Annex II

Terms of Reference

ANNEX II: TERMS OF REFERENCE

Logistical Centres for Western NIS and the Caucasus

1. BACKGROUND INFORMATION 1
   1.1. Beneficiary country 1
   1.2. Contracting Authority 1
   1.3. Relevant regional countries background 1
   1.4. Current state of affairs in the beneficiary countries 2
   1.5. Related programmes and other donor activities: 10
2. OBJECTIVE, PURPOSE & EXPECTED RESULTS 11
   2.1. Overall objective 11
   2.2. Purpose 11
   2.3. Results to be achieved by the Consultant 11
3. ASSUMPTIONS & RISKS 13
   3.1. Assumptions underlying the project intervention 13
   3.2. Risks 13
4. SCOPE OF THE WORK 13
   4.1. General 13
   4.2. Specific activities 15
   4.3. Project management 21
5. LOGISTICS AND TIMING 22
   5.1. Location 22
   5.2. Commencement date & Period of execution 22
6. REQUIREMENTS 22
   6.1. Personnel 22
   6.2. Office accommodation 24
   6.3. Facilities to be provided by the Consultant 25
   6.4. Equipment 25
   6.5. Incidental expenditure 25
   6.6. Expenditure verification 26
7. REPORTS 26
   7.1. Reporting requirements 26
   7.2. Submission & approval of progress reports 27
8. MONITORING AND EVALUATION 28
   8.1. Definition of indicators 28
   8.2. Special requirements 28

1. BACKGROUND INFORMATION

1.1. Beneficiary country

The beneficiary countries are Armenia, Azerbaijan, Georgia, Moldova, and Ukraine. Bulgaria, Romania and Turkey should be associated to the project as members of the TRACECA corridor but are not considered as direct beneficiaries.

1.2. Contracting Authority

The contracting Authority will be the European Commission EuropeAid Cooperation Office in Brussels.

1.3. Relevant regional countries background

Following the dissolution of the Soviet Union, newly established Caucasian and Central Asian countries have been diversifying their political and economic ties and to some extent reorienting their external relations towards building relations with their regional neighbours.

The creation of the Organisation of Black Sea Economic Cooperation, the implementation of large-scale TRACECA *(Transport Corridor Europe-Caucasus-Asia)* programme are the signs of changes not only in economic and political geography of former Soviet Republics (Moldova, Ukraine, Caucasus and Central Asia), but also of significant geopolitical changes in the Eurasian space. This, in its turn, implies not only certain political reorientation of the states in the region, but also the transformation of regional as well as spatial structures of their economies.

Developing transport is of vital importance to all countries of the Caucasus and Central Asia regions interested in exporting or importing goods at the lowest possible cost, and for the countries seeking access to the international markets. International trade relations are not possible without transport component, as efficiently managed transport system is a prerequisite for the competitiveness of goods.

The extension of Trans-European Transport Networks to neighbouring countries is one of the objectives set out in the recent Communication of the European Commission (2007). The development of a Trans-Asian transport networks that includes the combine use of railways, roads, inland waterways, maritime and aviation through TRACECA Programme is responding to that objective.

The TRACECA Programme was launched in 1993 at conference organised by the European Commission in Brussels, which brought together trade and transport ministers of Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan and the Caucasian Republics Armenia, Azerbaijan and Georgia. The number of participating countries increased with the extension to the five Black Sea countries (Bulgaria, Moldova, Romania, Turkey and Ukraine).

The TRACECA programme corresponds to the global EU strategy towards these countries and retains the following objectives:

- Promoting optimal connection of the international transport TRACECA corridor into Pan European Corridors and Trans-European Networks (TEN-T), with the objective of merchandises' flows facilitation Stimulating the co-operation among the participating states for trade development in the region;
- Identifying factors hindering the development of trade and transport systems;
- Promoting TRACECA projects as means to attract loans from IFIs and private investors.

In order to facilitate trade and transport in the region and to integrate the Caucasus & Black Sea region countries in world's economy, it is necessary to organise the movement of non-oil cargo from Asia via the Caucasus to Europe in a more efficient manner. The recognition of priority links (rail, road, sea) and strategic intermodal logistic nodes, organised as a consistent network will serve as an important precondition for the optimisation of cargo flows (import, export, transit) and will contribute to the integration process of the local transport network and its connection to the PAN-TC.

TRACECA is by definition a multi-modal corridor and TRACECA countries are committed in the optimal development of the sound and reliable transportation chains. In the TRACECA Long-Term Strategy up to 2010, an emphasis is given to ensuring the smooth and uninterrupted flow of freight in the region, across the different modes of transport and across the different countries.

This is an ambitious objective given the complexity of multimodal chains and the wide variety of modes and actors involved in the process. This project will tackle in particular the lack of modern logistic centres/nodes and common legal ground for its integration and development, since technological connexion between these centres directly affects the development of trade and international transport (import, export and transit) in the Caucasus and Black Sea region countries.

1.4. Current state of affairs in the beneficiary countries

1.4.1. Armenia

The Government of Armenia has been able to carry out wide-ranging economic reforms that resulted in lower inflation and positive growth rates in 1995-2006. The government joined the World Trade Organisation in 2003. Continued progress will depend on the ability of the government to strengthen its macroeconomic management, including increasing revenue collection, improving the investment climate, and making strides against corruption.

The consequent closure of both the Azerbaijani and Turkish borders has devastated the economy, because of Armenia's dependence on outside supplies of energy and most raw materials. Land routes through Azerbaijan and Turkey are closed. The only possible access to the landlocked country is through Georgia or Iran. Given that these borders are closed, Armenia has made efforts to cultivate better relations with Iran as an alternative transport route and energy source. The closed borders have also placed greater importance of Armenian relations with Georgia, which provides its main road and rail access to the Black Sea and Russia.

Main consequence of this critical political situation placed Armenia out of the planned TRACECA transit corridor limiting only the corridor branch linking with Georgia. The main export/import activities are with Russia and here also due to the existing conflict between Georgia and Russia in northern part of Georgia (Abkhazia, South Ossetia and Adjara), the unique route to reach Russia is the maritime liaison from port of Poti transiting via the port of Ilyishevsk/Odessa in Ukraine. Russia is examining the future possibility to reopen the port of Kavkaz, this would reduce the transit route considerably.

The railway network is in poor condition and the Government, based on one of the World Bank recommendations is considering future concession scenario for operating the railway infrastructure, including rolling stocks and maintenance for a period of 20 years. This will impose the full restructuring of the Armenian Railway Company. The Government is also examining the construction of an alternative railway line from Sodk to Meghri (border with Iran).

The Freight Forwarding Company *"Apaven"* is playing a key role (50% of transported goods) for road container transport from Yerevan to Georgia and further transiting via Georgia using TRACECA corridors to East and West. A cargo terminal has been implemented at *Yerevan-*

Karmin Belure railway station ensuring loading/unloading of containers from railway wagons to trucks delivering the goods to the customers. Turkish trucks are authorised to deliver goods to Armenia using international TIR carnet to Georgia and on the Armenian territory they obtain a specific authorisation to enter to the country. This follows a unilateral Armenian agreement, however the Armenian transporters are not authorised to deliver goods to Turkey.

Regarding the identification of feasible logistical projects, there are opportunities in strengthening the logistics activities in Yerevan which could imply the creation or the development of more projects for rail, road and intermodal logistic areas around the capital. Some synergetic actions could be expected both from the government, the railway operator and the private sector. The degree of understanding and awareness of logistic projects is high among the different stakeholders due to the strategic importance of communications for Armenia.

1.4.2. Azerbaijan

Azerbaijan obtains a rather developed transport system, which includes rail, road, maritime transports, airlines and pipelines. The country has good neighbourly relations with Georgia and Turkey. The three countries are linked by three major projects: the Baku-Tbilisi-Ceyhan pipeline, which was inaugurated in 2005, and the Baku-Tbilisi-Kars railway project, linking Baku, Tbilisi, and northern Turkey.

The territory of the country is being crossed with road and rail networks connecting the Black Sea and the Caspian Sea basins. It is also the shortest route from Europe towards the states of the Central Asia, being the major transport junction of TRACECA corridor.

