EuropeAid/126356/C/SER/Multi

International Logistics Centres

for Western NIS and the Caucasus

in Armenia, Azerbaijan, Georgia, Moldova, Ukraine

Progress Report I

July 2009

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European Union

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REPORT COVER PAGE

Project Title:	**International Logistics Centres for Western NIS and the Caucasus**
Contract number:	No2008/154902
Countries:	Armenia, Azerbaijan, Georgia, Moldova and Ukraine Indirect beneficiaries: Bulgaria, Romania, Turkey
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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
CIS	Commonwealth of Independent States (former republic of the USSR) also called NIS
EU	European Union
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
EU	European Union
IFI	International Financing Instruction
IGC	Intergovernmental Commission TRACECA
ILC	International Logistics Centre
LC	Logistic Centre
LFM	Logframe Matrix
MCA	Multi-Criteria Analysis (also known as Multi Variate Analysis, MVA)
MoS	Motorways of the Sea
NIS	Newly Independent States, also called CIS
PS	Permanent Secretariat
TEN-T	Trans-European Transport Network
ToR/TOR	Terms of Reference (of the present project, unless started otherwise)
TRACECA	Transport Corridor Europe Caucasus Asia
UNDP	United Nations Development Program

PROJECT SYNOPSIS

Overall Objective:

To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.
Specific Project Objectives:

To develop financial, technical, environmental and institutional conditions and studies for a network of logistical centres along the TRACECA corridor in direct beneficiary countries (Armenia, Azerbaijan, Georgia, Moldova, and Ukraine) in view of:

- Provision of sets of pre-feasibility and feasibility studies for selected sites with focus on PPP and efficient customs services;
- Analysis of the needs assessment and surveys of the current logistics capabilities;
- Elaboration of the master plans for selected locations
- Preparation of the business and organisational plans, financial and economic analysis considering the changed cargo volumes resulted from worldwide economic slowdown.
- To promote realistic, attractive and sustainable projects for further investment by financial institutions and/or public and private actors possible under conditions of the world economic crisis.

Outputs:

A - Logistics network and related infrastructures analysis

1. Report on actual logistics related freight flows and compilation of maps
2. Eight country reports on infrastructure conditions at main TRACECA transport links and nodes
3. Assessment of locations in five direct beneficiary countries for future international logistics centre (ILC) projects at macro level
4. Description of main issues of transport operators (initial stakeholder analysis) in eight countries

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

1. Final stakeholder analysis and prioritised action programme
2. Final list of the priority projects using MCA for five beneficiary countries
3. Recommendations on financing schemes for beneficiary countries
4. Study tour to LCs in Europe and study tour documentation

C - Preparation of the feasibility studies for the selected projects

1. Implementation programme favourable to investments in five direct beneficiary countries
2. Communication plan including promotion and dissemination aspects

For each selected project:

3. **Pre-feasibility/feasibility study** including: assumptions on public support and investment promotion, capacity and institutional strategy action plan, administrative support and staff qualification assessment, services to be rendered, business plans and cost-benefit analysis and environmental impact assessment where relevant.
4. **Masterplan (preliminary design)** covering functional area allocation schemes, layout for modern infrastructure and cargo handling facilities, description of adequate information system.

Activities:

PI – Project Inception (adaptations to the activities plan)

Tasks PI: Project mobilisation and set up, coordination with the Client, beneficiaries, stakeholders and counterparts

A - Logistics network and related infrastructures analysis

Task A1: Traffic flow and operating infrastructures analysis

Task A2: Description of the main issues of operators

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

Task B1 - Assistance in identifying and characterising priority projects of logistics centres

Task B2 - Ranking the priority projects using multicriteria analysis

Task B3 - visit to the relevant logistics centres

C - Preparation of the feasibility studies for the selected projects

Task C1: Global description of the objectives and functions of the logistics centre

Task C2: Identification of the major stakeholders

Task C3: Possible site location

Task C4: Preliminary design of the site

Task C5: Preliminary design of the logistics (functional) areas

Task C6: Business Plan for the site

Task C7: Environmental impact assessment

Task C8: Assessment of key qualifications

Task C9: Cost benefit analysis

TaskC10: Recommendations for the adapted public support

TaskC11: Communication and synergy within the networks of LC along TRACECA

PM – Project management (adaptations to the activities plan)

Task PM1: Quality assurance, risk management and conflict resolution

Task PM2: Updates of the Logframe

Task PM3: Project planning

Task PM4: Project reporting

Target Groups: **Ports, rail, road and airport operators, freight forwarders, logistics and transport companies, real estate companies, shippers and consignees etc.**

Beneficiaries: Ministries of Transport and authorities responsible for the transport sector policy in TRACECA member-states

Inputs: Technical Assistance will include:

Long-Term Key Experts: *Team Leader: 450 MD / Senior Experts: 800 MD*

Short-Term Experts: *Senior Experts: 1425 MD / Junior Experts: 1890 MD*

Regional project office in Kiev

Communication and visibility actions

Project starting date: 26 January 2009

1 SUMMARY OF THE PROJECT PROGRESS SINCE THE START

The project was commenced on 26 January 2009, after the contract was signed and a briefing meeting in Brussels on 16 January 2009 took place. It was emphasised that the present project was intended to enhance the efficiency of the transport industry, quality transport and logistics related value added services. The project will propose pragmatic infrastructure projects of international logistics centres as priority projects to improve the TRACECA network operations.

The mobilization started with the arrival of the Team Leader in Kiev on 26 January 2009 and mobilization of a core team by 9 February 2009. The expert teams started field missions in the region after approval of the EC Programme Manager. Premises for the project office in Kiev were rented; the office was fully operational by 6 March within the approved budget. The project registration process was initiated with state authorities of Ukraine and completed by 17 April by the Ukrainian officials. Regular contacts and coordination are taking place with the Client.

The project started in a time of change. Positive economic growth rates over the last eight years are being replaced by negative forecasts for 2009 and an uncertain number of coming years. Economic ties are weakening with a sharp decline in international transport, trade and cross-border investment. On this background, facilitation of trade and transport in the region and the improved integration of the Caucasus & Black Sea region countries in the world's economy are even more necessary than before.

According to the ToR, the project assignment is divided into three sequential parts that at the same time correspond to the main result areas:

A – Logistics network and related infrastructures analysis

B – Identification, ranking and promotion of logistics centre projects

C – Preparation of the feasibility studies for the selected projects

The project beneficiary countries are split into direct beneficiaries eligible to receive technical assistance under EU European Neighbourhood Policy Budgets – Armenia, Azerbaijan, Georgia, Ukraine and Moldova; and indirect beneficiary countries – Bulgaria, Romania and Turkey, which are either EU or EU accession countries.

The local counterparts are the National Secretaries and TRACECA structures in each direct and indirect beneficiary country. Target groups refer to project beneficiaries who are major stakeholders of the logistics process on policy making and operational level. The project partners are the donor community, logistics platforms, promoters of similar initiatives in the regions, as well as other EU projects.

The detailed description of the project inception task (PI) and the Task A – logistics network and infrastructures analysis has been presented in the Inception report. Below only summary aspects are pointed out.

IP – Project inception (adaptations to the work plan). The project inception phase was completed by April 2009. **Performance indicators** for the project inception phase, i.e. “Project office established”, “project mobilised”, “kick-off meetings organised” and “coordination established” are completely fulfilled.

A – Logistics network and related infrastructures analysis related to following outputs:

- Report on actual logistics related freight flows and compilation of maps (Inception Report Annex 3, Part 1) – performance indicator fulfilled
- Eight country reports on infrastructure conditions at main TRACECA transport links and nodes (Inception Report, Annex 3, Part 2) - performance indicator fulfilled

- Assessment of locations in five direct beneficiary for future international logistics centre (ILC) projects at macro level (Inception Report, Annex 3, Part 2) - performance indicator fulfilled
- Description of main issues of transport operators in eight countries (Inception Report, Annex 4). The prioritized action programme has been finalized during the Phase B (Progress Report I, Annex 5). The project's legal specialist was evolved in assessment of normative conditions required for a successful establishment of the logistics centres. Performance indicator was completely fulfilled in the Phase B.

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

This task consists of 3 domains of activities entailing:

- B1 – Identification and characterising of priority projects of logistics centres
- B2 – Ranking the existing projects using the multicriteria analysis
- B3 – Organisation of the visit to the relevant logistics centres

Upon completion of the macro level MCA and determination of the macro locations for future logistics centres along the TRACECA corridor, the consultant proceeded with micro-site assessments.

For this purpose a detailed MCA-micro assessment matrix has been developed to rank the specific sites within macro locations. This methodology was shared with the brother-project on logistics centres in Central Asia.

The analysis started with applying eligibility criteria for the proposed sites, and conducting micro level assessment for those sites that qualify the basic necessary criteria for establishment of the logistics centres. The objective of this exercise was to determine most promising projects in each direct beneficiary country bearing in mind TRACECA network integrity.

This has been implemented in the interactive partnership with the local counterparts and beneficiaries. The teams of experts have implemented field missions in direct beneficiary countries and investigated the sites. The Consultant has encouraged stakeholder participation by involving them into the site identification. The process has been coordinated with the Ministries of Transport and Ministry of Economic Development with the help of National Secretaries.

The Team Leader of the Project has conducted round table discussions in all direct beneficiary countries in June and July 2009. The National Secretaries have supported the organization of the round tables and hosted their arrangements to promote the image of TRACECA corridor.

The participants of the round tables included the ministerial representatives, policy makers, municipalities, land developers, transport companies, freight forwarders, customs, IFIs or logistics operators. The EC Delegations were informed on the project progress and were invited to participate in the round tables.

The round tables have encompassed:

- Presentations of logistics centres in Europe and project objectives
- Project status and objectives of the phase B – Identification of the Logistics Centres priority projects in beneficiary countries
- Presentation of the MCA – Macro results in countries
- Identification of the specific sites to be analysed in each micro locations
- Information verification and requests on specific sites

Upon completion of the round table discussions in all direct beneficiary countries, the final feedback meeting was held from 10-11 July 2009 in Kiev with all National Secretaries or their

representatives (except Georgia and Bulgaria, due to other obligations). The objective of the meeting was to obtain the official positions from the beneficiaries on the final selections of the sites for development of the logistics centres.

It should be pointed out that during a round table in Georgia, it was agreed that to confirm the project to be proposed for the feasibility study the governmental procedure required some more time. During later contacts, the National secretary informed, that the Government of Georgia supported the proposed idea to establish an ILC in the area close to Tbilisi airport. The Consultant has proceeded with the evaluation of the identified micro sites in this area. The results are presented in the Annexes 3 and 4 to the present Progress Report.

In Azerbaijan, the authorities would appreciate to receive positive consideration of the European Commission on the location of the International Logistics Centre in the new port of Baku. Such a supportive statement would facilitate further land allocation of the logistics centre for its future extension.

During the Stakeholder seminar the representative of Turkey requested to develop the MCA macro for Turkey in order to evaluate the macro regions, once the macro level would be determined Turkey would apply for a pilot project. The consultant explained that the tasks requested go beyond the scope of the project's ToR. It was pointed out that detailed methodology and approach applied were explained in the inception report and could be applied by the Turkish specialists.

The project is also assigned to recommend PPP and public granting schemes for the financing of the logistics infrastructure in the TRACECA countries. The two-fold approach will be pursued here. First, the macro level conditions and approaches will be determined at the country-wise level. Second, once the specific sites are identified and stakeholders are defined for implementation of the logistics centres projects the concrete financing schemes will be presented.

As per organisation of the study tour**,** the preparatory activities have continued. Several global logistics companies and associations of the Logistics villages in Europe have confirmed their interest in presenting concepts at such a study tour. The leading logistics centres in Germany were contacted. The programme was prepared and approved by the EC Programme Manager. The budget will be submitted for approval subsequently, once initial investigations on costs are made. The study tour will take place over a 1-week period in 2009, the dates to be agreed with the Client. Visits to Berlin, Bremen, Hamburg and Kiel are planned. The seminar will be conducted in the interactive manner. The draft programme for the study tour is appended to this report.

Consultant has proposed to include 3 persons from each direct beneficiary country, including the TRACECA National Secretary, regional development specialists and promoters of the ILC in each country and 2 persons from indirect beneficiary countries, including the TRACECA National Secretary and a regional development specialist.

C – Preparation of the feasibility studies for the selected projects

This phase is a conclusive phase of the project, but it contains some tasks that were implemented during the present reporting period.

C1 – Global descriptions of the objectives and functions of the logistics centre – initial activities started.

C2 – Identification of major stakeholders – initial activities started.

C3 – Possible site location - initial activities started.

C4 – Preliminary design of the site – relevant for the phase C

C5 – Preliminary design of the logistics areas – relevant for the phase C

C6 – Business plan for the site – relevant for the phase C

C7 – Environmental impact assessment – relevant for the phase C

C8 – Assessment for key qualification required – initial activities have started

C9 – Cost benefit analysis – relevant for the phase C

C10 – Recommendations for adapted public support - relevant for the phase C

C11- Communication and the synergies within the networks of the logistical centres.

The Task C11 has started already in the inception phase. The cooperation with the team leader of the parallel project has been established. Coordination meetings with other EC sponsored projects took place both locally and in Brussels. The communication and exchange of information with the most advanced regional and national projects has also started and will be pursued. They and the parallel project took part in the wrap-up seminar 10/11 July in Kiev.

The close liaison with the International Financing Institutions was organised; regular information exchange and coordination will be followed up.

The PR and dissemination team, consisting of a PR expert and web-designer/developer was approved by the EC programme manager. The proposed first newsletter will be revised and following newsletters will be prepared by this team. The webpage will be launched in the second progress reporting period. The preliminary structure of the webpage has been provided to the EC Programme Manager. The contents of the webpage will be agreed with the Programme Manager. The webpage will serve as a knowledge base on logistics sector in the region and will be connected to the new TRACECA website.

PM – Project management (adaptations to the work plan).

The Project management component was proposed by the Consultant given the complexity of the project and necessity to coordinate the multifunctional teams. This work package is implemented, will prevail during the whole project and includes the following tasks.

PM1: Quality assurance, risk management and conflict resolution

PM2: Updates of the Logframe The Logframe was updated on the basis of the information received during the inception phase.

PM3: Project planning: The planning results are presented in the tables of the current report.

PM4: Project reporting

Project reporting has been done on a monthly basis. The Inception Report was prepared upon completion of the Phase A after 3 months of project implementation. The progress report I was prepared after 6 months of the project implementation

2 SUMMARY OF THE PROJECT PLANNING FOR THE REMAINDER OF THE PROJECT

The project planning outlined below covers the period from the month 7 (August 2009) through the month 24 (January 2011) of the project implementation. The summary is in compliance with the Overall Plan of Operations, Overall Output Performance Plan, Work Programme and Logframe Matrix (see Annex 1).

Activities of the task A:

Performance indicators for the task A were completely fulfilled.

A1: Traffic flow analysis and characterization of the nature and the condition of operating infrastructures and facilities within the network – has been finalized during the Phase A. No further actions on this are envisaged.

A2: Description of the main issues encountered by operators – the prioritized action programme has been delivered. No further action is envisaged.

Activities of the task B:

No major action is envisaged for tasks B1 and B2 as performance indicators are fulfilled.

B1: Assistance in identifying and characterising priority projects of logistics centres - the Consultant provided assistance to the beneficiary countries in identification of the promising projects at selected macro locations. No further actions on this are envisaged, as performance indicators are fulfilled.

B2: Ranking the priority projects using multicriteria analysis - this activity has been mainly finalized. The country-wise follow up may be organized in case of need. The proposed priority projects are listed in the Annex 4 of the present report, selection of the site for those the studies will be prepared.

As for recommendations on optimization of the degree and nature of the most relevant public granting scheme to be applicable for the financing of the logistics centres a benchmarking report on this has been delivered (Annex 6).

B3: visit to the relevant logistics centres

The study tour will concentrate on the following objectives - visit Logistics Centres in Europe and demonstrate the PPP in practice and applied in order to visualise and demonstrate best practice solutions. This will focus on topic not yet covered by previous EC TRACECA projects.

The schedule of the seminar is expected to be approved by the Client by the end of August, following which an invitation will be sent to all beneficiaries. The budget and participant list will also be approved in the near future. The Consultant will proceed with organization and implementation of the study tour and will report on status to the Client and coordinate the progress with the beneficiaries on the regular basis.

The study tour will give the participants the opportunity to see “state-of-the-art” logistics facilities in function the best practices related to organisational and financial appraisal will be also presented. The performance indicator will be fulfilled in the next reporting period.

Activities of the task C

C1: Global description of the objectives and functions of the logistics centre. The Consultant elaborating the drafts for each selected site, once the priority projects are identified.

C2: Identification of the major stakeholders. The main stakeholders of each specific project will be determined.

C3: Possible site location will be defined and relevant technical description will be provided.

C4: Preliminary design of the site will be prepared.

C5: Preliminary design of the logistics (functional) areas will be prepared.

C6: Business Plan for the site. Business plans will be elaborated and country-wise implementation programme (legal and financial aspects related to each site) will be elaborated.

C7: Environmental impact assessment will be prepared.

C8: Assessment of key qualifications required. This task correlates to the task C1. The assessment will be implemented and the key qualifications required will be identified,

C9: Cost benefit analysis will be prepared.

C10: Recommendations for the adapted public support. This task correlates to the task B2 , B3 and C6. The recommendations will be elaborated.

C11: Communication and synergy within the networks of logistical centres along the TRACECA corridor. The work on this has started from the beginning of the project. The updated Communication plan is drafted and presented in this report. The activities will be followed up.

The project PR task force has been mobilised. The webpage will be launched. Other necessary dissemination activities will be agreed with the EC and implemented. The promotion materials will be issued as required.

Activities of the task PM (adaptations to the work plan)

These are the regular activities embarked into the daily work of the key expert team.

PM01: Quality assurance, risk management and conflict resolution – will be implemented

PM02: Updates of the Logframe – no specific activity is envisaged. The Logframe was updated in the inception period. The recommendations of the Monitoring Team have been included into the Progress Report I and will be followed up.

PM03: Project planning – will be detailed further and fine-tuned

PM04: Project reporting – monthly reports will be submitted, administrative reports and technical papers will be submitted.

3 PROJECT PROGRESS IN REPORTING PERIOD

The reporting period encompasses the time span between 26 January and 26 July 2009. The detailed activities overview till May 2009 has been presented in the inception report. The project progress since its start is summarized in the chapter 1 of the present document. This chapter will point out the highlights as per main tasks assigned, and point out the activities implemented as adaptations to the work plan in the inception report and implemented within the phase B.

This reporting phase entails results for the Tasks A and B. The progress with the implementation of the task C will continue, once the results of the phase B are approved by the beneficiaries.

IP – Project inception (adaptations to the work plan). The project inception phase was completed by April 2009. **Performance indicators** for the project inception phase are completely fulfilled.

A – Logistics network and related infrastructures analysis.

