from different sides of the same border point, but these would not affect the recommendations for Phase 2. The Multi-modal team has now completed their field visits to 4 terminals; it should be recorded that at the request of the Ministry of Transport of Ukraine, no further consideration would be given to Vinnitsa as a multimodal terminal. The team was still waiting for additional information from Liski company regarding their business forecasts for future growth.

Other activities had included the arrangements for the present PSC meeting, and the preparation for the Study visits to Italy and Slovenia which would take place during the first two weeks of June.

The importance of the Beneficiaries reaching a decision of the Contractor's recommendations for Phase 2 of Module A was itemized.

3. BC Database Presentation

The database constructed for the BCs was then demonstrated by Mr Roman Garstea. The database is easy to use and is accessible from any operating system, and the users will be able to print out any information. No prior knowledge of IT systems will be required to operate it, and no minimum hardware requirements will apply.



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The user can select any BC point, and the database will contain static information such as:

- Location Maps
- Physical characteristics
- Details of personnel employed
- IT facilities available

Further dynamic information will need to be added on a regular basis, including traffic and cargo data. Facilities will be available to differentiate between road and rail, between different types of freight and passenger vehicle, and between incoming and outgoing and transit traffic. Further fields may be used to categorise freight cargo into basic commodity groups.

4. *Phase 2 Recommendations*

The Phase 2 recommendations for Module A would start with a strategic recommendation that the Beneficiaries should take the long term view to move from the current system of separate sides to each border point to the operation of joint border facilities. These would meet current best international best practice in the EU, where most key BCs with states outside the Union operated in this way. Other advantages included:

- Reduced operating costs
- Reduced maintenance costs for fewer facilities with similar capital costs
- Closer cooperation, communication, and coordination between the different countries on each side of the border
- Improved security and prevention of illegal activities
- Improved transit times for traffic.

Regarding the detailed recommendations, the meeting was reminded that in the Inception report the Contractors advised that they would not be making any recommendations affecting the territory adjoining Trans-Dniestria, and that this had been accepted by both the Beneficiaries and the EU. The recommendations would therefore be concentrated on the north, south-eastern and southern border (of Moldova).

The rail crossings had already received substantial investment in improvement over a number of years, and in general terms the rail facilities were adequate for the current and predicted traffic. Some minor improvements would be recommended, and these would be concentrated on the Giurgulesti-Reni crossing for the following reasons:

- The crossing carried a substantial volume of traffic, including some 90% of the traffic passing Kuchurgan
- The crossing was a key component of Ukraine's access to the European railway system via Romania
- There were proposed developments in both riverine port and free trade zones facilities in the region
- The location also provided Moldova's access to the west via Romania.

For the road crossing points, the analysis showed that improvements would be desirable at almost all points, and the main criterion used was therefore the forecast volume of traffic. Figures in the traffic forecasts showed that the most critical BC was that at Palanca and Tudora (where there are two BCs very close together). The second and third most important were Otaci – Mogilov Podolsk, and Criva – Mamaliga. The consultants' recommendations would therefore propose these three points for more detailed study and design in Phase 2.



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In response to a number of questions, the following points were made:

- There were problems in joint BCs of differing legislation, and harmonization of technical systems
- Joint BCs do not mean loss of individual control, but rather a more efficient way of doing the same thing
- There had been progress in improving systems of both sides. The Ukrainian authorities were starting a trial in June of a speedier process for immigration control; Moldova had recently signed an agreement with the World Bank for computerization. These were significant steps forward, and the PSC was asked to keep the consultants fully informed of these and similar developments
- Ukraine operated a number of joint BC points on its borders with Poland, and these had been successful

5. Traffic Forecasting

Dr. Bauer gave a presentation to the meeting on the methodology used for the traffic forecasting. This had included both macro and micro economic analysis. Data had been collected from EBRD, IMF and World Bank reports, and from the relevant Ministries and banks. This showed an average growth rate of between 5-6%, and a BC growth rate of 7-8% per annum. Positive growth was expected for at least the next ten years, based on comparison with the economies in other CIS countries.

Detailed micro-analysis had been completed in Moldova, and was ongoing in Ukraine, including interviews with associations and key enterprises, and industrial and agricultural producers. Growth estimates were between 10-20% for the next 3 years, but a more conservative view of longer term growth should be taken, of around 8%. As there were some discrepancies in the data between the two countries, the average would be used for the forecast.

6. Investment Appraisal

Dr Bauer outlined the essential differences between financial and economic analysis. This was followed by a further series of presentations on Investment Appraisal. The importance of the "Do-nothing" option was explained – this would lead to a gradual deterioration in service, time losses, reduced vehicle movements, and possibly a reduction in tax income for governments. After 20 years the loss for Moldova alone could be 45m lei.

The Status-Quo option was for minor investments only, to maintain but not improve the existing situation. This would not cater for an expansion of trade, and would still produce negative results and annual losses to both countries.

The preferred policy was one of progressive investment, including some major capital investments at the beginning, and ongoing investments on a regular basis to upgrade computer systems. Training was an important element of the investment, and could produce substantial benefits.

Based on the initial outline investment costs identified, the EIRR could be between 15 – 20%.

There followed a discussion and questions. The principal points elicited were:

- Very short periods of negative growth would be caused by ongoing investment in IT upgrades.



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- Governments had difficulties in making long-term forecasts. The forecasts for this project must be project-specific
- The need for investment could be seen from the physical state of much of the infrastructure and the current negative image that this presented. Improvement of image was a measurable economic benefit
- A seminar/workshop would be held on infrastructure investment towards the end of the project. This should have the widest possible audience and participation from both Governments
- There were railway bottlenecks in Romania. The project team could make recommendations for improvement, but any detailed investigation was outside the scope of the project.
- Ukraine authorities would provide every assistance to finalise the data collection.

7. Any Other Business

Chris Haig-Prothero thanked the Ministry of Transport of Moldova for providing the facilities for the meeting, and advised that the next PSC meeting would be held during the second half of August in Ukraine – probably in Kiev. Mr. Baldan then thanked the members of the Steering Committee and closed the meeting.



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APPENDIX G

*Descriptive Reports of the Border Crossings
(to be issued separately)*