In accordance with the data per 2007 both transport enterprises and private entities, involved into the transport sphere, managed to carry out up to 167,3 million T of cargo freights. It combines 48,8% of road transportations, 16,7% of rail, 28,4% of pipelines, 6,1% - maritime transportations.

The development of transport sector in Azerbaijan is one of the essential issues, necessary for the further structural upgrading of the country's economy, as well as competitiveness increase in terms of transport services provided at the world markets, and also for the country's integration into dynamically developing international transport system.

The Azeri railways handle a significant volume of cargo and passenger transportations and have a broad railway network. The total length of the railways is 2 932 km, the operational distances take 2 117 km, 815 km of them are double-tracked lines.The length of roads is 11711 km, 9173 out of which are of national importance. The main international transport route is the link Baku- Kazakh (border with Georgia) on TRACECA corridor and Samur (border with Russia) – Baku – Astara (border with Iran) along the corridor North-East.

The strategy and priorities of the maritime development are directed to the optimum usage of the Europe-Asian transport corridor's capacities. Port of Baku is key port of the Caspian with four large terminals (cargo handling terminal, containers, ferry, and Oil terminal).

Regarding the identification of feasible logistical projects, although the country does not possess the economic structure to promote large private logistic networks and related logistic centres, some foreign investment and the support of IFI are expected for upgrading the condition of key transport nodes. Support to the development of logistic activities in several governmental projects could be considered, especially in terms of facilities for intermodal management of merchandises flows, or land preparation policies for logistic and transport related activities connected to the development of Caspian ports activities.

1.4.3. Georgia

Georgia is located as a transit corridor in the Caucasus, between Europe and the countries of Central Asia, and between Russia and the Middle East. Agriculture is the leading sector of the economy. The EU has an interest in Georgia developing in the context of a politically stable and economically prosperous southern Caucasus.

While the country was a major source of high value food products to the rest of the ex-Soviet Union, it has lost much of its traditional markets due to practically broken relation with Russia. The Northwest part of the country (Abhazia) is the region of dispute and the border crossing with Russia is closed. As the consequences the railway and road links along the Black Sea to Russia (Gagra-Sochi-Krasnodar) are not operational.

Georgia has a transport sector of high national and regional strategic importance for TRACECA network. As a key link on the Caucasus transport corridor from Central Asia to European Union, Georgia could benefit from thriving trade and transit traffic if conditions were adequate. Equally, it is potentially a prime conduit to Europe for the oil riches countries of the Caspian Sea and Central Asia.

There is no Ministry of Transport in Georgia. The key Ministry is the Ministry of Economic Development, where the Department of Transport deals with all transport related matters.

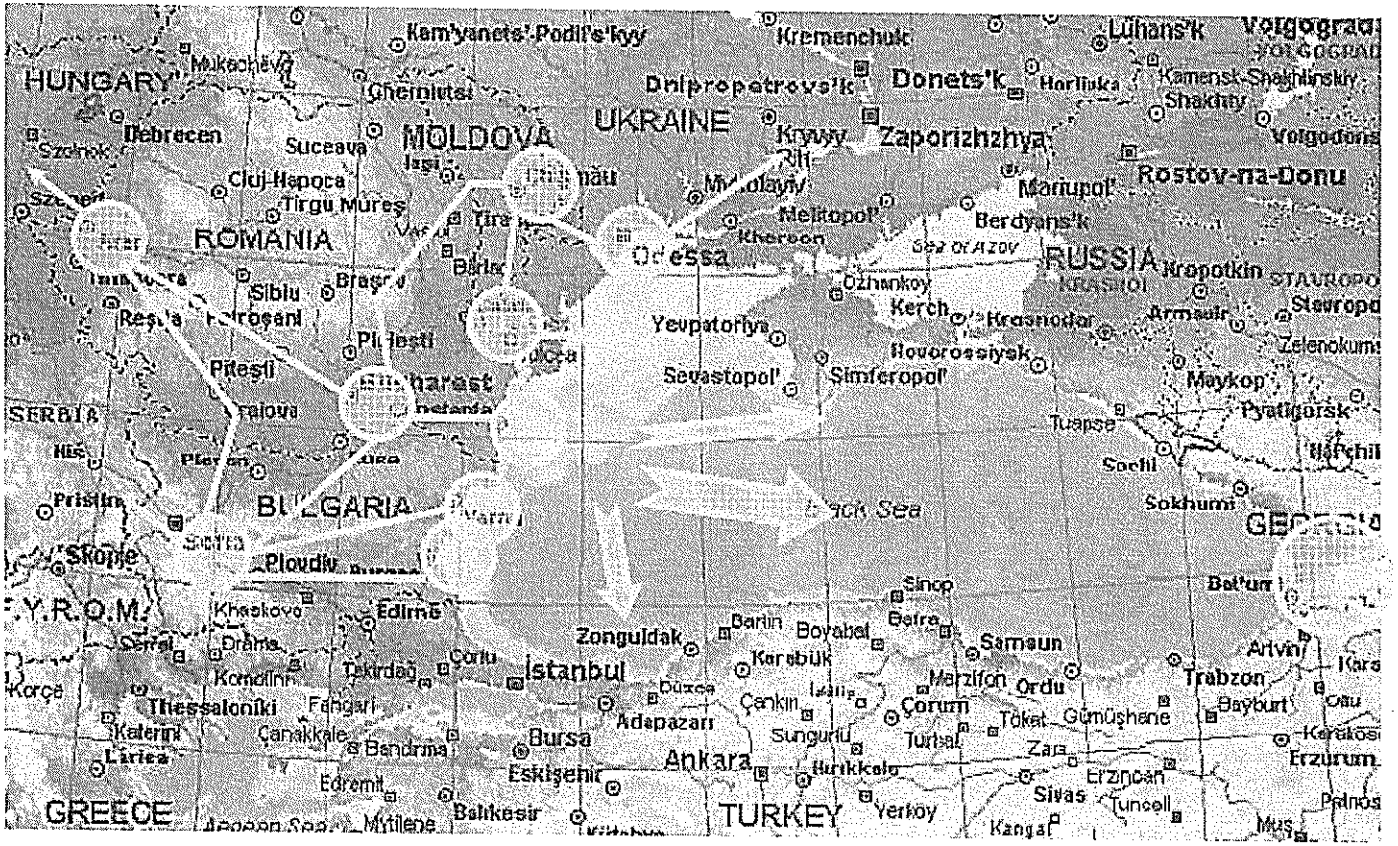
The Caucasian countries inherited from the FSU a freight transport system that favoured the rail sector. The railway was considered as the main transport system. The total length of railway network is 1575 km. Approximately 90% railway lines are electrified. The transported capacity by rail is 25 million T/yearly. However the referring to official data the transported volume was decreased in 2005 to 15 million T/yearly in favour of road transport.

The volume of transported goods by road (mainly containers) is more than double comparing to railway. The quality of road network is poor and need substantial funds for upgrading to the proper standards.