The basis for identification of the priority projects has been prepared during this phase, including actual logistics related freight flows assessment, and review of infrastructure conditions at main TRACECA transport links and nodes, The regions suitable for establishment of the ILC have been identified and approved by the beneficiaries. In addition, the issues encountered by the transport operators and hampering international transportation and cross-border transport cooperation were pointed out. The prioritized action programme has been finalized during the Phase B (Progress Report I, Annex 5).

Thus, the performance indicators for task A are completely fulfilled.

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

This task was mainly implemented between May and July 2009 and consisted of 3 domains of activities entailing:

- B1 – Identification and characterising of priority projects of logistics centres
- B2 – Ranking the existing projects using the multicriteria analysis
- B3 – Organisation of the visit to the relevant logistics centres

During this phase the Consultant proceeded with micro site assessments within identified macro regions. A detailed MCA-micro assessment matrix has been used to rank the specific sites. This methodology was widely communicated amongst project counterparts and stakeholders.

The micro level assessment was conducted for those sites that qualified the basic necessary criteria for establishment of logistics centres. The most promising projects in each direct beneficiary country bearing the TRACECA network in mind were recommended to the beneficiary.

This has been implemented in the interactive partnership with the European Commission, local counterparts and beneficiaries. The Consultant has encouraged stakeholder participation by involving them into the site identification. The Team Leader of the Project has conducted round table discussions in all direct beneficiary countries in June and July 2009 hosted by the National Secretaries.

The final feedback meeting was organised on 10-11 July 2009 with National Secretaries or persons nominated by them. The meeting was attended by all direct and indirect beneficiary countries, except for the representatives of Georgia and Bulgaria. They were informed on the meeting outcome: detailed minutes of the meeting, presentations delivered and conclusions relevant to the project implementation were communicated to them. The follow up team leader mission to Georgia was approved, and will take place in the next reporting period.

To promote active feedback on the proposed projects the consultant has submitted an endorsement template to be returned by the direct beneficiaries to the contracting authority expressing the position towards ILC network and specific sites.

This task also included elaboration of recommendations on PPP and public granting schemes for the financing of the logistics infrastructure in the TRACECA countries. The two-fold approach will be pursued here. First, the macro level conditions and approaches will be determined at the country-wise level (Annex 6, Progress Report I) Second, once the specific sites are identified and stakeholders are defined for implementation of the logistics centres projects the concrete financing schemes will be presented as part of the Task C.

The results for the task B1 and B2 are presented in the Annexes 3, 4, 5 and 6 of this project report consequently pointing out identification and ranking of the ILC sites, specifying action plan and providing recommendation on financing schemes. Thus, performance indicators

- Final stakeholder analysis and prioritised action programme
- Final list of the priority projects using MCA for five beneficiary countries
- Recommendations on financing schemes for beneficiary countriesare completely fulfilled.

This task also includes the organisation of the study tour to Europe. Preparatory activities have been continued. The programme was submitted for the approval of the EC Programme Manager. The visits to Berlin, Bremen, Hamburg and Kiel are planned. Consultant has proposed to include 3 persons and 2 persons direct and indirect beneficiary country respectively. The profiles of participants comprise a TRACECA National Secretary, regional development specialists and promoters of the ILC.

C – Preparation of the feasibility studies for the selected projects

C1 – Global descriptions of the objectives and functions of the logistics centre – preliminary activities were implemented and included in the fact sheets.

C2 – Identification of major stakeholders – initial work has started, the stakeholders were interviewed (see Annex 2) and invited to the round tables.

C3 – Possible site location -– initial work has started within macro regions and presented in the fact sheets.

C4 – Preliminary design of the site – not relevant to this phase.

C5 – Preliminary design of the logistics areas – not relevant to this phase.

C6 – Business plan for the site – not relevant to this phase.

C7 – Environmental impact assessment – not relevant to this phase.

C8 – Assessment for key qualification required – initial work has started, qualifications needed were discussed with the stakeholders.

C9 – Cost benefit analysis – not relevant to this phase.

C10 – Recommendations for adapted public support – on the site level not relevant to this phase.

C11- Communication and the synergies within the networks of the logistical centres.

The cooperation with the team leader of the parallel project has been arranged. Coordination meetings with other EC sponsored projects took place both locally and in Brussels. The communication and exchange of information with the most advanced regional and national projects has been pursued. The close liaison with the International Financing Institutions has been established and regular information exchange organised.

The communication and coordination activities were organised in accordance with the proposed communication plan, with only one deviation related to the preparation of a newsletter to the PS. The draft newsletter has not yet been submitted for publication. This will be delegated to the professional PR and dissemination team established to support communication actions in the project.

PM – Project management (adaptations to the work plan).

PM1: Quality assurance, risk management and conflict resolution – organised

PM2: Updates of the Logframe took the inception phase and recommendations of the monitoring team were incorporated in this reporting period.

PM3: Project planning: The planning results are presented in the tables of the current report.

PM4: Project reporting: Project reporting has been done on a monthly basis. The Inception Report was prepared upon completion of the Phase A after 3 months of project implementation. The progress report I was prepared after 6 months of the project implementation.

Table 1: Project progress report

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey	Number of Pages: 4
Planning period: 26 January 2009-26 July 2009	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU	

Project objective: To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.

No	ACTIVITIES IMPLEMENTED	TIME FRAME 2009 Months							INPUTS PERSONNEL in Man-Days[1] SENIOR		JUNIOR		EQUIPMENT AND MATERIAL		OTHER	
		1	2	3	4	5	6	7	Planned	Utilised	Planned	Utilised	Planned	Utilised	Planned	Utilised
1.	01: Inception (adaptation to the work plan)	x	x	x					**TL:** 15 **KEII+III:** 11 **SSTE:** 12	**TL:** 14 **KEII+III:** 11 **SSTE:** 12	**JSTE:** 32	**JSTE:** 33	NA	NA	NA	NA
2.	A1: Traffic flow analysis and characterisation of the nature and the condition of operating infrastructures and facilities within the network	x	x	x	x	x			**TL:** 28 **KEII+III:** 74 **SSTE:** 155	**TL:** 27 **KEII+III:** 72 **SSTE:** 156	**JSTE:** 267	**JSTE:** 275	NA	NA		
3.	A2: Description of the main issues encountered by operators	x	x	x	x	x										

[1] TL-Team Leader, KE II+III – Key Experts II and III, SSTE – Senior Short-term Experts, JSTE – Junior Short-term experts

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		Months							PERSONNEL in Man-Days[1]				EQUIPMENT AND MATERIAL		OTHER	
									SENIOR		JUNIOR					
		1	2	3	4	5	6	7	Planned	Utilised	Planned	Utilised	Planned	Utilised	Planned	Utilised
4.	B1:Assistance in identifying and characterising priority projects of logistics centres				x	x	x	x	**TL:** 60 **KEII+III:** 100 **SSTE:** 245	**TL:** 57 **KEII+III:** 97 **SSTE:** 242	**JSTE:** 295	**JSTE:** 304				
5.	B2: Ranking the priority projects using multicriteria analysis				x	x	x	x					NA	NA		
6.	B3: visit to the relevant logistics centres						x	x								
7.	C1: Global description of the objectives and functions of the logistics centre				x		x		**TL:** 20 **KEII+III:** 35 **SSTE:** 68	**TL:** 19 **KEII+III:** 34 **SSTE:** 66	**JSTE:**120	**JSTE:** 124				
8.	C2: Identification of the major stakeholders				x			x								
9.	C3: Possible site location						x	x								
10.	C4: Preliminary design of the site															

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey — Number of Pages: 4
Planning period: 26 January 2009-26 July 2009	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU

Project objective: To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.

No	ACTIVITIES IMPLEMENTED	TIME FRAME 2009							INPUTS							
		Months							PERSONNEL in Man-Days[1]				EQUIPMENT AND MATERIAL		OTHER	
									SENIOR		JUNIOR					
		1	2	3	4	5	6	7	Planned	Utilised	Planned	Utilised	Planned	Utilised	Planned	Utilised
11.	C5: Preliminary design of the logistics (functional) areas															
12.	C6: Business Plan for the site and country-by-country legal programme															
13.	C7: Environmental impact assessment															
14.	C8: Assessment of key qualifications required			x				x								
15.	C9: Cost benefit analysis															
16.	C10: Recommendations for the adapted public support															
17.	C11: Communication and synergy within the networks of logistical centres along the TRACECA corridor	x	x	x	x	x	x	x								

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey — Number of Pages: 4
Planning period: 26 January 2009-26 July 2009	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU

Project objective: To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.

No	ACTIVITIES IMPLEMENTED	TIME FRAME 2009 Months							INPUTS PERSONNEL in Man-Days[1] SENIOR Planned	SENIOR Utilised	JUNIOR Planned	JUNIOR Utilised	EQUIPMENT AND MATERIAL Planned	EQUIPMENT AND MATERIAL Utilised	OTHER Planned	OTHER Utilised
		1	2	3	4	5	6	7								
18.	PM 1: Quality assurance, risk management and conflict resolution (Adaptation to the work plan)	x	x	x	x	x	x	x	**TL:** 5 **KEII+III:** 20 **SSTE:** 5	**TL:** 5 **KEII+III:** 19 **SSTE:** 5	**JSTE:** 5	**JSTE:** 5				
19.	PM 2: Updates of the Logframe (Adaptation to the work plan)	x	x	x	x											
20.	PM 3: Project Planning (Adaptation to the work plan)	x	x	x	x	x	x	x								
21.	PM 4: Project Reporting (Adaptation to the work plan)	x	x	x	x	x	x	x								
								TOTAL	**TL:** 128 **KEII+III:** 240 **SSTE:** 484	**TL:** 122 **KEII+III:** 233 **SSTE:** 481	**JSTE:** 719	**JSTE:** 741				

Table 2: Overall Output Performance Plan

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey	Number of Pages: 5
Planning period : 26 January 2009-26 January 2011	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU	
Project objective: To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.			

Outputs	Agreed Objective Verifiable Indicators	Assumptions
Component project inception – IP (adaptations to the work plan)		
Project mobilised	• Key expert team within 2 weeks after the project commencement • Project office established and is fully operational within 6 weeks after the project commencement • Project registered at the basis of operations country by the end of inception phase	• Availability of counterpart staff to engage in meetings, project steering and working panels • Timely response on Consultant's requests
Kick-off meeting took place	• Kick-off meetings in all eight direct and indirect beneficiary countries are conducted	• Availability of counterpart staff to engage in meetings, project steering and working panels
Component A: Logistics network and related infrastructures analysis		
1. Report on actual logistics related freight flows and compilation of maps	• The report on logistic related traffic flows is delivered by the end of the inception phase.	• Free access to necessary information and data within the project implementation • Access of project team to all countries within region, and to all project relevant areas (e.g. ports, border crossing points, airports, terminals, etc.)

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey	Number of Pages: 5
Planning period : 26 January 2009-26 January 2011	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU	
Project objective: To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.			

Outputs	Agreed Objective Verifiable Indicators	Assumptions
2. Eight country reports on infrastructure conditions at main TRACECA transport links and nodes	• Field missions of expert teams took place in eight beneficiary countries (both direct and indirect) • Structured interviews were conducted with relevant stakeholders • Eight reports on infrastructure conditions, current situation in logistics sector and main hub are prepared	• Free access to necessary information and data within the project implementation • Access of project team to all countries within region, and to all project relevant areas (e.g. ports, border crossing points, airports, terminals, etc.)
3. Assessment of locations in five direct beneficiary for future international logistics centre (ILC) projects at macro level	• Multicriteria analysis matrix is prepared • The locations at macro level are analysed and evaluated in five direct beneficiary countries	• Willingness of stakeholders and authorities to cooperate under coherent, integrated logistics centre network solution • Beneficiary support and continuity in decision making • Access of project team to all countries within region, and to all project relevant areas (e.g. ports, border crossing points, airports, terminals, etc.) • Market conditions remain attractive to the potential investors despite the current financial and economic crisis • Approval process for promotion of project activities takes place in time
4. Description of main issues of transport operators (initial stakeholder analysis) in eight countries	• Structured interviews are conducted with the stakeholders in all eight beneficiary countries • Report summarising findings is prepared and contains information on all eight beneficiary countries • Preliminary action programme is proposed	• Willingness of stakeholders and authorities to cooperate to develop a coherent, integrated logistics centre network solution • Favourable political and economic situation • Relevant legislation and regulatory framework exist

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey	Number of Pages: 5
Planning period : 26 January 2009-26 January 2011	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU	
Project objective: To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.			

Outputs	Agreed Objective Verifiable Indicators	Assumptions
Component B - Identification, ranking and promotion of logistics centres' projects		
1. Final stakeholder analysis and prioritised action programme	• Stakeholder analysis is prepared for each country and prioritised action programme is proposed (report)	• Full support and commitment from project partners • The stakeholders will participate actively in round tables on identification and appraisal of priority sites
2. Final list of the priority projects using MCA for five beneficiary countries	• List of the priority project resulting in selection of one project per direct beneficiary country	• Willingness and cooperation between various counterparts • Commitment from stakeholders to regional interests, respect to transport demand and network principle, rather than to local preferences • Commitment to development of the selection criteria and acceptance of the indicators (including public support) by all involved counterparts • Co-operation with neighbouring countries
3. Recommendations on financing schemes for beneficiary countries	• Relevant European experience presented (in the report) • Problems identified in each direct beneficiary countries and recommendation provided (in the report)	• Measures to improve efficiency of the sector performance will be implemented
4. Study tour to LCs in Europe and study tour documentation	• Study tour to Europe organised upon completion of the Phase B with participants approved by the EC • Capacity building actions / stakeholder MCA workshop are organised for beneficiary countries • Study tour documentations is available	• Availability of the counterparts and stakeholder

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey	Number of Pages: 5
Planning period : 26 January 2009-26 January 2011	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU	
Project objective: To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.			

Outputs	Agreed Objective Verifiable Indicators	Assumptions
Component C - Preparation of the feasibility studies for the selected projects		
5. **Implementation programme** favourable to investments in five direct beneficiary countries	• Country-by-country implementation programme for five direct beneficiary countries	• The data are available and counterparts provide strong input for the package implementation on the sustainable basis • Relevant data and supporting documents are made available to the project team • Means and forms of possible public support to the projects is clearly formulated by the beneficiary countries • Market conditions remain attractive to the potential investors despite the current financial and economic crisis
6. **Communication plan** including promotion and dissemination aspects	• Communication plan is prepared in the inception period • Regular meetings with project partners and IFIs held	• No constraints
	For each selected project:	

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey	Number of Pages: 5
Planning period : 26 January 2009-26 January 2011	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU	
Project objective: To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.			

Outputs	Agreed Objective Verifiable Indicators	Assumptions
7. **Pre-feasibility/feasibility study** including: assumptions on public support and investment promotion, capacity and institutional strategy action plan, administrative support and staff qualification assessment, services to be rendered, business plans and cost-benefit analysis and environmental impact assessment where relevant.	• Feasibility / Prefeasibility studies are prepared by the end of the project and contain the required components	• The data are available and counterparts provide strong input for the package implementation on the sustainable basis • Access of project team to all countries within region, and to all project relevant areas (e.g. ports, border crossing points, airports, terminals, etc.) • Relevant data and supporting documents are made available to the project team • Means and forms of possible public support to the projects is clearly formulated by the beneficiary countries
8. **Masterplan (preliminary design)** covering functional area design, design for modern infrastructure and cargo handling facilities, adequate information system.	• Master plans are prepared	• The data are available and counterparts provide strong input for the package implementation on the sustainable basis • Relevant data and supporting documents are made available to the project team • Means and forms of possible public support to the projects is clearly formulated by the beneficiary countries
Component PM – Successful project implementation (adaptations to the work plan)		
9. Updated Logframe	• Updated Logframe attached to the inception report	Standard project planning tools are applicable
10. Project plans	• Project plans are available in the reports	
11. Project reporting	• Administrative and technical reports as per TOR are published • Project status report on monthly basis	

Table 3: Resource Utilisation Report

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey	Number of Pages: 1
Planning period: 26 January 2009-26 July 2009	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU	
Project objective: To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.			

RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER
PERSONNEL					
Team Leader	450 MD	128 MD	122	122	228
Key Experts II and III	800 MD	240 MD	233	233	567
Senior Short Term Experts	1425 MD	484 MD	481	481	944
Junior Short Term Experts	1890 MD	719 MD	741	741	1179
OTHER INPUTS %					
NA	NA	NA	NA	NA	NA

4 PROJECT PLANNING FOR THE NEXT REPORTING PERIOD

The reporting period encompasses the time span from 26 July to 26 January 2010. This reporting phase entails results envisaged for the Tasks B and partly for the task C.

IP – Project inception (adaptations to the work plan) performance indicators are fulfilled.

A – Logistics network and related infrastructures analysis performance indicators realised.

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

Priority projects are identified, characterised (B1) and ranked (B2). Thus the performance indicators for B1 and B2 are realised.

B3 – Organisation of the visit to the relevant logistics centres – study tour to Germany will be organised. The dates are yet to be approved by the Client.

As for recommendations on PPP and public granting schemes for the financing of the logistics infrastructure in the TRACECA countries investigations will extend to the specific sites.

The approval of direct beneficiaries is essential to proceed with implementation of the task C.

C – Preparation of the feasibility studies for the selected projects entails the following:

C1 – Global descriptions of the objectives and functions of the logistics centre – will be given for each selected site. Performance indicator for C1 will be delivered.

C2 – Identification of major stakeholders – performance indicator for C2 will be delivered, i.e. for each specific site a matrix of stakeholders will be prepared with their proposed roles.

C3 – Possible site location – performance indicator will be delivered for C3 – the location of the concrete site will be recommended.

C4 – Preliminary design of the site – initial work will be implemented.

C5 – Preliminary design of the logistics areas – initial work will be implemented.

C6 – Business plan for the site –The structure of the business plan will be elaborated. This entails coordination with IFIs and networking promotion activities with potential investors.

C7 – Environmental impact assessment – initial work will be implemented.

C8 – Assessment for key qualification required –s will be discussed with stakeholders.

C9 – Cost benefit analysis – initial work will be implemented.

C10 – Recommendations for adapted public support – initial consultations are foreseen,

C11- Communication and the synergies within the networks of the logistical centres.

Coordination, and information exchange will continue following the proposed communication plan. The project website will be launched and promotional items will be prepared. The beneficiaries requested to conduct stakeholder meetings and round tables on the ad hoc basis.

PM – Project management (adaptations to the work plan) - will continue and entails.

PM1: Quality assurance, risk management and conflict resolution – will be implemented.

PM2: Updates of the Logframe - Logframe is elaborated and no further activity is envisaged.

PM3: Project planning – fine tuning will continue.

PM4: Project reporting - will be done on a monthly basis. The progress report II will be issued in January 2010.

Table 4: Plan of Operations for the Next Reporting Period

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey	Number of Pages: 2
Planning period : 26 July 2009-26 January 2010	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU	

Project objective:
To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.