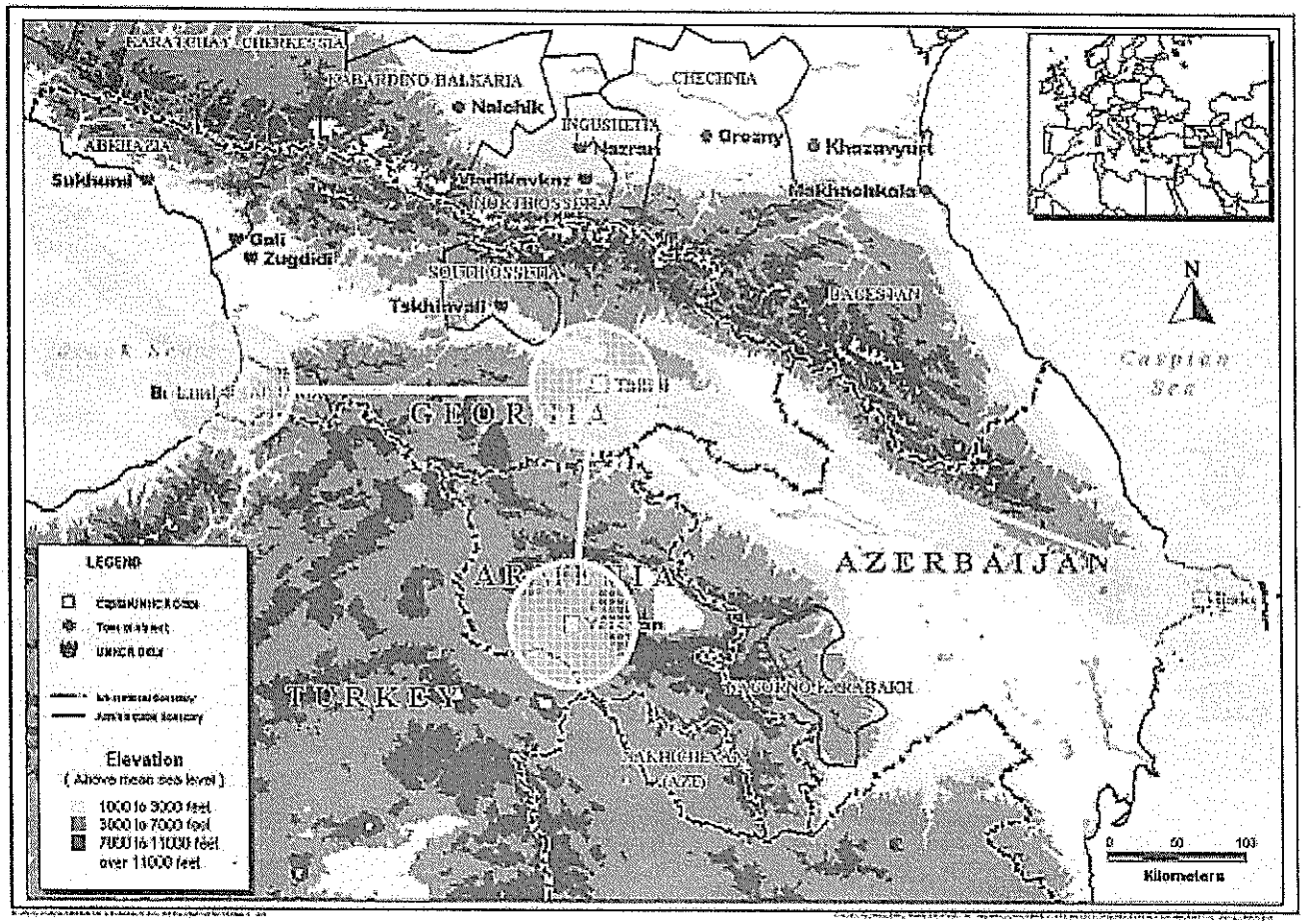
The main maritime fully operationally ports are the port Poti and Batumi. The port of Batumi is principally handling liquid cargo (oil products), while the port of Poti is handling dry and general cargo.

Regarding the identification of feasible logistical projects, the location of the country at the crossroad of the main operational transport links in Caucasus region should make possible the support of relevant and economically consistent projects for rail, road and intermodal logistic services and warehousing activities in Tbilisi region. Ports activities, logistic airport activities and rail/road terminals development could also be promoted. However, the level of economic development of the country does not enable the creation of sustainable large private logistic networks. Close coordination with the Transport department of the Ministry of Economic Development and with transport and freight forwarding associations should be ensured in order to develop a joint effort in identifying and supporting key logistical activities in the long-term.

General map, Western Bank, links and nodes of TRACECA network for logistics



General map, Caucasus region, links and nodes of TRACECA network for logistics



1.4.4. Moldova

In 2006, Moldova's economy slowed down to a growth of 4%. This weakening of growth was the result of a combined shock caused by increase in the price of Russian gas and by the closure of the Russian market to its traditional exports products, wine, fruits and vegetables.

The country's per capita real GDP is the lowest in Europe and Moldova is classified as low-income country. Moldova suffers from a high incidence of poverty, particularly in rural areas.

Moldova's economy is characterised by a large agricultural sector and is dependent on Russia and Ukraine. The country has few natural resources and is almost entirely dependent upon imports for its primary energy requirements as well as inputs for its manufacturing industries.

The total length of main paved roads in Moldova is 3400 km. The road network is very poor and needs substantial rehabilitation. Moldavian railway network has an operational length of 1140 km and is also in poor condition; however it still carries out some activities in freight transport. Road transport services are not developed and dominated by proper account transport.

Moldova linkage with the other TRACECA countries is operational but uneasy, and especially since the secession of Transnistria region, politics factors hampers the development of the main international routes through the country.

Moldavian main transport strategic objective is the improvement of roads links within the country and for the access to neighbouring countries.

Regarding the identification of feasible logistical projects, opportunities of development could be analysed in road transport and warehousing services in Chisinau. There are also projects in developing inland waterway port activities on the thin territory giving access to Danube and to Black Sea. However, until now the low level of consumption, the bad level of infrastructure and the small size of the country did not allow the development of an efficient distribution network.

1.4.5. Ukraine

Following enlargement, the EU has become Ukraine's largest trading partner accounting for about 32% of Ukraine's total trade. Ukraine is an important transit country for EU-bound oil and gas flows from Russia and the Black Sea.

The EU is the largest donor to Ukraine. Assistance provided by the European Community alone has amounted to almost € 2.5 billion since 1991. This includes assistance under the Tacis programme (national & regional, cross-border, transport and nuclear safety components) as well as macro-financial assistance.

Under the EU-Ukraine Action Plan, co-operation focuses on legislative convergence and integration of Ukraine's transport infrastructure into the European transport networks including Pan-European Transport Corridors, the Black Sea and the TRACECA corridor.

The EC is assisting Ukraine harmonisation of transport legislation with EU standards. A first key objective is that Ukraine adopts European safety standards. The 2005 EU-Ukraine Summit also saw the signing of an agreement setting out the framework for cooperation in satellite navigation.

Railway transport is controlled by State owned railway company "Ukrzaliznicya". The operational length of railways amounts to 22000 km of which 9000 km. are electrified. About 6700 millions T of goods are yearly transported by railway.

The paved road network is about 163 000 km with relatively low quality parameters. The volume of transit cargo through Ukraine in 2006 was 950 millions T.

Ukraine has 18 sea trading ports, located Black Sea, the Sea of Azov and at the mouth of Danube and Dnepr Rivers. The largest ports are Odessa, Ilichevsk, and Yuznyi. The Ilichevsk port is a crucial TRACECA node in the Northern Bank of the Black Sea

Regarding the identification of feasible logistical projects, support to strategic logistic projects and promoting the development of logistic activities in already existing projects should be considered, especially in terms of facilities for intermodal management of merchandises flows, or land preparation policies for logistic and transport related activities around the main cities or Ports.

Ukraine possesses in some sectors an interesting array of developed services of distribution due to the need of a large internal market. Private investments in logistics are attested by the presence of several international logistics providers. Ukraine developed specialized industrial logistics and developed extended logistic port services.

1.4.6. Other countries: Bulgaria, Romania, Turkey

Bulgaria

The territory of Bulgaria can be considered as a final destination in Europe or a first origin for the flows of goods transiting from European Union using the TRACECA corridor. Connections to TRACECA countries are operated mainly from the two Bulgarian ports of Varna and Burgas. The Bulgarian rail and road infrastructure system is connected to the major Pan European corridors of the Balkan area. In this respect, Bulgaria is one of the three main final nodes of the TRACECA network in the Western Bank of the Black Sea, with Romania and Ukraine.

However, Bulgarian transport system is mainly oriented to Western Europe. Exchange of goods and services is surprisingly limited with Romania in the North. Coming from the south, Bulgaria is also one of the transit country connecting Greece and Turkey to Western Europe.

The major transport axes passing through the territory of Bulgaria is South Eastern Axis, which links the EU through the Balkans and Turkey to the Caucasus and the Caspian Sea. The main multimodal routes, passing through the territory of the country are:

- PAN-TC X – Branch C, connecting Belgrad, Nis, Sofia, and then along the permanent way of the PAN-TC IV – Istanbul and TRACECA countries.
- PAN-TC VIII, which starts its permanent way from the Bari/Brindizi Ports and passes through Durres/Vlora , Tirana, Skopje, Sofia, Bourgas/Varna;
- PAN-TC VII of the Danube River.

The motorways in the Black Sea and the connection of the Black Sea with the Mediterranean Sea are identified as main Motorways of the Sea. The two ports of Varna and Burgas insure the connections to the Black Sea ports in Ukraine, Russia, Georgia and Turkey.

Regarding the identification of feasible logistical projects, the Bulgarian Government launched an ambitious policy for the development of logistic nodes, from the modernization of rail roads terminals, the development of Port activities (along the Danube river and along the Black Sea coast), including a project of Freight Village in Sofia. These projects were subjects to feasibility studies and are expected to be financed with the assistance of CF-ERDF funding, State Budget and the participation of international financial institutions.

Although Bulgaria should not need a specific technical assistance from TACIS-TRACECA programme to develop these projects, the Consultant will pay special attention to inform the Bulgarian authorities of the completion of the different steps of the project and to include the Bulgarian centres in the network of reference centres.

Romania

Romania is with Bulgaria the main Entrance / exit of the TRACECA network and one of the gateway both for European networks and sea connection to Caucasus.

Romania lies at crossroads in Europe and is easy to reach from any cardinal point, by trans-European railways and roads, by air or on waterways considering that the 1,075 km of the Danube are on the Romanian territory and the 248 km on the coastline of the Black Sea.

Romania's territory is over crossed from North to South and from West to East by three Pan - European Transport corridor from which two are rail/road (corridors IV & IX) and one is the Danube River waterway (corridor VII), which now became parts of Trans European Network.

The length of the Romanian railway network is about 11 000 km, out of which 2 400 km are double electrified lines.

Although the infrastructure network is still globally in bad condition, EU CF-ERDF funding, State Budget and the participation of international financial institutions are programmed for the renewal of the main transport links.

The port of Constanta is one of the main entrances of European territory across Black sea and insures the connections to Ukraine, Russia, Georgia and Turkey using TRACECA corridor.

Due to the constant growth of the whole economy and the progress in the level of consumption of individuals, modern logistic activities are developed in almost all the main cities of Romania and especially around Bucharest, mostly with private funding. Projects of large logistic areas are promoted by the local authorities in the periphery of some cities like Timisoara or Bucharest. There are a wide array of models from basic rail road terminal to private logistic platform including specialized services such controlled temperature, co-manufacturing, etc.

Although Romania cannot receive specific technical assistance from TACIS-TRACECA programme to develop logistic projects, the Consultant will pay special attention to inform the Romanian authorities on the different steps of the project and to include the key Romanian logistic areas such as Constanta in the network of reference centres.

Turkey

Turkey located between Europe and Asia is serving as an intersection of trade. Transport sector has a significant role in economy since the country is surrounded by sea on three sides and covers an extensive area of 814,578 km².

Turkey is the beneficiary of a dedicated EC pre-accession financial assistance instrument to help it meet the criteria for EU membership. Around € 2 billion of EU financing is currently being managed in Turkey for projects committed between 1996 and 2006 inclusive. From 2007 Turkey, along with other countries, is a beneficiary of the IPA. Under IPA, it is expected that the average annual allocation for Turkey will increase from € 500 million in 2007 to € 650 million in 2010.

Turkish main road network include 1800 km of motorways 31 000 km of paved national roads and 35 000 km of paved regional roads. Road transportation is the predominant in the country carrying 75 % of transported goods. All the road transport related activities have been covered by licensing system such as international and domestic passenger and goods transport, freight forwarding operation, logistic operation, cargo operations etc.

Railways and the large seaports are operated and maintained by TCDD which is a Government organisation falling into State Economic Enterprise. TCDD currently provides rail passenger and freight transport services over an extensive rail network of 11 000 km of which 2 500 km is electrified.

Turkey has the privilege of having strategic ports in a very rapidly developing region. With its 8,333 km of coastline, there are seven major ports comprising Derince, Bandirma, Mersin, Iskenderun, Samsun, Haydarpasa and Izmir. Each port has connection to railway network. The volume of goods loaded and unloaded in ports were 25 million T in 2005 having an increasing trend since 2002. The container traffic is very extensive on maritime routes placing Turkey in the 4th rank among the Mediterranean countries after Italy, Spain and France. A significant volume of sustained increase in maritime container volumes is handled through ports of Izmir, Mersin and Haydarpasa reaching 1.722 thousand TEU1 in 2005

Turkey possesses a dynamic private sector in transport and an organized framework of transport and freight forwarding association (such as UND) promoting and supporting efficient project in logistics and transport related matters.

Although Turkey cannot receive specific technical assistance from TACIS-TRACECA programme to develop logistic projects within is territory, Turkey is one of the key western players in trade and transport development to Caucasus and Central Asia and the Consultant will pay special attention to provide information on the different steps of the project to governmental and specialized transport entities.

1.5. Related programmes and other donor activities

The EU is the key actor in the transport sector in the region, thanks to its continuous support to the regional transport programme in the last years. The technical assistance provided mainly through the programme TRACECA has helped attract large investments from the IFIs, that include the European Bank for Reconstruction and Development (EBRD) which have made a number of commitments for capital projects on ports, railways and roads along the TRACECA corridor totalling over €700 million, the World Bank (WB) which have made commitments for new capital projects on roads in the Caucasus totalling over USD 80 million, and the Asian Development Bank (ADB) which have committed substantial funds to road and railway improvements. In addition, EU private investors are engaging in joint ventures with transport companies in the TRACECA region. The EU is supporting the programme with other EC projects to further enhance regional co-operation and economic sustainability in the region.

The support to this project will ensure the leading role of the EU in the development of the transport and logistic network in Caucasus and Black Sea region.

Particular attention will be paid to coordination and complementarities with previous, on-going and new projects of the TRACECA programme such as:

a. Freight Forwarders Training Courses (incl. Introductory courses in modern logistic schemes)
b. Transport of dangerous goods in TRACECA countries
c. Improvement of Maritime Links between TRACECA corridors and PAN-TC (including setting-up Black Sea ports as intermodal nodes / logistic centres)

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[1] Twenty Foot Equivalent Unit

d. Rehabilitation of the Railway line between Tbilisi and Yerevan
e. Analysis and forecasting of traffic flows for the TRACECA countries and interregional transport integration
f. Motorways of the Sea project foreseen in the Action Programme 2006.

As well as with TACIS projects implemented at national level, such as :

- "Support to the integration of Ukraine in the Trans-European Network TEN-T", issuing recommendations for the Motorways of the Sea concept, assessing the current port infrastructure anc carrying out an assessment related to their integration into multimodal TEN-T, establishing priorities for container terminals and logistic centres in the ports, etc.

- "Ukraine port development feasibility study", focusing on the elaboration of feasibility studies fir Ukrainian ports (Ilyichevsk, Odessa, Juzhnyi) and in the appraisal of measures for their financing by banks and IFIs.

There are various other donors and initiatives active in the field of trade and transport facilitation in the region, which promote complementary projects. The present project will be particularly attentive to complementary actions, collaboration, exchange of information and cross-referencing in reports, with other donors' initiatives and international financing institutions.

2. OBJECTIVE, PURPOSE & EXPECTED RESULTS

2.1. Overall objective

The overall objective of the project is to support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.

2.2. Purpose

The specific objective of this project is to develop the financial, technical, environmental and institutional conditions and studies for a network of logistical centres along the TRACECA corridor.

The Consultant will provide a set of feasibility or pre-feasibility studies for selected logistic centres to be developed on the TRACECA corridor, with a focus on public private partnerships and efficient customs services. The studies will include needs assessment and surveys of the current logistical capacities, the preliminary design for different categories of required services, equipments and investments, business and organisation plans, financial and economic analyses in order to promote realistic and sustainable projects for further investment.

2.3. Results to be achieved by the Consultant

The results to be achieved by the Consultant of this assignment are to determine the technical feasibility and economic viability of the projects. The expected results are the following:

Results A: Analysis of TRACECA logistic network and of the related operation of transport and logistic within the existing network

A1- In view of identifying priority projects, a detailed assessment will be provided on the relevant traffic flows and infrastructure condition of the main TRACECA transport links and nodes (see maps) and the capabilities of the existing entities (Ports, Railways, Private companies) to perform all the array of logistic operations needed in the network;

A2- A description of main issues encountered by operators will be provided along with a related action programme for the improvement of condition of performance of logistic activities (legal framework adaptation, customs related issues, technical standards, public policies, training and capacity building) and discussed with the beneficiary countries for further implementation;

Results B: Identification, ranking and promotion of logistics centres' projects

B1- A set of relevant logistical projects is identified, evaluated through a multicriteria analysis and approved by the beneficiary countries;

B2- The identification of priority projects is leading to strong coordination process with the sector's stakeholders, investors and with financing institutions; recommendations are provided for optimizing the degree and nature of the most relevant public granting scheme, covering direct (in infrastructure, equipments) and indirect investments (facilitation of land acquisition, provision of specialized staff of civil servants for customs, safety, sanitary services).