No	MAIN ACTIVITIES	TIME FRAME						INPUTS			
	year	**2009**					**2010**	PERSONNEL (man-days)		EQUIPMENT & FURNITURE	OTHER Incidental expenditure
	month	8	9	10	11	12	**1**	Senior	Junior		
1.	01: Inception (adaptations to the work plan) ☑							-	-	N / A	25%
2.	A1: Traffic flow analysis and characterisation of the nature and the condition of operating infrastructures and facilities within the network ☑							-	-		
3.	A2: Description of the main issues encountered by operators ☑										
4.	B1:Assistance in identifying and characterising priority projects of logistics centres	x	x					**TL:** 18 **KEII+III:** 17 **SSTE:** 54	**JSTE:** 58		
5.	B2: Ranking the priority projects using multicriteria analysis	x									
6.	B3: visit to the relevant logistics centres	x	x	x							
7.	C1: Global description of the objectives and functions of the logistics centre	x	x	x	x	x	☑	**TL:** 89 **KEII+ III:** 184 **SSTE:** 286	**JSTE:** 493		
8.	C2: Identification of the major stakeholders	x	x	x	x	x	☑				
9.	C3: Possible site location	x	x	x	x	x	☑				
10.	C4: Preliminary design of the site				x	x	x				
11.	C5: Preliminary design of the logistics (functional) areas				x	x	x				
12.	Task C6: Business Plan for the site and country-by-country legal programme				x	x	x				
13.	C7: Environmental impact assessment				x	x	x				

Project title: International Logistical Centres for Western NIS and the Caucasus in Armenia, Azerbaijan, Georgia, Moldova, Ukraine	**Project number :** EuropeAid/126356/C/SER/MULTI	**Beneficiary countries:** **Direct – Armenia, Azerbaijan, Georgia, Moldova, Ukraine** Indirect – Bulgaria, Romania, Turkey	Number of Pages: 2
Planning period : 26 July 2009-26 January 2010	Prepared on: 26 July 2009	EC Consultant : DCo / Inros Lackner / NTU	

Project objective:
To support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport.

No	MAIN ACTIVITIES	TIME FRAME						INPUTS			
	year	**2009**					**2010**	PERSONNEL (man-days)		EQUIPMENT & FURNITURE	OTHER Incidental expenditure
	month	8	9	10	11	12	**1**	Senior	Junior		
14.	C8: Assessment of key qualifications required	x	x	x	x	x	x				
15.	C9: Cost benefit analysis	x	x	x	x	x	x				
16.	C10: Recommendations for the adapted public support	x	x	x	x	x	x				
17.	C11: Communication and synergy within the networks of logistical centres along the TRACECA corridor	x	x	x	x	x	x				
18.	PM01: Quality assurance, risk management and conflict resolution (adaptation to the work plan)	x	x	x	x	x	x	**TL:** 12 **KEII+III:** 11 **SSTE:** 18	**JSTE:** 29		
19.	PM02: Updates of the Logframe (adaptation to the work plan)										
20.	PM03: Project planning (adaptation to the work plan)	x	x	x	x	x	x				
21.	PM04: Project reporting (adaptation to the work plan)	x	x	x	x	x	x				
	TOTAL										25%
	Team leader							**119** MD			
	Key Experts I + II							**211** MD			
	Short-term experts							**358** MD	**580** MD		

International Logistics Centres

for Western NIS and the Caucasus

in Armenia, Azerbaijan, Georgia, Moldova, Ukraine

Progress Report I – Annex 1

Project Logical Framework

July 2009

This project is funded by
the European Union

A project implemented by
Dornier Consulting GmbH / NTU / Inros Lackner AG

LOGFRAME

	Intervention logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall objectives	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.	• Increased volumes of cargo transport due to increase in export and import of goods after implementation of the proposed projects • Increased share of logistics value added services in GDP after implementation of the proposed projects • Higher share of multimodal operations in national and international supply chains	• National statistics • Export and import statistics of national and international organisations • Reports and relevant Statistics of the international organisations • TRACECA database	
Project purpose	To develop financial, technical, environmental and institutional conditions and studies for a network of logistical centres along the TRACECA corridor in direct beneficiary countries (Armenia, Azerbaijan, Georgia, Moldova, Ukraine) in view of: • Provision of sets of pre-feasibility and feasibility studies for selected sites with focus on PPP and efficient customs services; • Analysis of the needs assessment and surveys	• Increase in level of investment in logistics centres and logistics service in case of project realisation • Increase funding of logistics and freight transport sector projects by IFIs or PPP • Priority on intermodal transport and logistics in national transport strategies	• National and international statistics • IFI funding reports and programming documents and action plans • Publications of professional investment promoters, e.g. chambers of commerce • Official governmental	• Political continuity and stability in the beneficiary countries exists • Successful measures to mitigate the consequences of the world's financial crisis • Continuation of governments in pursuing policy of regional integration and establishment of viable links with the Trans-European Transport Networks • Acceptance of international customs and freight documents and procedures by beneficiary countries • Free access to necessary information and data

	Intervention logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
	of the current logistics capabilities; • Elaboration of the master plans for selected locations • Preparation of the business and organisational plans, financial and economic analysis considering the changed cargo volumes resulted from worldwide economic slowdown. • To promote **realistic**, attractive and sustainable projects for further investment by financial institutions and/or public and private actors possible under conditions of the world economic crisis.		publications • Transport strategies and programming documents of TRACECA countries • Project reports • Project feasibility studies	• Continued or increased financial support demonstrated by the IFIs in the region in the transport and real estate sector • Continued commitment of responsible national authorities to establish a legal basis for the development of logistics centres • Clear legal regulations for land acquisitions • Readiness of transport operators to cooperate with their current competitors within a regional logistics centre benefiting from synergy effects

	Intervention logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Results	***Result 0 (Adaptation to the Work Plan)*** *– Project Inception* ***Result A*** *– Analysis of TRACECA logistics network and of the related operation of transport and logistics within the existing network delivered*	• Kick-off meetings held • Main project office established in Kiev • Project team mobilised • Regional field missions took place in each beneficiary country • Country reports providing information on infrastructure conditions of the main TRACECA transport links and nodes and capabilities of existing entities / stakeholder to perform logistics operations • Traffic flowsreport analysis on TRACECA traffic flows and network capacities is provided in the inception report • Description of the main issues encountered by operators (first stakeholder analysis) • Prioritised action programme to be discussed with beneficiary countries • Preliminary list of assessed locations for logistics centre projects	• Project reports • Project documentation • Official communications of beneficiaries • TRACECA GIS traffic Database • Government reports and decisions • Documentation of professional associations for transport or trade • IFI reports • Publications and information reports in mass media	• Free access to necessary information and data within the project implementation • Beneficiary support and continuity in decision making • Favourable political and economic situation • Willingness of stakeholders and authorities to cooperate under coherent, integrated logistics centre network solution • Relevant legislation and regulatory framework exist • Market conditions remain attractive to the potential investors despite the current financial and economic crisis • Access of project team to all countries within region, and to all project relevant areas (e.g. ports, border crossing points, airports, terminals, etc.) • Approval process for promotion of project activities takes place in time

	Intervention logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
	Result B – *Logistics centres' projects are identified, ranked and promoted*	• Stakeholders seminar on multi-criteria analysis • Multi-criteria analysis (MCA) is prepared • A set of priority projects in each country is identified, ranked using MCA and submitted for approval	Minutes of Stakeholder seminars	
		• Coordination missions and meetings with sector stakeholders, investors and IFIs are held • Recommendation are provided for optimizing the degree of most relevant public granting scheme and necessary regulatory changes • Study tour to relevant logistics centres in Europe is organised	Minutes of meetings and Round Table discusions	
	Result C – *Feasibility studies for the selected projects*	For each selected project: • **Pre-feasibility / feasibility study** including: - assumptions concerning public support and fine-tuned recommendations for promotion of investments - capacity and institutional strategy (action plan) - associated administrative		

	Intervention logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
		support needed - staff qualifications defined - services to be rendered - business plans and cost-benefit analysis - Environmental impact assessment is prepared if relevant • **Masterplan (preliminary design) including** - functional area description and layout concept - dimensioning for infrastructure and cargo handling eqipment - adequate IT technologies • **Country by country implementation programme** favourable to investments • **Communication plan** is prepared including promotion of project activities (website, leaflets, press conferences, etc.) and **coordination meetings** with parallel Central Asia project are held • Final project dissemination is held		
	Result PM (Adaptation to the Work Plan) – *Successful project implementation*			

	Intervention logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Activities	**01:** Inception (adaptation to the work plan) **A1:** Traffic flow analysis and characterization of the nature and the condition of operating infrastructures and facilities within the network **A2:** Description of the main issues encountered by operators	Inputs: Key experts: • Team leader: 450 man days • Other key experts: 800 man days Short-term experts: • International experts: 1425 man days • Local experts: 1890 man days	Costs Fee budget on key experts and short-term experts Incidental expenditures verifications	*Inception activities level:* • *Offices established* • *Availability of counterpart staff to engage in meetings, project steering and working panels* • *Timely response on Consultant's reports / requests by the beneficiaries* • *Participation from the counterpart staff* *Activities A level* • *Relevant data and supporting documents are made available to the project team* • *Support and commitment from project partners*
	B1: Assistance in identifying and characterizing priority projects of logistics centres **B2:** Ranking the priority projects using multi-criteria analysis **B3:** Visit to the relevant logistics centres			*Activities B level* • *Full support and commitment from project partners* • *Commitment to development of the selection criteria and acceptance of the indicators (including public support) by all involved counterparts* • *Willingness and cooperation between various counterparts* • *Commitment from stakeholders to regional interests, respect to transport demand and network principle, rather than to local preferences* • *The stakeholders will participate*

	Intervention logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
	C1: Global description of the objectives and functions of the logistics centre **C2:** Identification of the major stakeholders **C3:** Possible site location **C4:** Preliminary design of the site **C5:** Preliminary design of the logistics (functional) areas **C6:** Business Plan for the site **C7:** Environmental impact assessment **C8:** Assessment of key qualifications required **C9:** Cost benefit analysis **C10:** Recommendations for the adapted public support **C11:** Communication and synergy within the networks of logistical centres along the TRACECA corridor			*actively in round tables on identification and appraisal of priority sites* • *Measures to improve efficiency of the sector performance will be implemented* • *Co-operation with neighbouring countries* *Activites C level* • *The data is available and counterparts provide strong input for the package implementation on the sustainable basis* • *Relevant data and supporting documents are made available to the project team* • *Means and forms of possible public support to the projects is clearly formulated by the beneficiary countries*

	Intervention logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
	PM 01 (Adaptation to the work plan): Quality assurance, risk management and conflict resolution **PM 02:** Updates of the Logframe **PM 03:** Project planning **PM 04:** Project reporting			*Activities PM level* **This area of activities is not directly related to delivery of the technical results (A, B and C), so the Consultant will apply standard Project Management tools throughout project implementation.* ***Pre-conditions:*** • *Relations between countries are not undergoing difficulties* • *Common goals and priorities in the transport sector of the countries prevail* • *Contradicting interests between the transport legal entities in the countries can be regulated* • *Appropriate legal framework will be adapted or is in place* • *National transport legislation is on the way to adaptation to international standards* • *No delays in implementation of the parallel project in Central Asia to assure implementation of interdependent results of the on task C11 – Communication and synergy within the network of the logistics centres along the TRACECA corridor* • *Promotion by beneficiaries of logistics projects with commercial attractive-ness for further investment, limited lobbying of "unbankable" projects*

International Logistics Centres

for Western NIS and the Caucasus

in Armenia, Azerbaijan, Georgia, Moldova, Ukraine

Progress Report I – Annex 2

List of meetings

July 2009

This project is funded by
the European Union

A project implemented by
Dornier Consulting GmbH / NTU / Inros Lackner AG

Schedule of the Missions / Events in April - June 2009

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
May 2009		
Ukraine		
XXI Century Investments, Kiev Mr Andrey Zaytsev, Director Logistics Property, XXI Century Ms Irina Kolomiets, Deputy General Manager, Smart Logistic Group Ukraine Mr Uwe Sorge, General Director, Smart Logistic Group Ukraine	Mr Hannes Rueger Mr John Standingford	• Project presentation • Overview of the Scope of Work and Responsibilities of the XXI Century Investments • Overview of offered logistics sites in Kiev region • Overview of offered logistics sites in Odessa region • Overview of offered logistics sites in Lviv region
Site visit of Logistics Centre Kalinovka, Kiev Mr Oleg Golubenko, Company Owner, Alfa Real Estate Ltd Mr Dmitriy Savelow, Director, Alfa Real Estate Ltd Mr Evgeniy Prudkiy, Manager, Alfa Real Estate Ltd Mr Uwe Sorge, General Director, Smart Logistic Group Mrs Irina Kolomiets, Deputy General Manager, Smart	Mr Hannes Rueger	• Location and Background Info of the site • Current Situation of the site • Site inspection

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Logistic Group		
Site visit of Logistics Centre Chaika, Kiev	Mr Hannes Rueger Mrs Ekaterina Bassova	• Location and Background Info of the site • Current situation of the site
Association of International Road Carriers of Ukraine (AsMAP), Kiev Mr Yuriy Kuchynskyi, Vice-President, AsMAP Mr. Nimchenko, Chief of the Division of Legal issues , AsMAP	Mr Michel Prouzet Mr John Standingford Ms Olena Nevmerzhytska	• Project presentation, inviting feedback and establishing contacts • Customs • TIR • Land for LCs • Preferable locations for LC • Planning and institutional arrangements for LCs • PPP • Border vs inland customs posts • Documentation
State Agency of Ukraine for Investments and Innovations), Kiev Mr Viktor Ivchenko, Chairman, State Agency of Ukraine for Investments and Innovations Mr Rostyslav Lukach, Director of investments Department, International Department, State Agency of Ukraine for Investments and Innovations Ms Natalia Tymoshenko, Head of Department of International Cooperation, State Agency of Ukraine	Mr Hannes Rueger Mr John Standingford	• Project presentation, inviting feedback and establishing contacts • Law • Cluster • Funding • Priorities • Immediate needs • LCs

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
for Investments and Innovations		
State Customs Service of Ukraine, Kiev Mr Valeriy Lugovets, Head of Directorate of Control over Moving Cargoes, State Customs Service of Ukraine Mr Andriy Laktionov, Gead of Division, International Department, State Customs Service of Ukraine.	Mr Michel Prouzet Mr John Standingford Ms Olena Nevmerzhytska	• Introduction • Risk management / analysis • TIR carnets • TIR guarantees • Transit law • LCs and border crossings • Anomaly concerning e-documentation • Border posts vs inland posts
Fiege Ukraine, Borispil Dr Julia Firsova, Chief Executive Officer, Fiege Ukraine Mr Alexander Yakovenko, Business Development Manager, Fiege Ukraine Ms Irina Kolomiets, Deputy General Manager, Smart Logistic Group Ukraine Mr Uwe Sorge, General Director, Smart Logistic Group Ukraine	Mr Hannes Rueger	• Project presentation, inviting feedback and establishing contacts • Brief overview of Fiege Ukraine
LLC Raben Ukraine (logistics centre), Brovary Mr Andrej Kozlowski, Managing Director, LLC Raben Ukraine. Ms Iryna Murashko, Business Development Manager,	Mr John Standingford	• Project presentation, inviting feedback and establishing contacts • Brief overview of LLC Raben Ukraine • Brovary site • Warehouse facilities and services

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
LLC Raben Ukraine. Ms Oksana Tolmachova, Marketing Manager, LLC Raben Ukraine		• Customs • Training • Development plans
Ministry of Transport and Communications of Ukraine (MoTC), Kiev Mr Hrigory Lehenkiy, TRACECA National Secretary Mrs Svetlana Lipinska, Department Specialist, Responsible for International Logistics Centres	Mr Andreas Schoen Ms Olena Nevmerzhytska Ms Yulia Usatova	• Inception report and macro locations • Facilitation in meetings organisation • Stakeholder MCA round table in Ukraine • Data on traffic flows and export / import commodity groups in tons for 2007/2008
Motorways of the Sea Project (MoS), Kiev Ms Nataliia Dashchenko, Senior Legal Expert, MoS Project	Mr Michel Prouzet Mr John Standingford	• International conventions • Inland customs clearance in Ukraine • Port law • ILC legal environment in Ukraine • Land expropriation / withdrawal • Odessa/Ilyichevsk • Continuing contact
Ukrainian Centre for Foreign Investment Promotion (Invest Ukraine (IU), Kiev Mr Sergey Khopyorskiy, First Deputy Director, Invest Ukraine	Mr John Standingford	• Overview of ILC Project • Overview of the Scope of Work and Responsibilities of IU • PPP – Government equity • PPP – Land
June 2009		

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Ukraine		
LISKI Usatovo (potential ILC site), Odessa Mr Ivan Yemets, Director, Branch of the Ukrainian state Centre of Transport Service 'LISKI' at the Odessa Railway	Mr John Standingford	• Introduction and project overview • LISKI questionnaire • Site assessment • General conclusions
IlyichevskVneshTrans (IVT) (potential ILC site), Odessa Mr Vasiliy P Yakimov, Deputy Chairman and Production Director, IVT Mr Aleksandr A Kobalev, Deputy Commercial Director and Director of Freight Forwarding Centre, IVT Mr Aleksandr A Bakharev, Head of Marketing Division, IVT	Mr John Standingford	• Project presentation, inviting feedback and establishing contacts • Overview of IVT • Site assessment • Customs • Specialised services • Development plans
UVK Krasilivka (potential ILC site), Brovary, Kiev region Mr Oleg Kalensky, Strategic Marketing and Development Director, UVK	Mr John Standingford Ms Olena Nevmerzhytska	• Introduction and project overview • Overview of UVK • UVK's market strategy • The LC market environment • Site inspection: Warehouse tour
Odessa Regional Council, Odessa Mr Nikolay Tindyuk, Deputy Head of the Regional	Mr Andreas Schoen	• Project presentation, inviting feedback and establishing contacts

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Council Mr Volodimir Semashko, Odessa Regional Centre for Innovation development		
Fozzy-UVK-Brovary Logistics Terminal (potential ILC site), Brovary, Kiev region Mr Oleg Kalensky, Strategic Marketing and Development Director, UVK	Mr John Standingford	• Overview of the site that had not been mentioned at the meeting on 10 June, 2009 • Location of the site • Potential partnership
Boryspil Airport Commercial Park, Kiev oblast Mr Olexiy Tkachenko, Head of Marketing Department, State enterprise Boryspil International Airport	Mr Hannes Rueger Mr Armin Hansmann	• Location and Background Info • Current Situation
Euroterminal, Odessa Ms Ludmila Varavva, Director, Euroterminal	Mr Hannes Rueger	• Project presentation, inviting feedback and establishing contacts • Status quo and site characteristics
Inteco holding, Kiev Mr Dmitriy Andrievskiy, Chairman, Inteco holding Mr Vadym Demeshchuk, Deputy Chairman, Inteco holding Ms Irina Kolomiets, Deputy General Manager,	Mr Hannes Rueger	• Project presentation, inviting feedback and establishing contacts