B3- A study tour could be organised to visit relevant transport logistics projects in Europe.

Results C: Feasibility studies of the selected projects

C1, C2, C3, C4, C5 - Capacity and institutional building strategies, pre-feasibility or feasibility studies are developed and implemented for every approved project according to its development phase. Preliminary design for modern infrastructure areas, description of the associated administrative support needed with highly qualified staff including efficient customs clearance services, information system network for the organisation and optimisation of carriage and transport forwarding (export, import and transit goods), cargo handling facilities, areas prepared for the creation warehousing facilities, and if necessary processing of goods transported on special conditions (perishable, dangerous, heavy, large dimension, etc.). These logistic zones should be designed to guarantee an efficient business environment and attract multimodal transport operators.

C7- If relevant, environmental impact assessments and studies of their impact on local labour markets are provided for the identified projects.

C6, C8, C9, C10 - Commercial relevance of the selected options is analysed, detailing the expected benefits within the project's lifetime, including the business plan of the investor/management company and a cost benefit analysis of each project, underlining the socio economic impact of the operations. Coordination with private investors and IFIs is requested.

C11 - Recommendations are provided for synergetic actions of the potential logistic centres in the TRACECA network in the Caucasus and Black Sea region countries, to be coordinated with the parallel project implemented in Central Asia.

3. ASSUMPTIONS & RISKS

3.1. Assumptions underlying the project intervention

The following assumptions are considered to be basic prerequisites for the project implementation.

- Political continuity and stability in the beneficiary countries;
- Governments continue to pursue policy of regional integration and establishing viable links with the Trans-European Transport Networks;
- Commitment of national authorities to establish a legal basis for the development of transport logistic centres;
- Free access to necessary information and data.

3.2. Risks

- Promotion and identification of logistical projects which would lack commercial attractiveness for further investment;
- Political instability in some countries of the region;
- Contradicting interests between the transport legal entities of the countries;
- Lack of common goals and priorities in the transport sector of the countries;
- Inappropriate legal framework.

The risks linked to regional cooperation are to be minimised by the use of some already functioning coordination mechanisms between TRACECA countries.

4. SCOPE OF THE WORK

4.1. General

4.1.1. Project description

Lack of modern transport and logistic infrastructure and common legal background for Caucasus and Black Sea integration and development, as well as technological connexion between countries, directly affects the development of trade and international transport (import, export and transit) in the region.

With the introduction of new and modern ways of attracting investments using the concept of Public Private Partnership (PPP), one of the main components of the transport sector potential development is the establishment of transport logistic centres. Although developing transport logistic centres should be primarily a business-related activity, public authorities have a clear role to play in creating the appropriate framework conditions and promoting the development of logistic infrastructures on the political agenda. In particular, their financial participation is essential for the creation and the development of large scaled investments such as Ports (maritime or for inland waterways) or Airports. In parallel, in order to face pressure of the land speculation around large cities (where real estate speculation is intensive) public authorities promote land acquisition operations and prepare the areas for future private logistic operators.

In parallel, a continuous relationship should be kept with all the transport sector representative bodies (such as Freight forwarder association, transport companies associations, international normative and regulatory associations) in order to solve administrative issues faced by the

operators and to modernize the legal framework under which transport and logistic activities are performed.

In TRACECA countries as in all other part of the world, the establishment of Logistic Centres has become a necessity so as to build freight centres in which all freight transport services are performed to an optimum level; all regulatory, technical, social needs of the customers are met and the quality of transport services increased.

This project should target the identification of relevant opportunities for the development of logistic activities, drafting feasibility studies, specifications and preliminary design of potential international logistic centres with internationally acceptable standards to be implemented on TRACECA corridor in the five beneficiary countries. Potential projects and priority activities have already been discussed with the beneficiary authorities during the project's preliminary phase. However, the experts will be in charge of consolidating proposals in a relevant action plan to be approved by the beneficiaries and the relevant investors.

To perform the pre-feasibility and feasibility studies, a multidisciplinary team is required, involving expertise in the design of international logistic centres, intermodal operations specialists, experts in transport management and marketing, engineering, legal aspects, international conventions and operations.

The results of this project should consist in the development of the relevant conditions and studies for a network of reference logistic centres in the region and new added-value activities in the distribution sector of each country. It should strengthen logistic activities in TRACECA countries in order to answer in the future to the demand of shippers operating and to support the development of traffic flows along the corridor.

Finally, a Communication Plan should be implemented, including a website and newsletters and possibly press releases, press conferences, leaflets, banners and promotional items related to the project activities. In particular, regular update on the project should be sent to the TRACECA Permanent Secretariat for their quarterly newsletter. EC templates and guidelines should be respected for any communication action.

4.1.2. Geographical area to be covered

The project should cover Armenia, Azerbaijan, Georgia, Moldova, Ukraine with a focus on links with the TRACECA corridor.

Without anticipating about the results of the project's assessment and identification phase, the experts will consider for careful analysis the following list of sites identified during a preliminary phase:

Armenia

- Yerevan - as a destination node small rail/road and aviation Logistic Centre

Azerbaijan

- Baku - combining maritime/road/rail and aviation with consideration of newly planned port in Alet.

Georgia

- Port of Poti - as being the key node for road/rail and maritime transport

- Tbilisi - combining road/rail and aviation (logistic centres with high concentration of economic activities main hub of trade-financial centre)

Moldova

- Chisinau - rail/road small destination node at the end of the Moldovan branch of TRACECA corridor

Ukraine

- Illychevsk - multimodal transport hub maritime/rail/road/aviation
- Kiev - rail/road/aviation (logistic centres with high concentration of economic activities main hub of trade-financial centre)
- Kovel - rail/road close to the border with Poland

The final list of priority sites and projects to be considered for further analysis and studies should be approved by the beneficiary countries and the Contracting authority.

4.1.3. Target groups

The project's main stakeholders will be the Ministries of Transport, responsible for the sustainable development of the transport policy and the transport infrastructure, and the investors involved in the selected logistical projects. The overall beneficiaries of the project are the business community and the consumers of transported goods profiting of cheaper and faster production to market relations in the relevant areas.

Transport operators in the region, e.g. the railways, truckers etc. of beneficiary countries will obtain "know-how" transfer in the area of modernized transport operation in the logistics sector, as well as good performance outputs derived from the upgrading infrastructure. Further important stakeholders will be the International Financing Institutions and the intermediary institutions between state and private sector such as forwarder associations.

The Customs Authorities of beneficiary countries would also benefit from the project by increasing the efficiency of related services and revenues from bonded warehouses.

In addition directly at the logistic nodes locations additional employment opportunities will exist.

4.2. Specific activities

The Consultant will perform the following tasks:

Task A Analysis of TRACECA logistic network and of the related operation of transport and logistic within the existing network

- **Task A 1 Traffic flows analyses and characterisation of the nature and the condition of operating infrastructures and facilities within the network**

Within the group of TRACECA Member States, the experts will provide for the main traffic axes (see maps):

a) A disaggregated approach of merchandise flows, according to their specific logistic management

- Raw materials
- Heavy industrial produces
- Light industry, automotive
- Flows of commodities

- High tech produces

or any other category of merchandises requiring, according to their nature, specific equipments and a specific support from transport and logistic providers.

For general cargo, flows of containers will also be characterised separately and the number of containers (maritime, intermodal) will be assessed at main transit point and destination points.

b) Identification and description of main logistics nodes (ports, large cities, crossroads) relevant for the project. An extensive review of facilities and all type of equipment and of operators at each of these areas should be provided.

The experts will especially focus on areas enabling a switch of transport modes: rail /road, sea/rail terminals maps, Ro Ro equipments, putting emphasis on the present capacity of the equipment, the organisation of the maintenance, the infrastructure owners' projects of development and/or projects of closure of the terminals.

c) Identification and description of main existing transport links, by mode of transport (waterways, maritime, rail and roads itineraries).