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Smart Logistic Group Ukraine Mr Uwe Sorge, General Director, Smart Logistic Group Ukraine		
HPC Ukraine, Odessa Mr Dirk Battermann, General Director, HPC Ukraine	Mr Hannes Rueger Mr Jan Scheele	• Introduction and project overview • Overview of HPC • Development plans
Odessa Regional Council Mr Volodimir Semashko, Director, Odessa Regional Centre for Innovation Development	Mr Hannes Rueger Mr Jan Scheele	• Introduction and project overview • Status quo and site specifics
Commercial Sea Port of Illishevsk Mr Georgiy I. Tokman , Director of the Development and Investment Department, Commercial Sea Port of Illishevsk	Mr Jan Scheele Mr Hannes Rueger	• Brief overview of the project • Development plans of the Port • New Maritime / Transport Laws • Site visit • Making photos of the location
Armenia		
Yerevan Cargo Terminal Dr Karen Mkhitaruan, Cargo Manager, ZVARTNOTS International Airport	Mr Gagik Grigoryan, Head of Foreign Relations Department, National Secretary of IGC TRACECA Mr Khachatur Manukyan, Chief Specialist, Foreign Relations	• Project presentation • Company overview • Air cargo terminal • Future development plans • Site visit

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
	Department Mr Andreas Schoen Mr Giorgi Dobordjinidze Mrs Yulia Usatova	
APAVEN Co. Ltd (Freight Forwarding Company), Yerevan Mr Gagik Aghajanyan, Executive Director Staff member	Mr Gagik Grigoryan Mr Khachatur Manukyan Mr Andreas Schoen Mr Giorgi Dobordjinidze Mrs Yulia Usatova	• MCA micro • Extention requierements • Information requests • Development plans
Ministry of Economy, Yerevan Mr Haik Mirzoyan, Head of Industry Department Mr Varos Simonyan, Head of International Department and Department of the European Integration, Ministry of Economy,	Mr Gagik Grigoryan Mr Khachatur Manukyan Mr Andreas Schoen Mr Giorgi Dobordjinidze Mrs Yulia Usatova	• Free tax zone • Support to the international logistics centres network • Development concept • Verification of ILC project concept and its match to the governmental plans
CJSC South Caucasus Railway (SCR) Mr Ilya Kelperis, Deputy Director of Transportation Sphere, Head of Commercial Work Service in the Sphere of Freight Transport	Mr Gagik Grigoryan Mr Khachatur Manukyan Mr Andreas Schoen Mr Giorgi Dobordjinidze	• Project presentation • Current situation • Participation in the ILC • Round table

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
	Mrs Yulia Usatova	
ADB Armenia Resident Mission Mr Areg Barseghyan, Senior Country Coordination Officer, Armenia Resident Mission, ADB	Mr Andreas Schoen	• Project progress
EC-Delegation in Armenia, Yerevan Mr. Jean-Francois Moret, Attache, Project manager, EC Delegation Armenia	Mr Andreas Schoen Mr Khachatur, Department for International Relations, MoTC Armenia Dr George Doborjginidze Ms Yulia Usatova	• Project overview and mission objectives • Round table
Zvarnotz airport, American International Airports Mr Marcelo Wende, Representative	Mr Gagik Grigoryan Mr Khachatur Manukyan Mr Andreas Schoen Mr Giorgi Dobordjinidze Mrs Yulia Usatova	• Project presentation • MCA micro • Extention requirements • Information requests • Development plans
Round table Phase “B”, Yerevan Mr Haykaz Balyan, Manager, Abar Co Ltd, International Transportation	Mr Gagik Grigoryan	• Presentations of logistics centres in Europe and project objectives • Project status and objectives of the phase B – Identification of the Logistics Centres priority projects in

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Mr Makar Arakelyan, Sati CJSC, International Freight Forwarding Company, Current Head of Armenian Association of Freight Forwarders Mr Varos Simonyan, Head of International Department and Department of the European Integration, Ministry of Economy Mrs Diana Sarkisyan, General Director, Association of Armenian Transporters Mr Egishe Ovannisyan, Director, Translogistics Caucasus Mr Gagik Agajanyan, Chairman, APAVEN Mr Vladimir Amiryan, Head of International Collaboration Department, Chamber of Commerce and Industry of the Republic of Armenia Mr David Melkonyan, Ministry of Transport and Communication, Transportation Department Mr Herbert Hambardzumyan, Secretary General, Association of the international road carriers of Armenia Mrs Lusine Mkrtchyan, Chief Specialist of Architecture and Construction Department, Chief Architecht Office, Municipality of Yerevan Mr Artur Ovsepyan, Head of International Department, State Revenue Committee Mr Areg Barsegyan, Senior Country Coordination	Mr Khachatur Manukyan Mr Andreas Schoen Mrs Yulia Usatova	beneficiary countries • Presentation of the MCA – Macro results in countries • Identification of the specific sites to be analysed in Yerevan • Information verification and requests

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Office, ADB Resident Mission Mr Akop Khrimyan, South Caucasian Railway, Freight Transportation Unit		
Site visit – access road and railways around the site	Mr Gagik Grigoryan Mr Andreas Schoen Mrs Yulia Usatova	• Inspection of possible connection roads • Alignment • Railway access road
Moldova		
Government of the Republic of Moldova, Intergovernmental Commision TRACECA , Chisinau Mr Eduard Biriukov, National Secretary IGC TRACECA	Mr Hannes Rueger	• Briefing and Coordination further Approach
Moldavian Railway, Chisinau Mr Alexandr Zaica, First Deputy and Chief Engineer, Head Technical Services	Mr Hannes Rueger Mr Sergey Diakov	• Statistical data • Recommended sites in Chisinau region: Visterniceni, Ghidighici and Straseni
Round table Phase “B”, Chisinau Ms Juliana Stasiuk, Head of International Relations, Agency of Transport	Mr Andreas Schoen	• Presentations of logistics centres in Europe and project objectives • Project status and objectives of the phase B – Identification of the Logistics Centres priority projects in

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Mr Petr Mititiuk, Deputy Head of Surface Transport, Agency of Transport Mr Mamey Marian, Deputy Head of Investment Policy and State Management, Ministry of Economy and Trade Mr Valeriu Garshtia, Head of the Department of Customs Procedures, Customs Service Ms Vaselina Mazuriak, Deputy Head of the Department of Customs Procedures, Customs Service Mr Valeriy Konstantinov, Chief of International Relations, Railway of Moldova Mr Vladimir Buinitskyi, Head of the Department of Airports and Air Navigation, State Civil Aviation Administration Mr Sergey Taran, President of the Association of Forwarders and Custom Brokers of Republic of Moldova "AEM-TRANS" Mr Dmitry Abdulesa, Advisor to the President, AITA Mr Eduard Biriukov, National Secretary IGC TRACECA Mr Oleg Borte, Director General, TRANS-Servis		beneficiary countries • Presentation of the MCA – Macro results in countries • Identification of the specific sites to be analysed in Yerevan • Information verification and requests

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Mr O. Lipskyi, Director, MD-Traus (AFM-T) Mr Y.Zamailov, MD-Traus (AFM-T) Mr Grigoryi Bernavskyi, Director General, Bertontrans, SRL Mr Victor Tofun, Administrator, Politrans, SRL Mr Andrey Antonov, Manager logistics, Pro-Logistic		
Azerbaijan		
Permanent Secretariat of the IGC TRACECA , Baku Mr Rustan Jenalinov, Secretary General of the IGC TRACECA	Mr Bodo Roessig Mrs Yulia Usatova	• Project status and specific objectives of the mission • Information requests • Round tables in TRACECA countries • Further steps in project
Permanent Secretariat of the IGC TRACECA , Baku Mr Akif Mustafayev, TRACECA National Secretary in Azerbaijan	Mr Bodo Roessig Ms Yulia Usatova	• Project status and specific objectives of the mission • Round table in Azerbaijan • Meeting with the MOT • Cargo flows in TRACECA and containerisation • Round table with NS in Kiev • Site at Alyat
Ministry of Transport of Azerbaijan Republic, Baku Mr Sadraddin Mamedov, Head of Transport Policy and Economy Department	Mr Bodo Roessig Ms Yulia Usatova Mr Aidin Kerimov	• Project status and specific objectives of the mission • Information requests • Round table in Azerbaijan • Cargo flows in TRACECA and containerisation

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
		• Land availability and reliability of planning in Alyat • Further steps in project
Site Visit of Alyat and surroundings (access roads and railway connection)	Mrs Yulia Usatova Mr Bodo Roessig	• MCA micro evaluation • Photo materials
ADB Resident Mission to Azerbaijan, Baku Mr Rafael Abbasov, Economics Officer	Mrs Yulia Usatova Mr Bodo Roessig	• Project Information • Round table • Information requests on ILC financing and sector involvement
EBRD Country Office in Azerbaijan, Baku Mrs Ayten Giyasova, Associate Banker	Mrs Yulia Usatova Mr Bodo Roessig	• Project Information • Round table • Information requests on ILC financing and sector involvement
World Bank Country Office, Baku Mrs Saida Bagirli, Senior Operations Officer Mr Nijan Valiyev, Infrastructure Specialist, ECSSD	Mrs Yulia Usatova Mr Bodo Roessig	• Project Information • Round table • Information requests on ILC financing and sector involvement
IFC International Finance Corporation in Baku / Azerbaijan Ms Aliya Azimova, Country Officer for Azerbaijan, IFC	Mrs Yulia Usatova Mr Bodo Roessig	• Project Information • Round table • Information requests on ILC financing and sector involvement
Round Table Phase “B” at the Ministry of Transport of Azerbaijan Republic, Baku	Mr Andreas Schoen	• Presentations of logistics centres in Europe and project objectives • Project status and objectives of the phase B –

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Mr Musa Panache, Deputy Minister of Transport, Ministry of Transport of Azerbaijan Republic Mr Akif Mustafayev, TRACECA National Secretary in Azerbaijan Mr Sadraddin Mamedov, Head of Transport Policy and Economy Department, Ministry of Transport Mr Ficret Babayev, Head of International Relations, Ministry of Transport Mr Agadjavid Agaev, Secretary of the Economic Cooperation Ministry of Foreign Affairs Mr Schahin Bagirov, Head of State Customs Committee Mr Samed Goralov, Chief Inspector of the State Customs Committee		Identification of the Logistics Centres priority projects in beneficiary countries • Presentation of the MCA – Macro results in countries • Identification of the specific sites to be analysed in Yerevan • Information verification and requests
Mr Orhan Efendiev, Secretary General, Association of Azerbaijan International Road Carriers (Abad) Mr Elchin Gulam, Director General Freight Frwarding Company Eltrans Mr E. Ragimov, Representative of the State Maritime Administration Mr I. Ahmedov, Representative of the State Maritime Administration Mr Rafael Mirgulanov, Head of Production and Technical Department, International Commercial Sea		

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Port Mr Elman Aliev, Head of Commercial Department, International Commercial Sea Port Mr Kaviz Abdulaev, Deputy Head of the Department Avtonegliyatservis, Ministry of Transport Mr Yagub Novruzaliev, Deputy Head of Main Transport Inspection Mr Teymur Mamedov, Deputy Head of Transport Processes Department, Azerbaijan Railways (ASR) Mr Gusametdin Melikov, Deputy Head of Service Tariffs ASR Mr N.Gasymov, Representative of the Department Avtoyolservis Mr V.Achmedov, Representative of the of Department Avtoyolservis Mr Azer Aliev, Chief Specialist of the Transport Policy Department, Ministry of Transport Mr Mubariz Guseinov, Principal Adviser at the Legal Department Ms Ulkar Ahmadova, Assistant to the TRACECA National Secretary of Azerbaijan Mr Rafael Abbasov, Economics Officer, Asian Development Bank		

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Georgia		
GRDC, Georgian Reconstruction and Development Company Mr Irakli Kilauridze, Executive Vice President / CEO Mr Giorgi Tsimakuridze, Deputy Head strategic Projects and Development	Mr Bodo Roessig Dr Mamuka Chantladze	• Results of Multicriteria Analyses (Makro-Level) • Round table • Information about the land plot
EU Monitoring Programme Mr Tornike Gotsiridze, Senior Monitor	Mr Bodo Roessig Dr Mamuka Chantladze	• Monitoring of the Inception Report
Georgian Railways, Tbilisi Mr Giorgi Tsimakuridze, Deputy Head Strategic Projects and Development	Mr Bodo Roessig Dr Mamuka Chantladze	• Results of Multicriteria Analyses (Makro-Level) • Round table • Information about the land plot
EBRD Office in Tbilisi Ms Nataly Mouravidze, Principle Banker	Mr Bodo Roessig Dr Mamuka Chantladze	• Results of Multicriteria Analyses (Makro-Level) • Round table
Site visit of the Territory of the Aircraft builder TAM	Mr Bodo Roessig Dr Mamuka Chantladze Dr George Doborjginidze	• Site inspection

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
EC Delegation in Georgia, Tbilisi Mr Michal Nekvasil, Second Secretary, Deputy Head of operations, Delegation of the European Union to Georgia	Mr Andreas Schoen	• Brief overview of the project progress • Railways sector in Georgia and Armenia • Results of Multicriteria Analyses (Makro-Level) • Round table
Round Table Phase "B" at the Ministry of Economic Development of Georgia, Tbilisi Mr Mamuka Vatsadze, Head of Transport Department, Ministry of Economic Development of Georgia Dr Paata Tsagareishvili, Deputy Head of Transport Department, Ministry of Economic Development of Georgia Mr Zviad Archvuadze, Head of Economic Policy Agency, Municipality of Tbilisi Ms Nino Bakhtadze, Head of Department of Municipality Property, Municipality of Tbilisi Ms Loretta Martkian, Public Relation, EBRD Mr Dimitri Kemoklidze, Head of Strategic Projects and Development Department, Georgian Railway Mr Giorgi Tsimakuridze, Deputy Head of Strategic Projects and Development Department Georgian Railway	Mr Andreas Schoen Mr Bodo Roessig Dr Mamuka Chantladze Dr George Doborjginidze	• Presentations of logistics centres in Europe and project objectives • Project status and objectives of the phase B – Identification of the Logistics Centres priority projects in beneficiary countries • Presentation of the MCA – Macro results in countries • Identification of the specific sites to be analysed in Tbilisi • Information verification and requests

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Mr Irakli Kilauridze, Executive Vice President/CEO, Georgian Reconstruction and Development Company (GRDP) Mr David Menabe, Director Business Development, JSC TAM / Tbilisi Aircraft Manufacturing		
JSC TAM-Tbilisi Aircraft Manufacturing, Tbilisi Ms Nona Tordia, Chairman of Supervisory Board	Mr Andreas Schoen Mr Bodo Roessig Dr George Doborjginidze	• Results of the Round table
July 2009		
Ukraine		
LISKI Kiev Freight Terminal, Kiev Mr Aleksandr Lukyanenko, Head of Technology Department, LISKI Freight Terminal	Mr Hannes Rueger	• Brief outline of the ILC project • Overview of Freight Terminal
Fozzy-UVK-Brovary Logistics Terminal (potential ILC site), Brovary, Kiev region Mr Oleg Kalensky, Strategic Marketing and Development Director, UVK	Mr Hannes Rueger Mr John Standingford	• Site inspection
Round Table Phase “B” at the Ministry of Transport	Mr Andreas Schoen	• Presentations of logistics centres in Europe and project

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
and Communications of Ukraine (MoTC), Kiev Mr Hrigory Lehenkiy, Head of the Department of Development and Coordination of Transport and Communication Systems, MoTC Ms Antonina Kyzmenko, Deputy Head of the Department of Development and Coordination of Transport and Communication Systems, MoTC Ms Svitlana Lipinska, Chief specialist of Infrastructure Development and Coordination in the Department of Development and Coordination of Transport and Communication Systems, MoTC Mr Anatoliy Matvienko, Deputy Head of Infrastructure Development and Coordination in the Department of Development and Coordination of Transport and Communication Systems, MoTC Mr Sergey Medvedev, Chief Specialist of Infrastructure Development and Coordination in the Department of Development and Coordination of Transport and Communication Systems, MoTC Ms Olena Gadziy, Chief specialist of International Transport Corridors and Logistics in the Department of Development and Coordination of Transport and Communication Systems, MoTC Mr Aleksandr Dyachuk, Chief Specialist of	Mr Hannes Rueger Mrs Olena Nevmerzhytska Mr John Standingford	objectives • Project status and objectives of the phase B – Identification of the Logistics Centres priority projects in beneficiary countries • Presentation of the MCA – Macro results in countries • Identification of the specific sites to be analysed in Tbilisi • Information verification and requests

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
International Transport Corridors and Logistics in the Department of Development and Coordination of Transport and Communication Systems, MoTC Mr Aleksey Tkachyk, Deputy Director of the Railway Transport Department, MoTC Mr Aleksandr Stoyachenko, Chief Specialist of the Railway Transport Department, MoTC Ms Olga Maslovska, Chief Specialist of the Foreign Economic Relations Department, MoTC Mr Vladimir Lavrinenko, Representative of the External Relations Department of Ukrmorrichflot Ms Lilia Kondzerska, Chief specialist of the Coordination Department of Ukrmorrichflot Mr Anatoly Prybatyen, Head of Combined Transportation and Operational Activity Department of the Main Commercial Department, State Administration of Railway Transport of Ukraine Mr Sergey Dokukin, Deputy Chief of the Forwarding Department of USCTS “Liski” Mr Mikhail Shaposhnikov, Head of the Development and External Relations Department of Odessa Commercial Sea Port Ms Victoria Marchenko, Head of the Marketing and Logistics Department of Ilyichevsk Commercial Sea Port		

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Mr Vitaliy Nimchenko, Head of the Legal Department for the TIR Convention of International Road Carriers Association Mr Dmitriy Kamlyk, Deputy Head of the Legal Department for the TIR Convention of International Road Carriers Association Mr Yuri Prykhodko, General Director of the Association of International Freight Forwarders of Ukraine Mr Yevgen Novikov, General Director of the Association of International Transport Forwarding Organizations of Ukraine (UKRZOVNISHTRANS) Mr Atrtem Khachatur, Chairman of the Plaske JSC Mr Ruslan Nikolaenko, Chief Inspector of the Customs Control Department of the State Customs Service of Ukraine Mr Vladimer Koval, Head of the Foreign Investment Department of Kyiv Regional State Administration Mr Dirk Battermann, General Director Hamburg Port Consult Ukraine (HPC), container terminal operator of Odessa port		
Site visit of the Krushinka Logistics Park Site Mr Alexey Yablunovskiy, Project Manager, ALACOR	Mr Hannes Rueger	• Site inspection

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Mr Alexandr Davidov, Sales Manager, ALACOR Mr Uwe Sorge, General Director, Smart Logistic Group. Mrs Irina Kolomiets, Deputy General Manager, Smart Logistic Group.		
Ntional Secretaries Coordination Meeting, Kiev Mrs Juodsnukyte Jurate, Representatives of the ECD in Kiev Mr Gagik Grigoryan, National Secretary of Armenia Ms Ulkar Ahmadova, Authorised representative of National Secretary in Azerbaijan Mr Eduard Biriucov, National Secretary of Moldova Mr Ionut Dezideriu Iordache, National Secretary of Romania Mr Ruchan Derici, Authorised representative of National Secretary in Turkey Ms Svitlana Lipinska, Ms Svitlana Lipinska, Chief specialist of Infrastructure Development and Coordination in the Department of Development and Coordination of Transport and Communication Systems, MoTC Mr Les Cheesman, Team Leader, Support to the Integration of Ukraine in the Trans-European Network	Mr Andreas Schoen Mr Hannes Rueger Mrs Olena Nevmerzhytska Mr John Standingford Mrs Yulia Usatova	• Presentation of the results achieved by ILC in Western TRACECA project in countries during the phase B – identification of the priority projects for location of the International Logistics Centres in the direct beneficiary countries • Presentation of the round table results in countries • Discussion on MCA micro level analysis • Identification of the projects for further feasibility investigations, promotions and master planning • Identification of areas to be focused on at further stages of the projects – interactive discussion • Points to be included into the Progress Report I • Feedback and requests on pending data for Phase B and Phase C • Initial discussion on clarification of the study tour purposes and participants to be invited, dates of the study tour in September 2009

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
TEN-T, Kiev Ms Oksana Novoseletska, Project Development Manager, Motorways of the Sea Project (MoS), Kiev Mr Michael Bennett, Team Leader, Ukraine Port Development Study (Odessa) Mr Tom Kennedy, Team Leader, International Logistical Centres / Nodes Network in Central Asia		
EU Monitoring Programme Mr Tornike Gotsiridze, Senior Monitor	Mr Andreas Schoen Mr Hannes Rueger Mrs Olena Nevmerzhytska Mr John Standingford	• Monitoring of the Progress Report I
		•
Azerbaijan		
Permanent Secretariat of the IGC TRACECA , Baku Mr Zhantoro Satybaldiev, Secretary General of the IGC TRACECA	Mr Andreas Schoen	• Project presentation, inviting feedback and establishing contacts • Negative effects of crisis in transport sector • Main bottlenecks (infrastructure and institiutional) to cargo flows along TRACECA corridor
Germany		
POLZUG Intermodal GmbH, Container Terminal Burchardkai, Hamburg	Mr Bodo Roessig	• Brief outline of the ILC project • Land plots under discussion

Institutions / Events / Persons Met	Participants	Issues Discussed / Investigated
Walter Schulze-Freyberg, Managing Director, POLZUG Marcel Sames, POLZUG Ralf Behrens, Director Transport and Logistics, Dornier Consulting GmbH		

International Logistics Centres

for Western NIS and the Caucasus

in Armenia, Azerbaijan, Georgia, Moldova, Ukraine

Progress Report 1 - Annex 3

Identification of Potential ILC sites

July 2009

This project is funded by
the European Union

A project implemented by
Dornier Consulting GmbH / NTU / Inros Lackner AG

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3PL	3rd Party Logistics.
BACP	Boryspol Airport Commerce Park.
BAT	British American Tobacco.
BISTP	Baku International Sea Trade Port.
BSEC	Back Sea Economic Cooperation pact/organization. The permanent secretariat is at Istanbul. The membership comprises this project's eight beneficiary countries plus Albania, Greece and Russia.
CCS	Communication and Control System.
CT	Container Terminal.
CTM	Container Transhipment Module.
EGW	Population Equivalent (to per capita).
EBRD	European Bank for Reconstruction and Development.
ET	Evaluation Type.
EU	European Union.
EUR	Euro (also abbreviated as €).
FEZ	Free Economic Zone (where imports and internal transactions are free of taxes).
FMO	Netherlands Development Finance Co.
GDP	Gross Domestic Product.
GIFP	Giurgiulesti International Free Port.
GRDC	Georgian Reconstruction and Development Company.
HPC	Hamburg Port Consulting GmbH.
ICSP	Ilyichevsk Commercial Sea Port.
ILC	International Logistics Centre.
IT	Information Technology.
IVT	JSC IlyichevskVneshTrans.
JSC	Joint Stock Company
JV	Joint Venture
LC	Logistics Centre.
LCT	Logistics City Tbilisi.
MCA	Multi-Criteria Analysis (also known as Multi-Variate Analysis, MVA).
MoTC	Ministry of Transport and Communication (Ukraine).
OPIC	Overseas Private Investment Corporation (US).
PPP	Public-Private Partnership.
TAM	Tbilisi Aircraft Manufacturing.
TEU	Twenty-foot Equivalent Unit.
TIR	Transports Internationaux Routiers (usually pronounced 'Teer' in all languages).
TOR	Terms of Reference (of the present project, unless stated otherwise).
TRACECA	TRAnsport Corridor Europe Caucasus Asia.
UZ	The State Administration of Railway Transport of Ukraine.

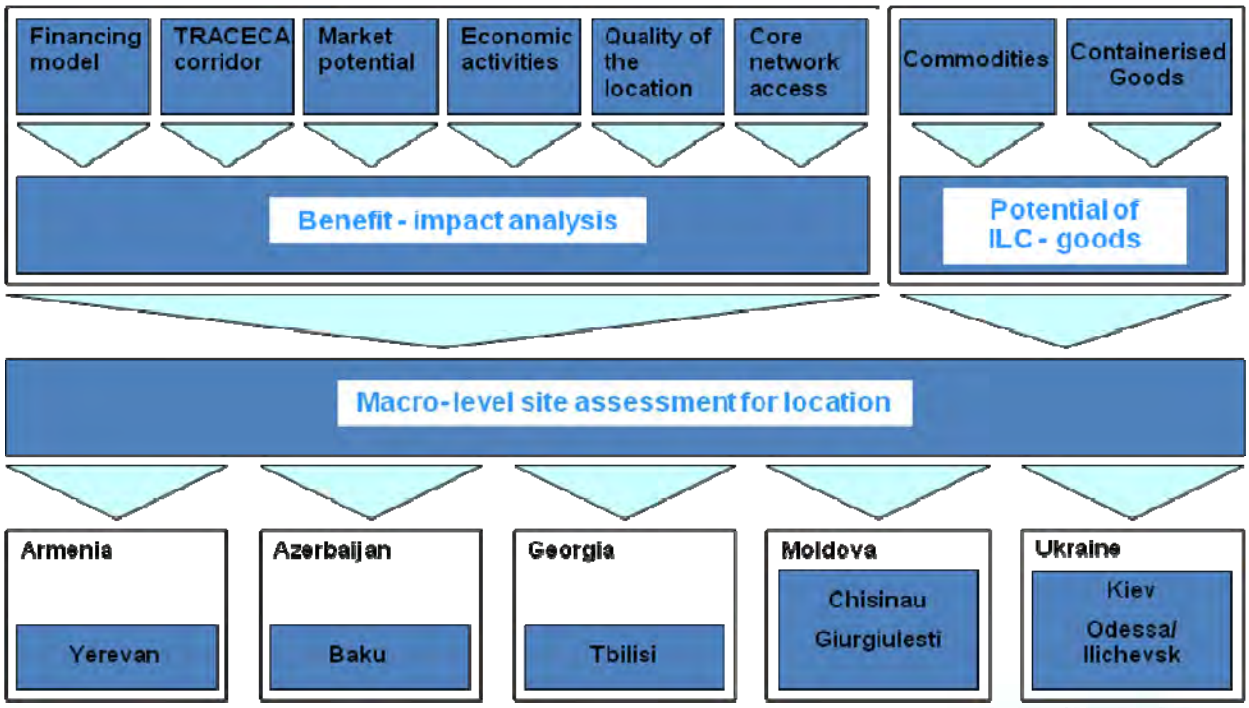
1 INTRODUCTION AND METHODOLOGY

1.1 MCA-Macro level assessment and location selection procedure

The priority projects for locations of logistics centres were identified in two consecutive phases by implementing MCA macro- and micro-level analysis. Macro-level assessment revealed the potential for a logistics node within a specific region. Micro-level assessment applies to the identified sites within this region.

In **Phase A** the most promising regions in each country were analysed and ranked using the MCA tool (Figure 1). The macro-level assessment comprised a two-step approach, entailing a benefit-impact analysis and identification of logistics centre goods potential. The following locations were selected for further investigations for an International Logistics Centre (ILC): **Yerevan** (Armenia), **Baku** (Azerbaijan), **Tbilisi** (Georgia), **Chisinau, Giurgiulesti** (Moldova), and **Kiev** and **Odessa / Ilyichevsk** (Ukraine).

Figure 1: MCA Macro Assessment for Logistics Centres



The inception report provided a justification for the selected locations. The current report estimates ILC - cargo potential within a selected region (see chapter 2). This will serve as a bridge to a feasibility study to be prepared at the next phase of project implementation.

1.2 MCA-Micro level site assessment and location selection procedure

1.2.1 Approach

An interactive approach to micro-sites identification was chosen. Governmental and public institutions, transport associations, IFIs and other private sector representatives were involved. The sites for MCA micro assessment were agreed during the round tables in each country and coordinated with TRACECA national structures.

The following sites were selected for MCA micro analysis:

Country	Sites
Armenia	Yerevan-Airport site Apaven Container Terminal
Azerbaijan	Baku International Sea Trade Port - Alyat
Georgia	TAM Tbilisi Land Plot GRDC Land Plot Railway Container Terminal - Veli
Moldova	Railway Container Terminal Chisinau Giurgiulesti International Free Port (GIFP)
Ukraine	Kiev Region: - LISKI-Kiev Freight Terminal - Boryspil Airport Commerce Park (BAPC) - Krushinka Logistics Park Site - Fozzy-UVK Brovary Site Odessa/Ilyichevsk Region: - Dry Port Euroterminal - LISKI-Odessa Freight Terminal - IlyichevskVneshTrans Logistics Complex - Ilyichevsk "Dry Port" Land Plot - Ilichovka site

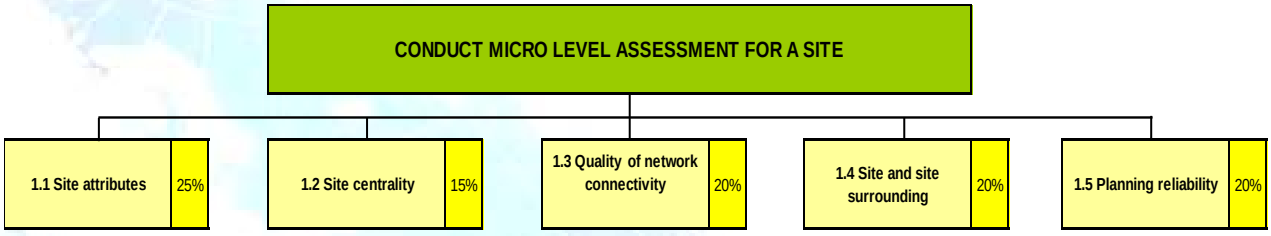
1.2.2 Assessment schemes

Many factors impact a decision on location of a logistics centre. The most decisive requirement is multimodality. Road-rail connection and concentration of traffic flows promote efficiency of shipping and reduce environmental impact. Other important factors are market conditions, such as vicinity of a plot to freight forwarding and consignee concentration areas; technical quality of a land plot; and the site development guarantees. The efficiency of an International Logistics Centre (ILC) in terms of city logistics depends on planning policies, distribution concepts of the target businesses and their willingness to cooperate.

An assessment scheme was developed to evaluate and rank the competing sites, as a basis for selecting the priority projects on TRACECA network (Figure 2).

Each site was examined and described using a Multicriteria matrix containing 22 distinct parameters clustered within 5 main criteria groups. These groups and assigned weights are shown in Figure 2. A score results from the assessment of quantitative and qualitative data or expert estimations. The weights were applied to calculate an overall score which become the basis for ranking and selecting of the priority projects to be further developed in the phase C.

Figure 2: MCA: Main Criteria Groups



Site attributes

The site quality and layout are the most important aspects for assessment.

An attractive land plot is characterized by the following attributes:

1. The ILC area should be not smaller than 25 ha, of a rectangular shape with a minimum length of 1,000 m (technology for a combined transport terminal).
2. The soil bearing capacity should be suitable for heavy construction; the plot should be preferably free from old buildings and structures, and should have no encumbrance etc.
3. Expansion areas should be available.
4. Good road and rail access and transport infrastructure network connection is essential.
5. Arranging transport network access and upgrading site connectivity should not be expensive

Site centrality

The site should be(come) a destination for import goods and a node for their distribution in the catchment area. It should also provide facilities for exports and consolidation export consignments. Multimodal connectivity is also important in this respect.

The location of the site should be central to various categories of customers:

1. Good access to the consignees and shippers.
2. Good connectivity and short transportation time providing for optimal consolidation and distribution of consignments for city logistics.
3. Established industrial and commercial areas with a variety of manufactured goods and auxiliary products require a logistics centre in its catchment area.
4. International freight forwarders in the surroundings prefer short transport routes and good ILC accessibility.

Quality of network connectivity

Vicinity to a city or other significant destinations or origins of cargoes, and connectivity to interregional/international transport networks are decisive for the quality of a location as an International Logistics Centre. This is determined by:

1. Short road connections between an ILC and city/regional/international road networks.
2. No complicated road junctions or bridges.
3. Direct rail connections to marshalling yards and main lines.
4. No land use conflicts, no construction obligations.
5. Connection to other nodes (combined cargo terminals, sea or river ports, airports).

Site and site surroundings

LC needs unlimited accessibility and no restrictions on operations round-the-clock 7 days a week (24/7). Concentration of rush-hour-traffic or crossing the residential areas, or nature protected areas or recreation zones should be avoided.

The most important requirements entail:

1. Low construction and operation costs for logistics enterprises.
2. No land use conflicts or construction limitations.
3 No conflicts or limited access in the surrounding areas.
4. Sufficient capacity for additional trucks transportation, no transport bottlenecks
5. An unpolluted land plot, preferably not already built-up.

Planning reliability

Short- or medium-term project implementation potential is important. Certain pre-conditions and commitment for project endorsement and development is necessary. “Brownfield” development projects are preferred to greenfield sites.

The following site criteria describe planning reliability:

1. Location in industrial and commercial areas where construction permits exist.
2. Registration in a land use plan as industrial or commercial areas.
3. Single owner of a whole plot either public or private,
4. Public interest, investments or financial incentives for planned development (e.g. a container terminal). Here, the readiness to embed the Europlatforms definition of the ILC is of great importance. Readiness to allow for competition and provision of the fair access to the future logistics centres were considered.

1.2.3 Assessment procedure

The assessment procedure entails interpretation of the various impact factors into ranks of sites. The rank is comprised of percentage value of main criterion groups, and should make ideally 100 points. The weighted factors define the data spectrum and range from 1 (very low) to 5 (very high), expressing the degree to which the location meets the requirement of the ILC. A score of 0 is used when the information cannot be verified. Table 1 summarises all components of the assessment process

Table 1: Overview of MCA micro matrix and weighting

No.	**Main Criteria Groups/** Sub-Criteria	Assessment criteria	ET*	Data Spectrum (weighting factor from 0 to 5)	Object-ive weight	Pract-ical value
1	**Site attributes**				**25%**	**100**
1.1	Size	Assessment function	A	Objective Data	25%	
1.2	Size layout	Assessment function	A	Objective Data	20%	
1.3	Land suitability	Assessment function	A	Objective Data	10%	
1.4	Expansion	Assessment function	A	Objective Data	15%	
1.5	Traffic network	Expert evaluation	B	Subjective Data	15%	
1.6	Infrastructure need	Expert evaluation	B	Subjective Data	15%	
2	**Site centrality**				**15%**	
2.1	City	Assessment function	A	Objective Data	30%	
2.2	Industrial zone	Assessment function	A	Objective Data	30%	
2.3	Ports /Airports	Assessment function	A	Objective Data	10%	
2.4	Freight Forwarders	Expert evaluation	B	Subjective Data	30%	
3	**Quality of network connectivity**				**20%**	
3.1	Road network	Expert evaluation	B	Subjective Data	40%	
3.2	Railway network	Expert evaluation	B	Subjective Data	40%	
3.3	Logistics activities	Expert evaluation	B	Subjective Data	20%	
4	**Site and site surrounding**				**20%**	
4.1	Region impact factor	Expert evaluation	B	Subjective Data	30%	
4.2	Site impact factor	Expert evaluation	B	Subjective Data	30%	
4.3	Traffic impact factor	Expert evaluation	B	Subjective Data	20%	
4.4	Environment impact	Expert evaluation	B	Subjective Data	20%	
5	**Planning reliability**				**20%**	
5.1	Maturity of project	Expert evaluation	B	Subjective Data	30%	
5.2	Funding	Expert evaluation	B	Subjective Data	20%	
5.3	Property	Expert evaluation	B	Subjective Data	20%	
5.4	Restrictions	Expert evaluation	B	Subjective Data	15%	
5.5	Public Support	Expert evaluation	B	Subjective Data	15%	

ET = Evaluation Type: A Objective data, B Expert estimation.

1.3 Analysis of Cargo Potential for Logistics Centres

Official national trade and transport statistics (base year 2007) form the basis for estimating cargo potential for each International logistics centre (ILC). Such statistics provides information on export and import volumes accumulated under standardised Commodity Groups.

In order to quantify the goods potential for ILCs, a demarcation of those commodity groups was necessary, to select those that are particularly suitable for tasks and functions of an ILC. Those are termed 'ILC-suitable goods'. Sufficient volume of ILC-suitable goods (consumer goods, daily needs, international merchandise, containerisable goods) is the fundamental precondition for the establishment of an ILC.

This method is based on extensive goods traffic analyses and their calibration with empirical data. It was successfully used in Europe in the 1980s and 1990s to determine goods potential for ILCs.

The selection procedure focused on the containerizability of goods. Bulk cargoes are assumed to be unsuitable for LC handling, or logistical value added generated in an ILC. This selection methodology allows differentiation of goods into three groups:

- A-goods (definitely ILC-suitable goods).
- B-goods (possibly ILC-suitable goods).
- C-goods (goods that are definitely ILC-unsuitable, such as bulk goods).

A-goods have strong affinity due to their consignment sizes, distribution structures and containerizability, whereas B-goods exhibit weaker affinity. Combination of A and B-goods forms the cargo potential for ILCs. Bulk goods (C-goods) are filtered out.

Domestic cargo flows data are not included in foreign trade statistics and are rarely available on national level. Such data is also absent in the TRACECA database. Domestic cargo flows will be investigated for each specific priority project to reveal the domestic importance of a proposed ILC.

The spatial distribution of ILC-suitable goods is assumed to be proportional to population. The total annual tonnage of ILC-suitable goods is divided by the total population of the country to derive an average per capita volume, and this is assumed to apply uniformly in all cities, rayons and oblasts.