The experts will focus only on operating links and sites, materialised by existing and regular commercial flows. They will perform a survey of the current situation in Armenia, Azerbaijan, Bulgaria, Georgia, Moldova, Romania, Turkey, and Ukraine, regarding the transport logistics sector and international transport routes.

The Consultant will perform a detailed survey of the situation regarding existing intermodal platforms relevant for the project in the countries, including localisation and equipment of key installation, existing services, traffic volume, tariffs and present organisation. The strengths and weaknesses of the existing situation will be highlighted in perspective of the local environment and aspirations.

Condition of rail and road links will be measured on the basis of homogenous standards in order to allow comparisons of infrastructure conditions from one part of the network to the other.

- **Task A 2 Description of main issues encountered by operators**

After having led a relevant investigation towards main stakeholders in each of the beneficiary countries, the Consultant will update the available information for the TRACECA corridor, especially in terms of:

- Missing links in infrastructure development
- Border crossing issues
- Presence or lack of private operators
- Legislative, administrative constraints and technical barriers to efficient circulation of merchandises flows
- Legislative, administrative constraints and technical barriers towards the development of efficient logistical centres

and any others noticeable constraints hampering the development of the network and the smooth management of merchandises flow. Relevant recommendations and possibly training will be provided in accordance with the findings in this field.

On this basis, a short and medium-term action programme will be developed for the improvement of condition of performance of logistic activities (legal framework adaptation, customs related issues, technical standards, public policies, training and capacity building).

Task B Identification, ranking and promotion of logistics centres' projects

B1) The Consultant will assist the beneficiary countries in **identifying and characterising priority projects of logistic centres**, initiated by private or public interest. This could lead to investigations towards ports, rail, roads and airport operators, freight forwarders and transport companies associations, shippers, etc.

B2) The Consultant will rank the existing projects of logistic centres at a regional level using a multicriteria matrix. The criteria should be selected in order to reflect the general objective of the project, which intends to concentrate on public and private financial support including from IFI's, to strategic projects for smooth, secure and environmentally safe management of merchandises flows along the corridor, and their integrated manipulation.

Criteria should comprise objectives such as:

- Position of the centre on main TRACECA corridors
- Completion of key logistic activities
- Condition of infrastructure around the area
- Existence of regular traffic flows to be operated
- Possible funding to be obtained
- Involvement of private and public stakeholders

At the end of the section process, the Consultant will propose a group of projects to be approved by the beneficiary countries and the EC contracting authority and which will be considered as priority projects for the creation of a network of logistic centres.

The identification process should be led in strong coordination with the sector's stakeholders and with financing institutions. It should be clearly underlined that the project intends to favour the development of regional logistic activities through identification and support to any type of relevant projects with well identified chances of success, rather than to ambitious but non realistic large seized logistic platforms.

Adopting this point of view, very different types of projects could be identified, such as the renewal and modernisation of a strategic rail/road terminal, the improvement of port/airport handling area capacities, or the conception of a new logistic area on a selected location. Recommendations will also be provided for optimizing the degree and nature of the most relevant public granting scheme, covering direct (in infrastructure, equipments) and indirect investments (facilitation of land acquisition, provision of specialized staff of civil servants for customs, safety, sanitary services).

B3) A **visit of relevant logistic centres** in European countries could be organised in order to familiarise the stakeholders with investment appraisal and techniques of similar European logistics projects. The detailed programme and list of participants have to be approved by the EU Project Manager during the implementation.

Task C Feasibility studies of the selected projects

For each selected project, the Consultant will realise a complete feasibility study with the following components:

- **Task C 1 Global description of the objectives and functions of the logistics centre**

A functional description of the centre will be delivered, based on the main purposes of the creation of the centre (final delivery site, centre manipulation of containers, palletised, break bulk, liquid produces, freight forwarding activities, distribution centres).

Socio-economic impacts of the project should be underlined, a local level and at the level of the whole network. For this purpose, the experts will join to each technical study a cost benefit analysis together with the business plan of the site (see Task C6) and a environmental impact analysis (see task C7).

- **Task C 2 Identification of major stakeholders**

For each selected project, the Consultant will lead a stakeholder analysis (government representatives, local administration, banks and financing institutions, freight forwarder associations, main potential shippers and users of the logistic centre, transport companies, logistics provider, potential investors) with the purpose to promote the project and measure the involvement of each potential partner and the nature of services expected from the logistic centre.

This analysis should confirm the interest of the project and facilitate the completion of the further steps of the study.

- **Task C 3 Possible site location**

In parallel to the stakeholder analysis, the Consultant will analyse the proposed location for the logistic centre. Discussion and arbitration should lead to synergy among stakeholders and concentration of funding upon a leading project.

Although the main purpose of the project is to facilitate long distance transport of containerised merchandises, the Consultant will favour locations concentrating large array of associated activities such as warehousing, final delivery operations, light industrial activities and commercial activities.

All logistics centres should be promoted with the objective to develop intermodal operations and enable operators to take benefit from operating connections to the rail network.

- **Task C 4 Preliminary design of the site**

The experts should provide a preliminary design of the economic centres in which the logistic activities will be operated.

The study will prepare:

- The land acquisition operation (with prior identification of the owners of the lands) and the related authorizations to be obtained
- The determination of the nature and of the operation of preparation of the soils, according to the planned activities
- The design of entrance / exit with emphasis on road safety issues and safety civil works to be built on road network if necessary
- The connexion to water, energy and telecommunication networks and waste treatment equipment
- The mapping of the areas, establishing the different location of activities and of all equipments to be installed:
  - A circulation plan
  - Areas for parking and manoeuvres (rail, road, waterways)

- Services areas of the zone (energy supply, waste and water treatment, offices and storage facilities of the management and the maintenance of the zone)
- Areas for warehouses, industrial and service activities
- Handling facilities location
- Areas for future development

- The regulation of the area, according to the hypothesis of management made in stakeholder analysis and business plan.

In the case of projects improving an already existing activity zone, the Consultant will follow the above mentioned list of studies and suggest if necessary any type of improvement of the area.

- **Task C 5 Preliminary design of the logistic areas**

On the basis of the development hypothesis as established in the business plans, the experts will focus on the core activity of the areas and deliver:

- An evaluation of the nature and the budget necessary to make the acquisition or modernize existing equipment for containers and all types of merchandises handling and safe storage,
- The design study of the areas for manipulation,
- The design study of a lot for warehousing activities.

- **Task C 6 Business plan of the site**

a) The experts will prepare a set of hypothesis concerning the business model of the area, distinguishing clearly between the functions of:

- the managing body, owner of the lands and /or of the authorisation of use of land, administrated by private and/or public partners in its board of administrator, in charge of the physical development of the area and beneficiary of real estates revenues
- the operating body, typically with private ownership, in charge of providing on a commercial basis services to the operators of the area (transport companies, logistics providers, other companies) such as administration, security services, maintenance fees.

All hypotheses should be based on a market free environment level of prices, in order to make the areas and its services as competitive as possible.

b) On the basis of the selected model, the Consultant will establish a 10-years business plan, which should intend to maximize commercial revenues of the area.

c) Establish country by country an implementation programme, in agreement with the national authorities (legal basis, propose amendments to laws, documents to be scrapped, publishing procedures for informing users on new rules).

- **Task C7 Environmental impact assessment**

Where needed by the national legal framework, the Consultant will provide the environmental impact assessment of the creation of the centres. The consultant will especially but emphasis of the impact in term of externalities of the expected increase in term of traffic on an enlarged area around the activities, and will suggest mitigation measures to minimize the impact of each project.

- **Task C8 Assessment of key qualifications required**

An assessment of key qualifications required for the implementation of each project, calculating minimum staffing for all key activities of the centres and underlining discrepancies that could exist with the labour market in the area.

- **Task C 9 Cost benefit analyses**

The consultant will provide a cost benefit analysis of each accepted project.

Using the results of the tasks C1 to C6, the consultant will provide the financial and economic analyses of the projects (using as a reference for methodology the EC guide for cost benefit analysis of investment project).

Having obtained the main financial indicators the consultant will evaluate the socio-economic impact of the projects (using as a reference for methodology the EC guide for cost benefit analysis of investment project). The consultant may introduce at this occasion different hypothesis of granting schemes (comprising the non direct benefits given by the support of the public authorities in obtaining land at controlled prices, public investment in the infrastructure) in order to assess and optimize the global socio-economic benefit of the operation for public authorities.