2 SELECTION AND MICRO ANALYSIS OF POTENTIAL ILC SITES

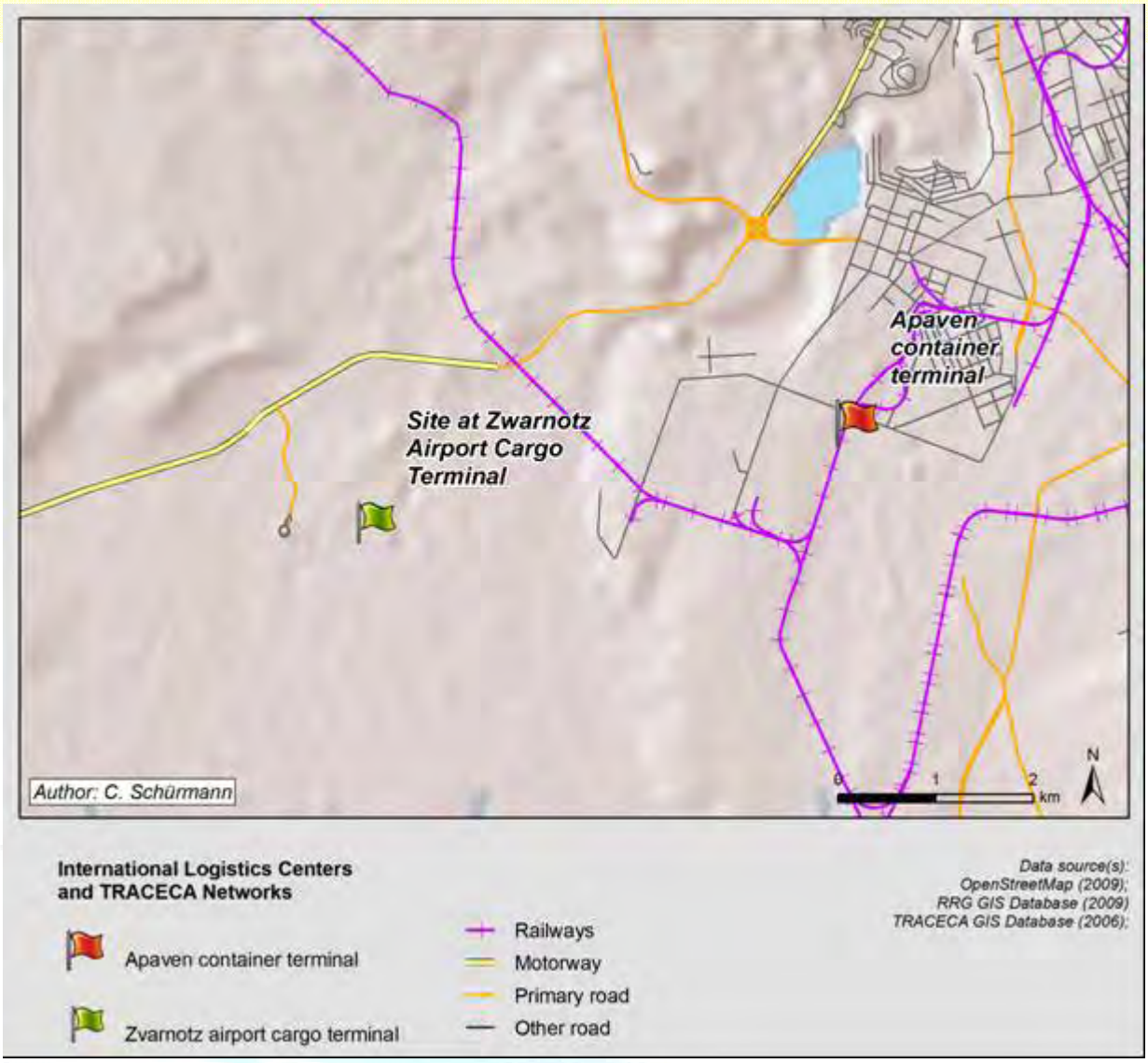
2.1 Armenia

2.1.1 Introduction and Overview of potential ILC sites

As outlined in the Inception report, the MCA-Macro analysis carried out in Phase A defined Yerevan as the most realistic candidate for ILC site selection.

As shown in Figure 3 two sites were identified within Yerevan metropolitan area (Yerevan Metroregion). The details for these sites are presented in sections 2.1.2 and 2.1.3.

Figure 3: Analysed sites in Armenia



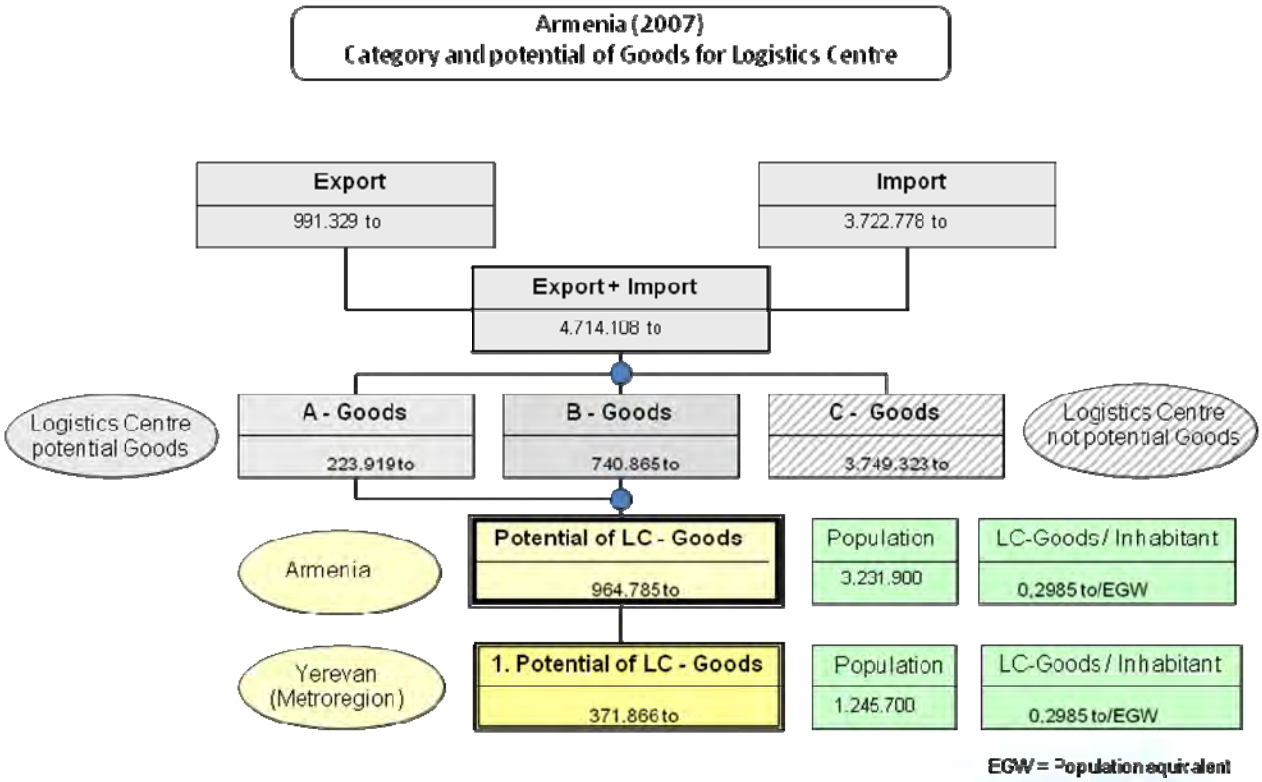
Armenia is a landlocked country and the borders with Azerbaijan and Turkey have been closed since the conflict around Nagorny Karabach shortly after independence in 1991. The country is heavily dependent on the road and rail links to Georgia and its Black Sea ports and on a single road connection to Iran. The current isolated situation of Armenia in the international and regional transport network also is a result of these closed cross-border connections to

Azerbaijan and Turkey. These include the closed TRACECA rail/road link through Azerbaijan/Nachichevan to Iran, the main highway from Yerevan to Tbilisi and Russia through Azerbaijan, the railway to Turkey (Gyumri-Kars) and the road connection to Turkey (Yerevan-Karakala). Regarding the closed cross-border connection to Turkey, there is visible political movement to resolve this issue.

Yerevan is the largest industrial centre of the country and has about 1.1 million inhabitants. Yerevan is also Armenia's most important region with the strongest purchasing power. Yerevan is the main transport node of Armenia and there is a necessity for an International Logistics Centre (ILC). It is located in the middle of the country and thus serves north-south transport flows well. The nearest seaport is Poti (about 600km away) in Georgia, through which Armenia gets access to the countries of the Black Sea region.

The potential of ILC-Cargo for the metropolitan region of Yerevan is schematically presented in the figure 4 following the described methodology.

Figure 4: Overview of estimated LC-cargo potential in Armenia



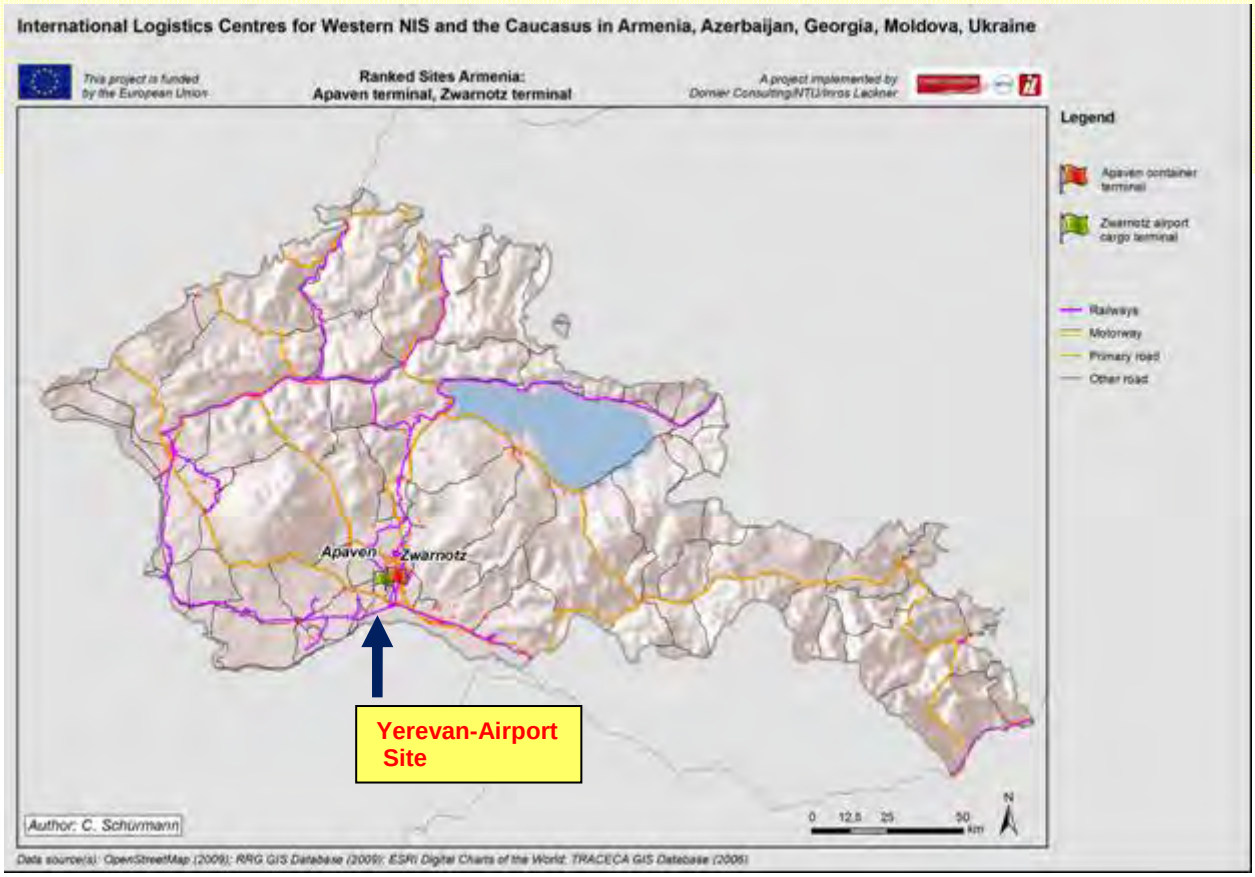
Armenia is heavily dependent on imported goods. The implementation of a future ILC in the Yerevan metropolitan area would strenghten the economic region and enhance the supply of consumer goods to the population. Furthermore it could be an efficient and main logistics node along the logistics network TRACECA corridor and facilitate the future access to regional and international markets. In addition a consolidation of the potential Yerevan container volumes in one ILC could create sufficient cargo flow to allow regular block train services to the Georgian ports of Poti and Batumi. There is also potential to attract further container cargo flows to the railway, if the railway line to Kars in Turkey is opened.

2.1.2 Yerevan-Airport site

Site connectivity to national and international road- and railway network

The site is well connected to the national road network. The site had railway access in the past, but the line does not exist any longer. Although the main TRACECA railway line is only two km away, re-establishing the railway access would be problematic due to construction obstacles and new construction on the former track alignment.

Figure 5: Yerevan Airport Site – Macro Location



Site centrality and transport connection in the micro region

The plot is located about 12km to the south west of Yerevan city, adjacent to the Zvartnots International Airport (about 300m). The city road is about 1.5km and the direct distance to the trunk railway is approximately 2km.

Site location and logistics surroundings

The plot is in the ownership of Zvartnots International Airport, which has a 30-year concession contract with the Armenian government for airport operation.

The total area is 30ha of which 15ha are already utilized. The air cargo terminal, operated by Zvartnots International Airport, is located on the site. There are about 30ha of potential expansion areas. There are obsolete industrial facilities in the northern part of the site. The area they occupy may qualify as an additional expansion potential, as these buildings are owned by the airport concessionaire. The surrounding areas are in agricultural use. The industrial area and concentration of Yerevan's freight transport companies, their facilities and warehousing areas are located at a distance of about 5km. Residential areas are about 3km away from the site.

Figure 6: Yerevan Airport Site – General View

Future development opportunities of the LC – location site

Zvartnots International Airport and the Ministry of Economy of Armenia are working on the development of a free economic zone at their 30ha territory. The development plan is approved by the government.

Summary and Outlook

The location, infrastructure network connectivity and site attributes offer good conditions and development potentials for the future establishment of an ILC at the Yerevan-Airport site. The result of the micro-level site assessment was a score of 66 as per MCA - fact sheet “Yerevan-Airport Site”.

Table 2: MCA factsheet – Yerevan Airport site

Yerevan Airport site **overall score = 66**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	30 ha, which of 15 ha are utilized. An air cargo terminal is located on the territory.	2
1.2 Site layout	classification / description	Rectangular	4
1.3 Land suitability (type of ground)	classification / description	n.a.	4
1.4 Expansion possibilities	%	100%. Approx. 30 ha expansion possibilities	5
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	1,5 km to the city road, 2 km to the rail access	4
1.6 Connectivity infra-structure investment need	classification / description	Railway access has to be constructed	2
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	Approx. 12 km to city centre	2
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	7 km to the industrial area	4
2.3 Vicinity of ports / airports	distance in km (linear)	300 m to the international airport, 600 km to the Port of Poti	5
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	Approx. 7 km to the freight forwarders' facilities / warehouses	4
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	n.a.	3
3.2 Rail connections	distance in km (linear) or plans	n.a.	3
3.3 Logistics Centre integration into transport network	classification / description	n.a.	3

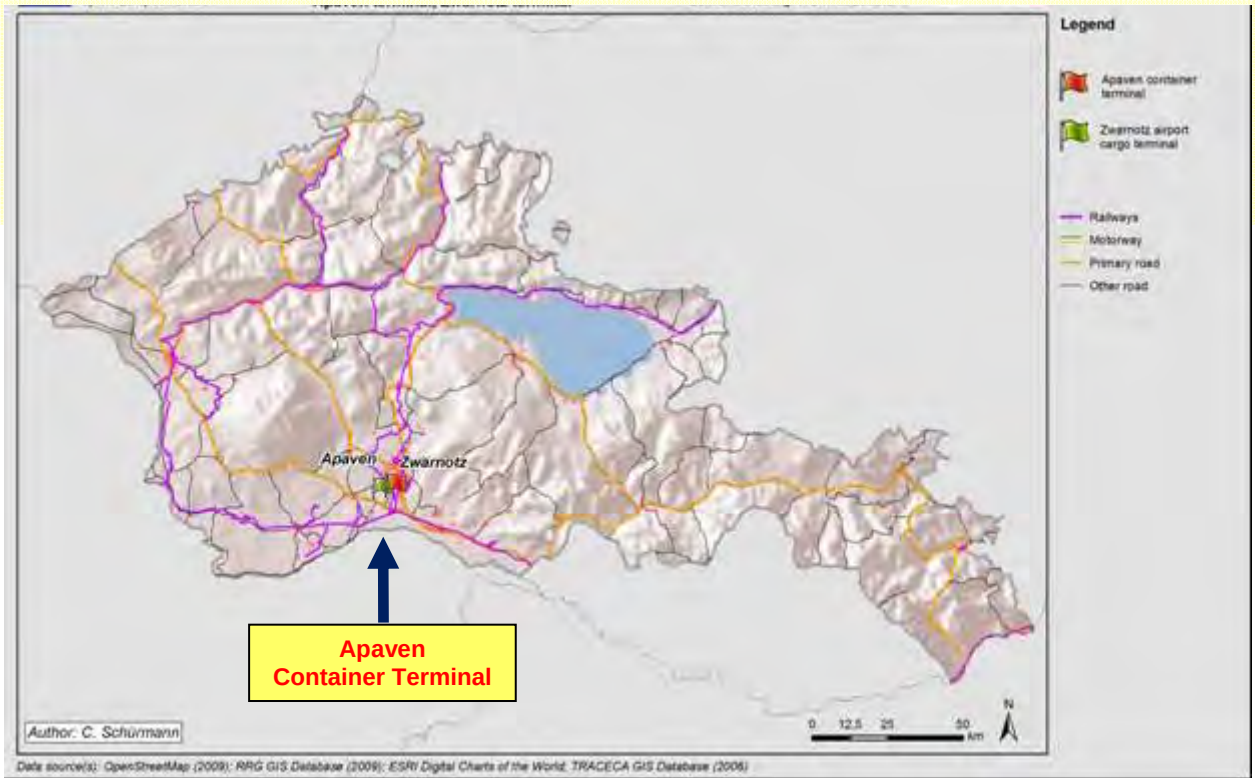
Assessment function	Units		Scale 1-5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	n.a.	3
4.2 Site-specific impact factors	classification / description	Adjacent land is in agricultural use. Approx. 3 km away is a residential area.	4
4.3 Traffic impact factors	classification / description	n.a.	3
4.4 Environmental impact factors	classification / description	n.a.	3
5 Planning reliability			
5.1 Maturity of project	classification / description	Zvartnots International Airport and Ministry of Economy of Armenia are working on the development of a free industrial zone on the territory. A development master plan has been prepared.	4
5.2 Funding possibility	classification / description	n.a.	3
5.3 Right of property	classification / description	In the ownership of Zvartnots International Airport	3
5.4 Conflict risks or restrictions	classification / description	n.a.	3
5.5 Public support	classification / description	n.a.	3

2.1.3 Apaven Container Terminal

Site connectivity to national and international road- and railway network

The site has both road and railway connection to be linked to international and national networks. The railway access leads to the TRACECA railway line. The main motorway and city roads are in 1-1.5 km away from the site.

Figure 7: Apaven Container Terminal – Macro Location



Site centrality and transport connection in the micro region

The site is located in the south part of the city. The existing access road is narrow and has a lot of turns before accessing the site, and its expansion possibilities are limited. Currently same gate is used for incoming and outgoing traffic. The distance of the land plot to the city centre is around 7km, to the international airport about 6km.

Site location and logistics surroundings

The terminal is owned by Apaven Ltd. It has 25ha expansion possibilities (land owned by Municipality) and for rezoning as logistics and industrial area in the south east.

The site presently accommodates a container terminal and warehousing facilities. The site has a total area of about 3ha and is located in the centre of the area where freight forwarding and warehousing facilities are presented. There are 3 railway tracks within the site that are used for terminal operation and to access the. The terminal is a customs bonded area.

Future development opportunities of the (ILC – location site

Apaven is planning to construct a cold storage facility at the territory. Karmin Belur container terminal supported by the investment project of TRACECA is located next to the site and represents potentially further expansion possibility. This totals 5ha. This terminal has to be tendered in the nearest future. About 30ha of the agricultural land on the other side of the railway tracks are offering expansion option as well.

Figure 8: Apaven Container Terminal – Container Handling

Summary and Outlook

The site together with adjacent plots offers good conditions and development potentials for the future establishment of an ILC. The ILC plans have to be communicated to the municipalities and included in the strategic development plans. The existing railway connection, central location in the warehousing zone of Yerevan, accommodation of customs bounded area of add to the attractiveness of the site. The result of the micro-level site assessment was a score of 71 as per MCA - fact sheet “Apaven Container Terminal”.

Table 3: MCA factsheet – Apaven Container Terminal

Apaven Container Terminal **overall score = 71**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	3 ha	0
1.2 Site layout	classification / description	n.a. at the moment	3
1.3 Land suitability (type of ground)	classification / description	Existing container terminal	4
1.4 Expansion possibilities	%	Armenian Railway intends to tender 5 ha old container terminal next to the Apaven terminal. Approx. 25 ha expansion possibilities (land owned by Municipality) and rezoning as industrial and logistics area to the south east direction.	5
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Direct access to the city road	4
1.6 Connectivity infra-structure investment need	classification / description	n.a.	4
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	Approx. 7 km to city centre	3
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	n.a.	5
2.3 Vicinity of ports / airports	distance in km (linear)	International airport 6 km, Port of Poti 600 km	4
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	Next to the freight forwarders' facilities / warehouses	4
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	n.a.	3
3.2 Rail connections	distance in km (linear) or plans	Direct access to the Yerevan-Poti railway line	5
3.3 Logistics Centre integration into transport network	classification / description	n.a.	3

Assessment function	Units		Scale 1-5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	n.a.	3
4.2 Site-specific impact factors	classification / description	Existing container terminal. Approx. 25 ha expansion possibilities to the south east direction already reserved by Municipality as future logistics area.	4
4.3 Traffic impact factors	classification / description	n.a.	3
4.4 Environmental impact factors	classification / description	n.a.	4
5 Planning reliability			
5.1 Maturity of project	classification / description	Expansion areas are already reserved by Municipality for future rezoning and use as logistics area. Apaven LTD is willing to invest in the upgrading and expansion of the Container Terminal.	4
5.2 Funding possibility	classification / description	n.a.	3
5.3 Right of property	classification / description	In the ownership of Apaven LTD	4
5.4 Conflict risks or restrictions	classification / description	Rezoning as industrial and logistics area must be clarified with Yerevan development plan.	4
5.5 Public support	classification / description	Support by Municipality	4

2.2 Azerbaijan

2.2.1 Introduction and Overview of potential ILC sites

From the macro level multi-criteria analysis carried out in Phase A the greater Baku region was selected as a realistic candidate for ILC site location. Within this region a site at Alyat, where the new Baku International Sea Trade Port (BISTP) will be located, was selected for the micro level assessment (see Figure 9).

Administratively Alyat belongs to Greater Baku and is located about 70km away from Baku city centre. Baku is Azerbaijan's main centre of production and consumption. As per latest population census conducted in April 2009, there are 8,922,000 inhabitants in Azerbaijan. Almost 2.05 million people living in Baku region. The potential for the LC-cargo potential is shown in

Figure 10 in accordance with the applied methodology.

Figure 9: Overview - Site Location in Azerbaijan

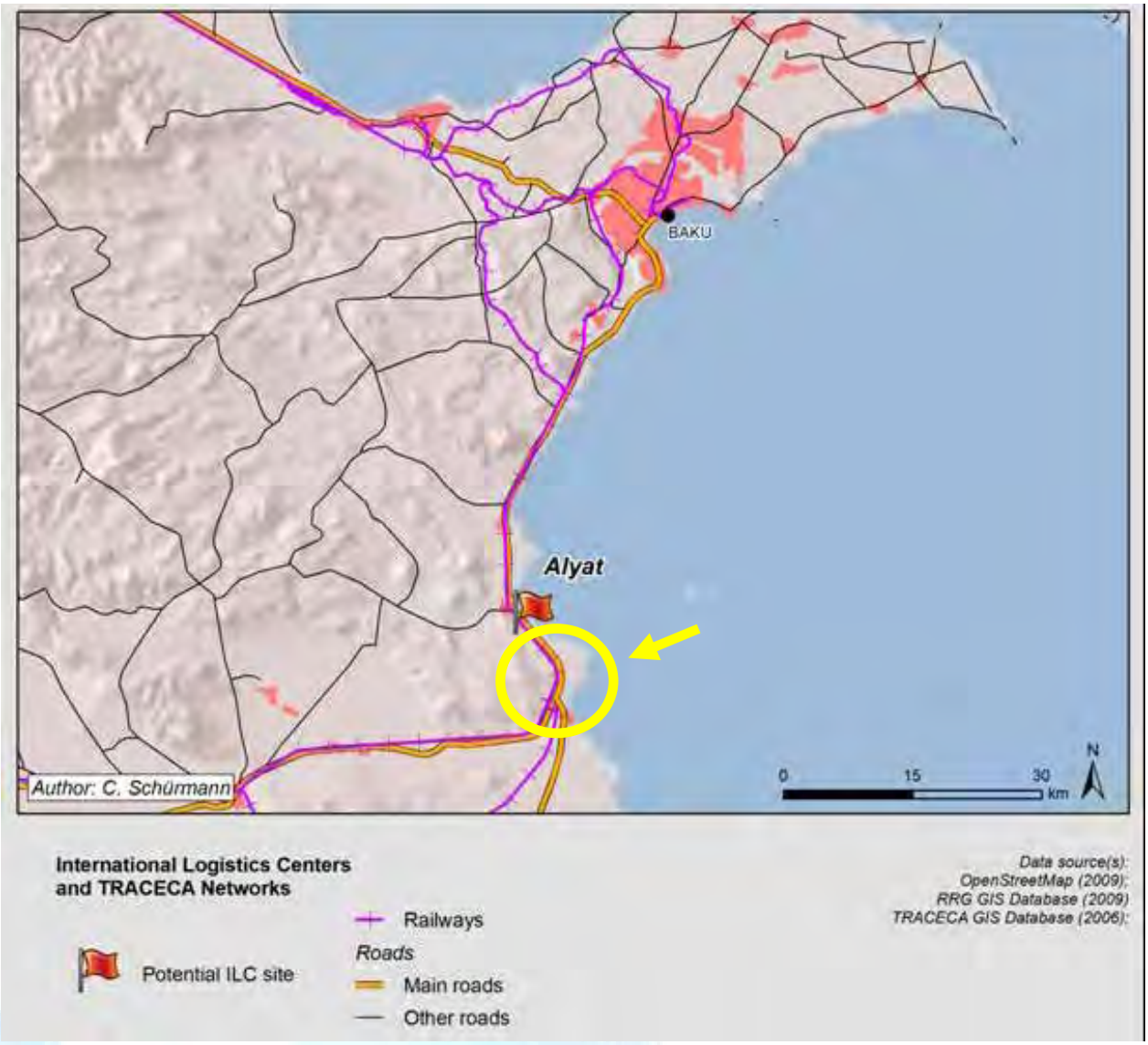
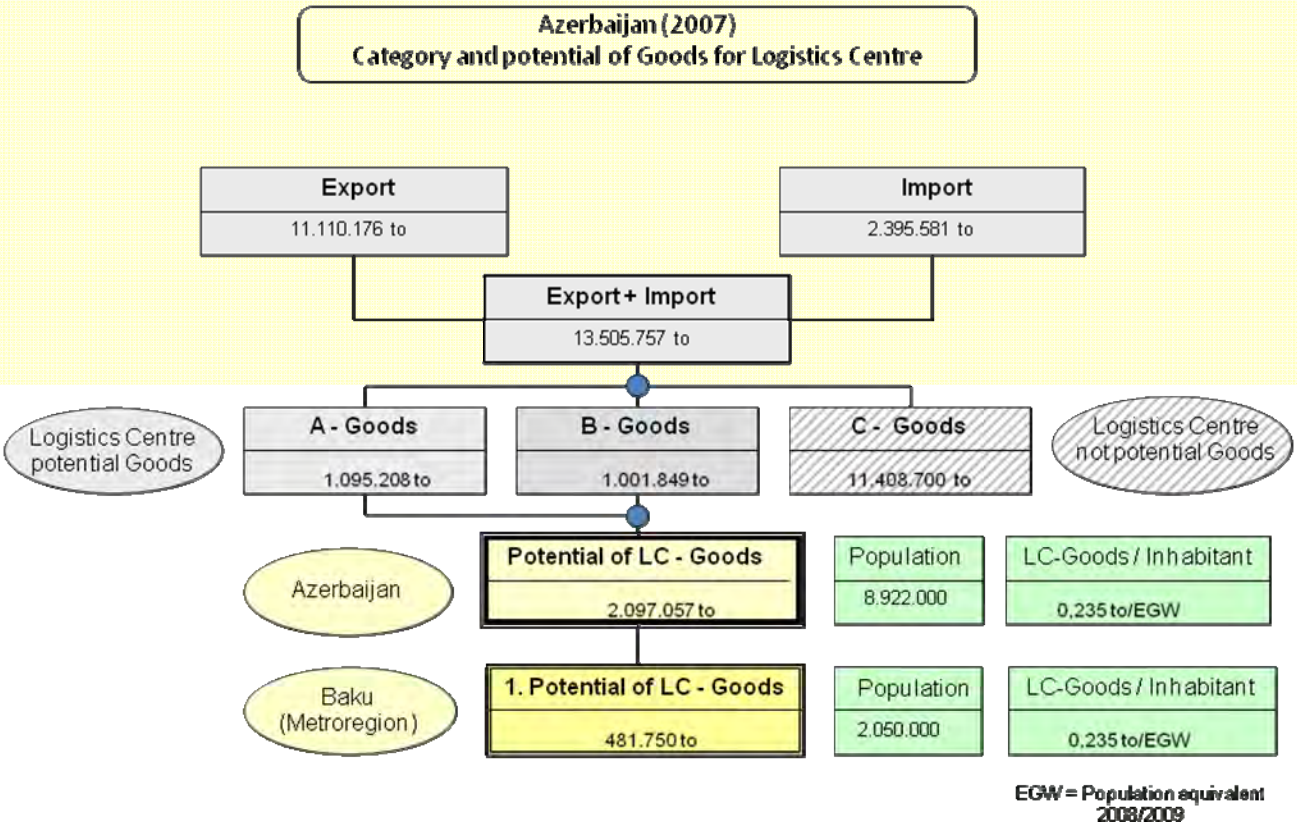


Figure 10: Overview of estimated LC-cargo potential in Azerbaijan



2.2.2 Baku International Sea Trade Port (BISTP) - Alyat

Site location in regard to the national and international road and railway network

The Government of Azerbaijan is committed to constructing Baku International Sea Trade Port (BISTP) at Alyat, replacing the existing Baku Port which is no longer capable of expansion. The published capital cost estimate is US$430M and completion is expected by 2016.

The new port will be developed on a greenfield site at 49º24' East and 39º56' North. This is 70km south of Baku, on the Caspian Sea where TRACECA and North-South Corridor intersect:

- Road: the east-west highway (Baku - Tbilisi - Poti/Batumi) and the north-south highway (Russia via Baku to Iran).
- Rail: the main railway to Georgia and the railway from Russia to Iran via Baku, Lenkaran and Astara, which cross at Alyat Station.

The new port will be connected via new access road to the main highway and a railway link. The distance from the port to the main railway network will be less than 5km.

BISTP will be the main Caspian Sea port providing a link between the southern Caucasus, Central Asia and China. The maritime links on Caspian TRACECA will be to Aktau in Kazakhstan, Turkmenbashi in Turkmenistan and potentially on Anzali / Amirabad Iran, which also belongs to the North-South corridor. The link to Russia via the North-South corridor is potentially possible via Astrakhan or other ports at Russian shore. With improved Caspian Sea shipping and port services, it has potential to be a major TRACECA node linking Europe to Asia.

Figure 11: Baku International Sea Trade Port – Macro Location

Site location and transport connection in the micro region

Currently, the port is in a master planning stage and will included an areas designated for a logistics centre. The options offered for a railway and highway access, as well as the traffic organisation within the port will be investigated in regards of the logistics centre establishment and expansions.

Figure 12: Location for a new Port of Baku in Alyat (June 2009)

Current upgrade of highway and future improvement of rail connection will reduce travel time from Baku to Alyat to less than 1 hour. Other urban, industrial and logistics complexes, associated with the oil industry are located in the radius of 30km around Alyat.

These include:

- Ipek Yuli Terminal (truck and TIR terminal) at a distance of about 40km from Alyat.
- Two large free markets occupying about 400,000m^2, 35km from Alyat
- Warehouses and workshops (e.g. belonging to the heavy vehicle manufacturer MAN), 37km from Alyat.
- The city of Sahil and manufacturing plants of Interglass and Garadagh Cement, 30-35 km from Alyat.

The governmental plans resolution is planned to be issued on the allocation and reservation of land for the needs of a logistics centre in addition to the current port territory.

Future development opportunities of the LC – location site

The Government is firmly committed to developing the new port and has allocated financial resources for its construction. The project is not fully dependent on external funding.

Summary and Outlook

BISTP is going ahead and will incorporate a logistics centre. It is very well located with respect to TRACECA, as demonstrated by its micro-level site assessment score of 89 as per MCA – fact sheet "Baku International Sea Trade Port – Alyat"). The position at the crossing of the TRACECA-corridor with the North-South-corridor, connecting the port with Russia and Iran, adds significant business opportunities.

Overview of initially identified requirements

- Discussion between the Consultant and the design engineers (Royal Haskoning) to ascertain the current status and details of the design; and to ensure accommodation of logistics activities.

Table 4: MCA factsheet – Baku International Sea Trade Port

Baku International Sea Trade Port (BISTP) - Alyat **overall score = 89**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	> 100 ha	5
1.2 Site layout	classification / description	Integration in planned new port complex. Most likely a suitable area for the ILC will be available.	5
1.3 Land suitability (type of ground)	classification / description	Low-lying land which has to be leveled up by approximately 3 m.	3
1.4 Expansion possibilities	%	As per masterplan of Has Koning.	5
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Railway connection via the new ports railway. Road onnection via the ports connection. Distance from Port to Rail and Road is less then 5 km	5
1.6 Connectivity infra-structure investment need	classification / description	Everything has to be newly built.	5
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	30 to 70 km	3
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	30 to 40 km	3
2.3 Vicinity of ports / airports	distance in km (linear)	As per masterplan of Has Koning;	5
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	None	1
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	3 km to the North-South and EastWest Main Roads (Motorways)	5
3.2 Rail connections	distance in km (linear) or plans	0.5 km to an industrial railway line. The final railway connection is subject of the master plan of Has Koning	5
3.3 Logistics Centre integration into transport network	classification / description	Railway connection via the new ports railway. Road onnection via the ports connection.Distance from Port to Rail and Road is less then 5 km	3

Assessment function	Units		Scale 1-5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Not expected	5
4.2 Site-specific impact factors	classification / description	Not expected	5
4.3 Traffic impact factors	classification / description	Port traffic using same connection road and rail; as the whole port connection will be new constructed no bottleneck shold occur	5
4.4 Environmental impact factors	classification / description	Natural source	3
5 Planning reliability			
5.1 Maturity of project	classification / description	Project should be phased in line with the master plan of Has Koning	5
5.2 Funding possibility	classification / description	Via State budget	5
5.3 Right of property	classification / description	Government of Azerbaijan	5
5.4 Conflict risks or restrictions	classification / description	Not expected	5
5.5 Public support	classification / description	The port will be built and financed by the State. Massive support is available	5

2.3 Georgia

2.3.1 Introduction and Overview of potential ILC sites

As presented in the Phase A the Tbilisi region has been selected as the most promising macro location to accommodate a logistics centre.

During Phase B it was determined that three sites in Tbilisi were to be assessed: Veli Container Terminal Veli; TAM; and GRDC. All three sites are located close to Tbilisi airport as shown in Figure 13. This area was confirmed by the beneficiary as a suitable location for logistics activities.

The LC-cargo potential for Tbilisi is presented in the Figure 14.

About 26 per cent of 4.7 million of Georgia's population reside in Tbilisi metropolitan area. As the capital and dominant commercial/industrial centre, Tbilisi accounts for a much higher proportion of income and consumption. However, this is a promising location not only for a domestic market but as a regional hub.

Tbilisi is an important node on TRACECA. Tbilisi occupies a strategic location between the Georgian Black Sea ports (Kulevi, Poti, Supsa and Batumi) and both Baku, on the Caspian Sea, and land-locked Armenia. While Armenia's borders with Azerbaijan and Turkey remain closed Tbilisi is a key point in the logistics chain between Armenia and the rest of TRACECA.