- **Task C 10 Recommendation for adapted public support**

The experts will issue a set of recommendations in order to promote investments and to support organise private – public partnership for each project. For this purpose, he will distinguish the different levels of responsibilities and operations, the different roles of each private and public stakeholder in the conception, the implementation and the daily operations of the logistic centre in an organised and consistent manner.

- **Task C 11 Communication and the synergy within the networks of logistical Centres along the TRACECA corridor.**

The experts will work in close cooperation with the Team Leader of the parallel project (logistic centres) implemented in Central Asia with the objective to ensure consistency and interoperability between all centres.

He will ensure that communication will be kept between the different leaders of the most advanced national projects in order to make possible some synergetic actions and to propose to shippers an operational network of platforms in order to receive and distribute their merchandise in the TRACECA network. This consistency should include for instance the capabilities of tracking shipment from one side to the other of the network, common safety standards, availability of documentation, capabilities of equipment to manipulate certain categories of goods, etc.

During the whole period of project implementation, the experts will be in close liaison with representative of International Financing Institution's (IFI), including the EBRD, the World Bank, EIB, ADB and will report them on a regular basis about the study progress. The consultant should support the integration of identified logistic areas in the transport planning studies of the Financial institution and will check if their financing programmes could contribute to this objective.

Finally, during the project, communication and visibility actions should be undertaken upon agreement of the Contracting authority. A Communication Plan should be implemented, including a website and newsletters, possibly press releases, press conferences, leaflets, banners and

promotional items related to the project activities. In particular, regular update on the project should be sent to the TRACECA Permanent Secretariat for their quarterly newsletter. EC templates and guidelines should be respected for any communication action. At the end of the project, a summary of the achieved project's results should be provided along with the final report, as a basis for further communication and visibility actions.

4.3. Project management

4.3.1. Responsible body

The project will be managed by the EuropeAid Co-operation office. The Team Leader will be responsible for managing the contract.

4.3.2. Management structure

The project is to be managed via a regional office, to be established by the Consultant and which will serve as the main contact point for all project activities. This office will be staffed with the experts and adequate secretarial support.

In addition to the counterpart institutions, the Contractor will work closely with the national regulatory institutions and administrations, with the TRACECA Permanent Secretariat in Baku and its representatives in the beneficiary countries and with other relevant national authorities. When relevant, the Consultant shall involve local experts from Beneficiary countries in the project team. They must be independent and shall not be on the payroll of the Project Partner.

The Contractor should bear in mind the regional emphasis in planning his travels and staffing requirements and a draft schedule of visits shall accompany his proposal. It should be noticed that this schedule may need to be adjusted at inception report stage or later with the agreement of the Project Manager. The ratio of working time spent in the Contractor's home office, at the regional offices and on mission in the region should be clearly visible in the Contractor's proposal.

4.3.3 Facilities to be provided by the Beneficiary Authorities

The project partners in the beneficiary countries will assist and facilitate the implementation of the project, by providing required counterpart staff, necessary contacts and liaison with local authorities, free access to all information and documentation required, and timely decision-making procedures as required during contract implementation.

Furthermore, the project partners in the respective countries will provide:

- Relevant reports, documents, maps, data, pre-feasibility study, traffic forecast etc. regarding the transport sector

- Introduction letters to facilitate the access of the project's experts to Ministries, Government administrations, public organisations, authorities and agencies, etc, whose activities and roles are relevant to their assignment.

The Beneficiary Authority will facilitate:

- The issuance of entry and exit visa for the Consultant's expatriate staff;

- The issuance of any permits required for the Consultant's staff to carry out their duties within the country;

The project partners in each country shall appoint a senior member of its staff to liaise with the Contractor and ensures that appropriate local staff is available to work alongside the Contractor. Staff of the project partner shall not be paid from project funds.

The project partner should also provide all possible assistance to solve unforeseen problems, which the Contractor may face.

5. LOGISTICS AND TIMING

5.1. Location

The project area covers Armenia, Azerbaijan, Bulgaria, Georgia, Moldova, Ukraine, as well as Bulgaria, Romania and Turkey.

The main project office will be located in one of the beneficiary countries. Secondary project offices can be possibly established in other beneficiary countries. The consultant will propose locations for the project office(s), which will be confirmed during the inception phase in close coordination with the Contracting Authority.

It has also to be noted that in the course of the project implementation, frequent travelling will be required to all TRACECA countries, Brussels and other locations as appropriate and agreed with the Project Manager, based on the project needs.

5.2. Commencement date & Period of execution

The intended commencement date is November 2008 and the period of execution of the contract will be 24 months from the date of contract signature. Please refer to Articles 4 and 5 of the Special Conditions for the actual commencement date and period of execution.

6. REQUIREMENTS

6.1. Personnel

6.1.1. Key experts

All experts who have a crucial role in implementing the contract are referred to as key experts. The Consultant's staff should spend a maximum time (85% of the allocated man-days) in the beneficiary countries.

The profiles of the key experts for this contract are as follows:

Key Expert 1: Team Leader - Transport Economist and/or logistics Engineer (minimum 450 w/days)

Qualifications and skills

- University degree or equivalent in transport/logistics engineering or economy
- Proven skills in project management
- Fluency in English; proficiency in Russian would be considered an advantage

General Professional experience

- 8 years international experience in the field of International Transport and/or logistics
- Experience in managing feasibility studies for similar assignments

Specific professional experience

- At least 5 years of experience in leading international project teams
- At least 5 years of experience in development or creation of logistics centres, as well as experience in managing feasibility studies for logistics centres
- Experience in NIS or TRACECA countries would be considered an advantage

Key Expert 2: Transport Logistics / Intermodal specialist (minimum 400 w/days)

Qualifications and skills

- University degree or equivalent in transport
- Knowledge of IT systems and IT applications for logistic centres would be an advantage
- Fluency in English; proficiency in Russian would be considered an advantage

General professional experience

- Minimum of 5 years of experience with transport engineering and construction carrying out financial, economic and cost-benefit analysis and traffic forecast. The Transport Economist will have at least 5 years international experience including experience in carrying out feasibility studies for similar projects.

Specific professional experience

- Minimum of 3 years experience in carrying out feasibility studies for the development of logistical centres or intermodal operations.
- Relevant international experience in freight forwarding companies, intermodal operator, logistic providers, related international transport and logistics.

Key Expert 3: Transport Economist/Business plan specialist (minimum 400 w/days)

Qualifications and skills

- University degree or equivalent in transport or economy
- Knowledge of transport logistics would be an advantage
- Fluency in English; proficiency in Russian would be considered an advantage

General professional experience

- At least 5 years international experience in the field of transport and/or logistics
- Experience in the development of financial analysis and business plans for transport/logistics projects

Specific professional experience

- Experience in carrying out financial, economic and cost-benefit analysis and traffic forecast
- At least 5 years experience in implementation of business plan preparation on large industrial scale
- Experience in product and cost calculation of logistic systems
- Experience in NIS countries would be considered an advantage

6.1.2. Other experts

CVs for experts other than the key experts are not examined prior to the signature of the contract. They should not have been included in tenders.

The input of all non-key experts should be at least of **1000 working days** in this project.

The Consultant is free to compose its team of specialists for short and medium term visits. However, although not exclusive, should be clearly visible in its proposed staff list the following domains of expertise:

- Traffic forecast
- Transport Economics and planning
- International Conventions - road, rail, sea and multimodal
- Freight forwarding - Legal aspects and codes of practice, custom regulations, sanitary regulations Documentary requirements including Single Administrative Document (SAD), International Insurance Law and Practice
- Land evaluation, land acquisition
- Air transport logistics
- Marketing of transport and logistic services
- Environmental impact studies
- Labour market in transport sector
- General Transport Legislation knowledge
- Transport regulation issues (e.g. noise, exhaust, and axle loading)
- Information Technologies with modern monitoring information system

The Consultant proposal must fully describe the experts to be assigned to the project, their precise domain of expertise applicable to the project, their individual roles in the achievement of the project objectives, the timing, duration and location of their assignments. Time spent in the beneficiary states and at home office is to be clearly shown.

The Consultant should pay attention to the need to ensure the active participation of local professional skills where available, and a suitable mix of international and local staff in the project teams. All experts must be independent and free from conflicts of interest in the responsibilities accorded to them.

The selection procedures used by the Consultant to select these other experts shall be transparent, and shall be based on pre-defined criteria, including professional qualifications, language skills and work experience. The findings of the selection panel shall be recorded. The selection of experts shall be subject to approval by the Contracting Authority.

The proposed time-cost element for such contributions should be clearly visible in the Consultant's proposal. There should aim to be a reasonable balance between inputs from local experts in different TRACECA states.

Note that civil servants and other staff of the public administration of the beneficiary country cannot be recruited as experts.

6.1.3. Support staff & backstopping

It is mandatory to have a backstopping available for this contract. Backstopping costs are considered to be included in the fee rates.

The costs of support staff must also be included in the fee rates of the experts.

6.2. Office accommodation

Office accommodation of a reasonable standard for each expert working on the contract is to be provided by the Consultant in the beneficiary countries. The costs of the office accommodation are

to be covered by the provision for incidental expenditure. The cost per square meter must be in line with the prevailing local market rate for office accommodation of a reasonable standard.

6.3. Facilities to be provided by the Consultant

The Consultant shall ensure that experts are adequately supported and equipped. In particular it shall ensure that there is sufficient administrative, secretarial and interpreting provision to enable experts to concentrate on their primary responsibilities. It must also transfer funds as necessary to support its activities under the contract and to ensure that its employees are paid regularly and in a timely fashion.

If the Consultant is a consortium, the arrangements should allow for the maximum flexibility in project implementation. Arrangements offering each consortium member a fixed percentage of the work to be undertaken under the contract should be avoided.

6.4. Equipment

No equipment is to be purchased on behalf of the Beneficiary Country as part of this service contract or transferred to the Beneficiary Country at the end of this contract.

6.5. Incidental expenditure

The Provision for incidental expenditure covers the eligible incidental expenditure incurred under this contract. It cannot be used for costs, which should be covered by the Consultant as part of its fee rates, as defined above. Its use is governed by the provisions in the General Conditions and the notes in Annex V of the contract.

It covers:
1) Travel costs and subsistence allowances for missions to be undertaken as part of this contract from the bases of operations in the beneficiary countries;
2) Office rental (if applicable)
3) Workshops, training and seminars including travel costs and subsistence allowances for counterparts' participants missions to be undertaken as part of this project;
4) Office running costs (basic stationery, communication costs, energy), interpretation/translation
5) Visibility actions' costs
6) Specific costs related to technical design, data collection or legal authorizations related to the project's activities.

The Provision for incidental expenditure for this contract is € 500.000. This amount must be included without modification in the Budget breakdown.

The Consultant will need **prior written approval** from the Contracting Authority before spending the funds related to components 2, 3, 5, 6 of the Incidental Expenditure. No written approval from the Contracting Authority will be needed for spending funds related to the rest components 1 and 4, however all supporting documents must be kept by the Consultant as indicated in art.24 of the General Conditions for Service Contracts financed by the European Commission.

Any subsistence allowances to be paid for missions undertaken as part of this contract from the base of operations in the beneficiary country must not exceed the per diem rates published on the Web site http://ec.europa.eu/europeaid/work/procedures/index_en.htm at the start of each such mission.

6.6. Expenditure verification

The Provision for expenditure verification relates to the fees of the auditor who has been charged with the expenditure verification of this contract in order to proceed with the payment of pre-financing instalments if any and/or interim payments if any.

The Provision for expenditure verification for this contract is € 20,000. This amount must be included without modification in the Budget breakdown..

7. REPORTS

7.1. Reporting requirements

Please refer to Article 26 of the General Conditions. Interim reports must be prepared every six months during the period of execution of the contract. They must be provided along with the corresponding invoice, the financial report and an expenditure verification report defined in Article 28 of the General Conditions. There must be a final report, a final invoice and the financial report accompanied by an expenditure verification report at the end of the period of execution. The draft final report must be submitted at least one month before the end of the period of execution of the contract.

Each report shall consist of a narrative section and a financial section. The financial section must contain details of the time inputs of the experts, of the incidental expenditure and of the provision for expenditure verification. The final report must be accompanied by the final invoice, the financial report and an expenditure verification report.

All reports must be submitted together with one CD ROM version of each report. The reports must be written in English and Russian.

Inception Report

The Inception Report will be submitted 3 months after the beginning of the assignment.

It will propose a detailed flow analysis as a result of task A1 and recommendation related to task A2.

It will propose a first stakeholder analysis in each beneficiary country and a preliminary listing of projects to be proposed for detailed studies

It will put emphasis on the methodology to be adopted for the completion of the project and the time schedule of involvement of experts

Progress Report 1

The draft progress report 1 will be produced 6 months after the beginning of the assignment

It will propose the result of task B of the assignment, the identification of projects of priority logistics centres and ranking of all proposed projects throughout multicriteria analyses.

Progress Report 2

The second progress report will be delivered 12 months after the beginning of the assignment.

Progress Report 3

The third progress report will be delivered 18 months after the beginning of the assignment.

All interim reports will be commented by all beneficiary countries and transmitted as a unique set of consistent comments to the Consultant. Within 15 days after the reception and the integration of comments received from the beneficiary countries the Consultant will produce the final version of each interim report.

Draft Final Report

The draft final report will be proposed 22 months after the beginning of the assignment. It will release the provisional results of task C of the project.

This report will be commented by all beneficiary countries and transmitted as a unique set of consistent comments to the Consultant within 30 days.

Final Report

The Final report will be delivered 24 months after the beginning of the assignment

This report will release the complete results of the task C and will summarize, in separated annexes, the prior investigation lead in task A and the methodology of selection of centres lead in task B.

A monthly information report (not exceeding 5 pages), the format of which is left to the Contractor's discretion should be provided in addition to the EC AIDCO office.

7.2. Submission & approval of progress reports

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

To be delivered to	Hard copy in English	Hard copy in Russian	CD English & Russian
EC AIDCO office in Brussels	1	0	1
TRACECA Permanent Secretariat in Baku	1	1	1
TRACECA National Secretaries	1	1	1
Tacis Coordinating Units (Beneficiary countries)	1	1	1
EC Delegations in the beneficiary states	1	1	1
Tacis Monitoring Team (Regional Office)	1	1	1

The contractor is to provide reports directly to key beneficiaries, which may substitute for some of the reports to be distributed other than according to the table above. Lists of addressees for each issue of the reports are to be provided to the Project Manager.

Copies of the Delivery Notes to the recipient(s) are to be provided by fax or mail to the Project Manager.

The progress reports must be written in English and in Russian. The Project Manager is responsible for approving the progress reports.

In order to implement the reports on the TRACECA website and to allow further data processing, reports must be provided by the contractor under an electronic file ".doc" (Word) or ".pdf" (Adobe Acrobat).

In any case, all texts must be composed with common and scannable fonts, including for tables, maps, diagrams, drawings, etc...

Only photographs, logos and facsimiles of original documents will be accepted under a bitmap graphic format (inside the ".doc" or ".pdf" file) though in this case they cannot be used in the document data processing. The resolution of bitmap files must be 150 dpi or less. Each report must correspond to one single Word document (".doc") or Adobe Acrobat (".pdf") file. Reports transmitted in multiple files and of different kind will be refused. Contractors are invited to contact the Webmaster before any file transfer.

All Reports must include an Executive Summary. The importance of high quality Russian texts, delivered on time, cannot be over emphasized. The reporting dates in these TOR are for the delivery of the Russian language text and the English language text to be provided at the same time. Reporting is to be in accordance with TACIS Guidelines.

8. MONITORING AND EVALUATION

8.1. Definition of indicators

The contractor shall incorporate monitoring mechanisms for periodic assessment of the progress of the project components. These mechanisms shall be specified in the project plan and the observed performance shall be described in the periodic progress reports.

The essential points to be monitored are:

- deviations of milestones and deliverables from their planned dates
- adherence to the work plan in terms of content of the activities actually carried out
- deviations in effort needed to complete an activity, as compared to plan
- introduction of work not initially planned
- shifting of the common understanding of the objectives and priorities between contractor and recipient
- appearance of unexpected difficulties likely to require special measure or shift of project resources

8.2. Special requirements

None.