Figure 13: Overview – Site Location in Georgia

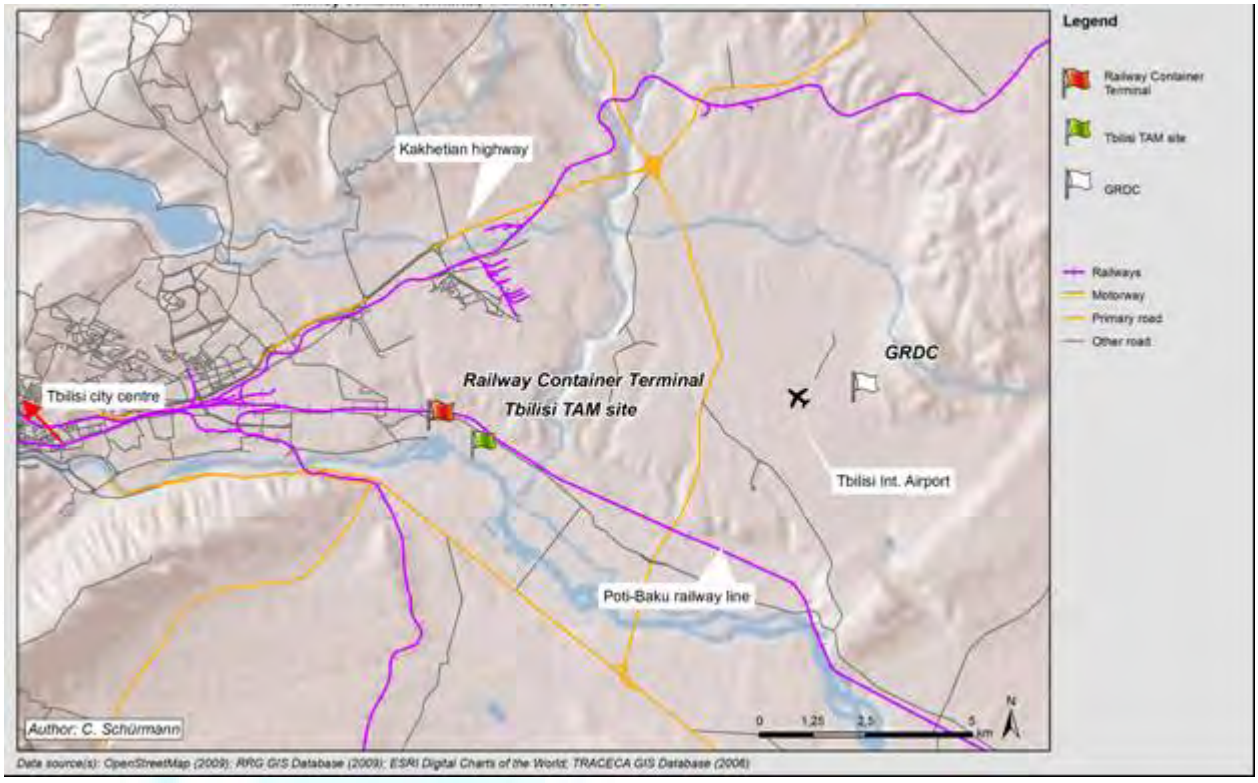
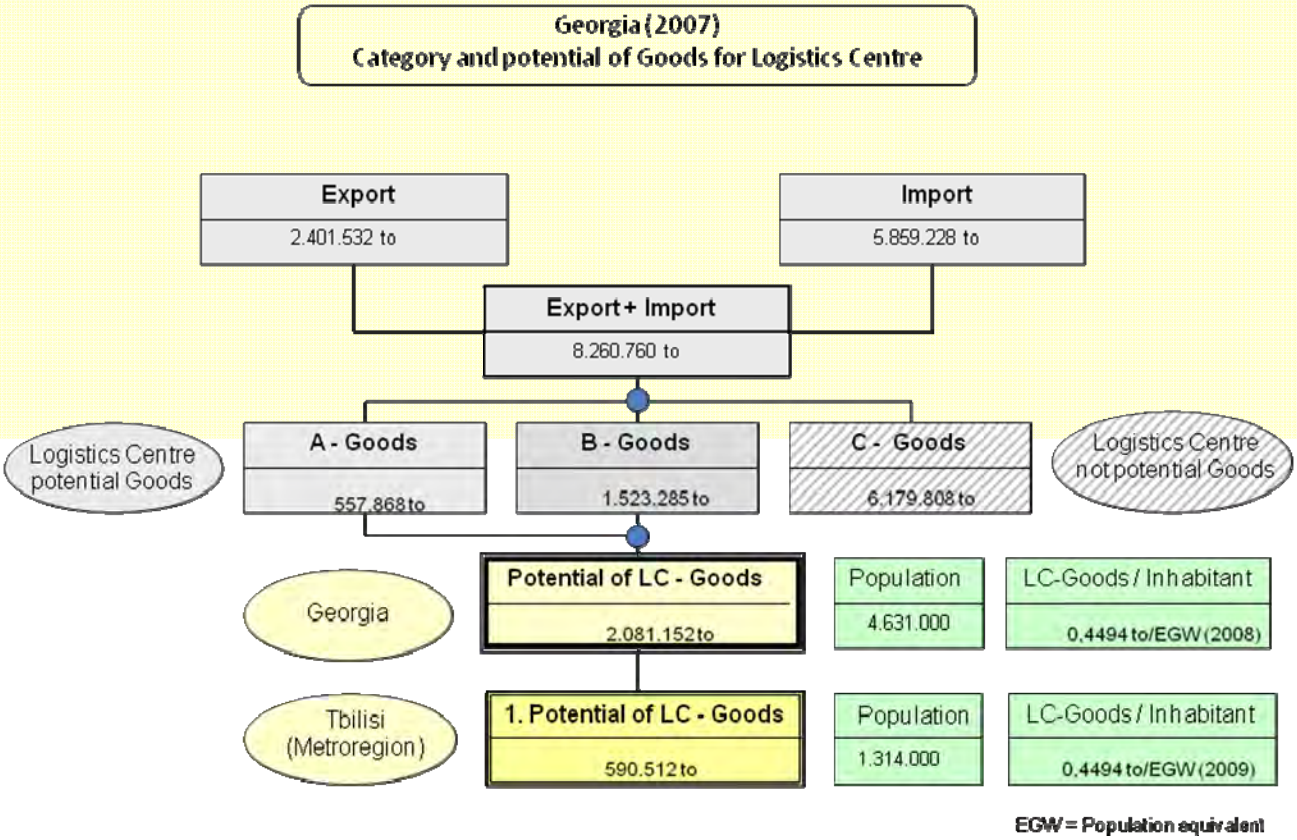


Figure 14: Overview of estimated LC-cargo potential in Georgia

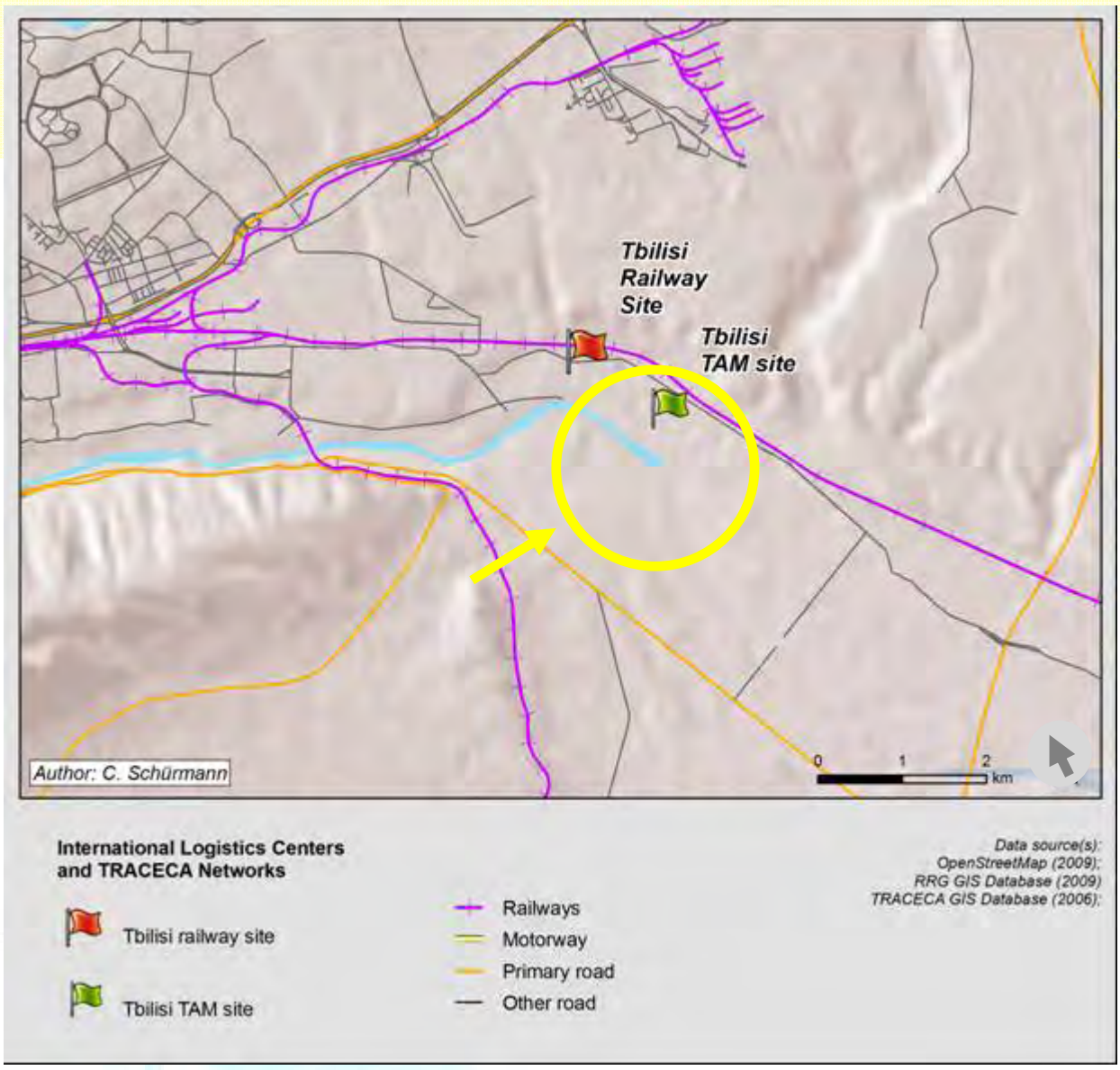


2.3.2 TAM Tbilisi Land Plot

Site connectivity to national and international road- and railway network

This site is located between the river and the main railway line running SE from Tbilisi into Azerbaijan (via Aghstafa); see Figure 15. The same line also leads to Armenia, but through Azerbaijani territory. The nearest junction with the main highway Poti-Tbilisi-Baku/Yerevan is about 7km from the site. Tbilisi International Airport is about 3km away.

Figure 15: TAM Tbilisi land plot – Macro Location



Site location and transport connection in the micro region

The site is 2-3km from the main road into Tbilisi, which lies some 15km to the west. It is 1.5km from a main industrial area; 3km from freight forwarders' warehouses and a railway marshalling yard.

ILC – location site and logistics surroundings

The site lies within a zone which the development plan of the Municipality of the City of Tbilisi dedicates to logistics activities. Between the site and the railway line, near its West-end a smaller railway-owned site called 'Container Terminal, Veli' is located. The area is offered for sale.

The site is reportedly 217ha in extent. According to the 'Invest in Georgia' website there are 97.2ha of free space and 89ha available for further extension. The site includes a 2,500m airstrip, which is still in use.

Figure 16: TAM Tbilisi land plot – General Eastward View and Promoter's Concept

Future development opportunities of the LC – location site

Its size and location makes it suitable for development of an ILC as envisaged in the present study with a large scope of activities.

Summary and Outlook

The site is very well located with respect to Tbilisi and the national/international transport network. An optimal strategic solution would be to combine the site with Railway Container Terminal - Veli, thus giving access to both the railway and the airfield on the same site and maximising the opportunity for flexible development with a range of synergistic activities. Possibly the railway container terminal could be included into the regular block train operation between the Port of Poti and Baku in Azerbaijan.

In the micro-level site assessment it scored 93 as per MCA - fact sheet "TAM Tbilisi land plot".

Overview of initial identified requirements

- Discussions should be held between the 2 site owners (Georgian Railway and TAM), the municipal government and the Ministry of Transport, to explore the possibility for aggregation of the land plots for joint development.
- Road access to the site is problematic. The access roads would need rehabilitation and upgrading.

Table 5: MCA factsheet – TAM Tbilisi land plot

TAM Tbilisi land plot **overall score = 93**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	The plot has 217 ha	5
1.2 Site layout	classification / description		5
1.3 Land suitability (type of ground)	classification / description	Good bearing soil,	5
1.4 Expansion possibilities	%	Expansion possible	5
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Main Highway Poti/Tbilisi to Baku and Yerevan access 7 km, no direct rail access, international airport 3 km	5
1.6 Connectivity infra-structure investment need	classification / description	Road access has to be repaired	4
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	15 km to city centre	5
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	1,5 km to the industrial area	5
2.3 Vicinity of ports / airports	distance in km (linear)	International airport 3 km, Port of Poti 330km, Port of Batumi 400 km	5
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	Approx. 3 km to freight forwarders' facilities / warehouses	5
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	7 km to the road junction Azerbaijan/Armenia	5
3.2 Rail connections	distance in km (linear) or plans	No direct access to the Poti-Baku main railway line (but 50m nearby), 150 m to the rail cargo station and shunting yard	3
3.3 Logistics Centre integration into transport network	classification / description	The plot has sufficient space to be attractive for ware houses, retailer, forwarders and other logistics providers. Most of the existing facilities are old and not good enough to meet the requirements	5

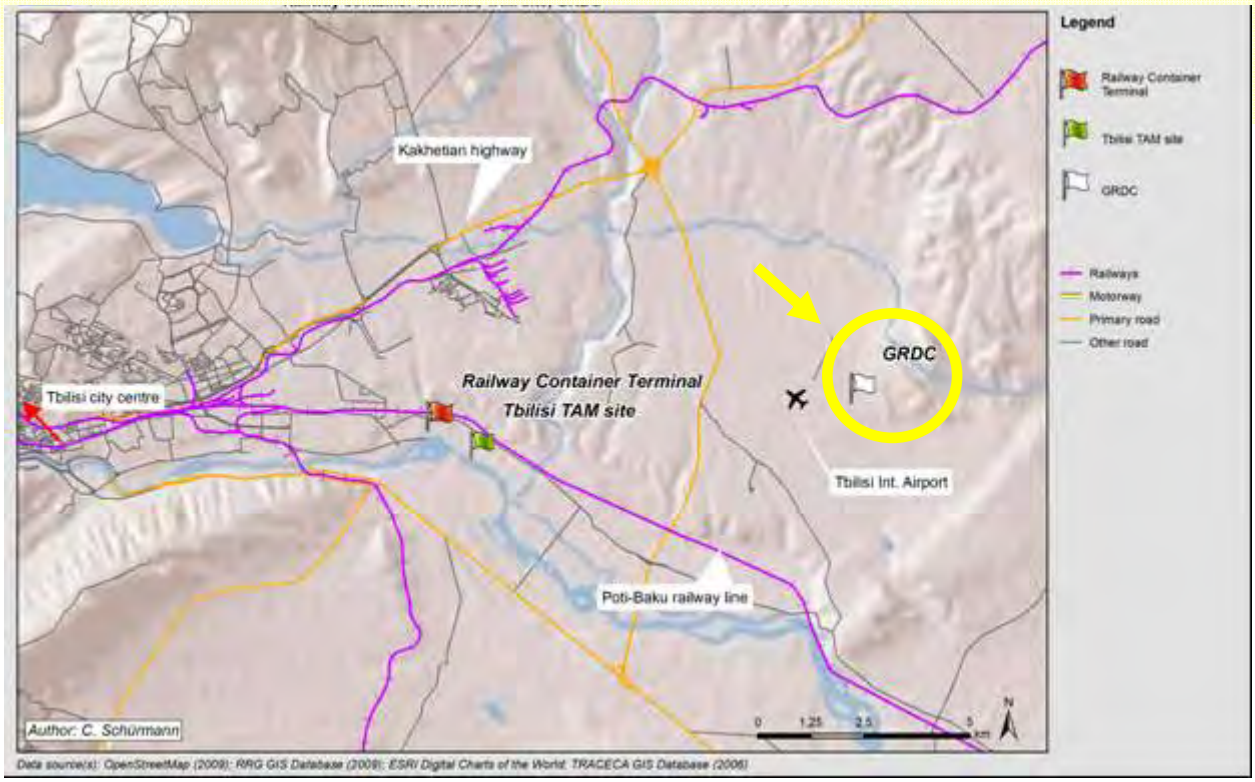
Assessment function	Units		Scale 1-5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	No	5
4.2 Site-specific impact factors	classification / description	No	5
4.3 Traffic impact factors	classification / description	No	5
4.4 Environmental impact factors	classification / description	Not expected	5
5 Planning reliability			
5.1 Maturity of project	classification / description	Rough planning	4
5.2 Funding possibility	classification / description	The landowner is willing to invest.	5
5.3 Right of property	classification / description	JSC TAM	5
5.4 Conflict risks or restrictions	classification / description	80 m next to the runway can not be used	4
5.5 Public support	classification / description	Municipality is supporting the project, Ministry of Economic Development has not decided so far.	3

2.3.3 GRDC Land Plot

Site connectivity to national and international road- and railway network

The Georgian Reconstruction and Development Company (GRDC) are located in the north of the Kura River and east of Tbilisi on the border of the city in Gardobani district. The land plot is very close to the passenger terminal of the Tbilisi International Airport. The area is partly used for activities related to air traffic and air operations. The area is not urbanised and there are no limitations that would apply to logistic activities. The distance to the main railway line Poti-Tbilisi-Baku is about 15km.

Figure 17: GRDC land plot – Macro Location



Site centrality and transport connection in the micro region

The railway connection seems to be problematic since the industrial line is not directly connected to the main railway line. Aligning of track, and phasing in operation to the main rail link Poti-Tbilisi-Baku appears to be problematic from technical and operation view points. The distance of the GRDC land plot to Tbilisi city centre is about 10km; access to the main road is via 2-3km access road, which would need to be upgraded or reconstructed. The site is 7km from the junction of the main road Poti-Tbilisi-Baku/Yerevan. Tbilisi International Airport is adjacent (only 300m away).

Site location and logistics surroundings

The land plot has a size of about 20ha and is located in an airport-related industrial area. Road access to the site is via an unpaved road leading eastwards from the main airport service road. The overall topography of the site is predominantly flat, but at a micro level the terrain is uneven and undulating. The site is bordered by disused industrial buildings to the south, greenfield land to the east and a small number of commercial buildings to the north. Some of the existing facilities are ready to be scrapped. More than 20ha expansion is possible.

Figure 18: GRDC land plot – General View

Future development opportunities of the LC – location site

The development plan of the Municipality of the City of Tbilisi dedicates this area for logistics activities with a focus on the development of an International Logistics Centre. Some of the distributors of goods have their facilities close to the airport and are potential users of new modern logistics facilities. No construction limitations are so far expected.

Summary and Outlook

GRDC already has stated its intention to use the land plot for future logistics and freight transport purposes. The location, infrastructure network connectivity and site attributes offer good conditions and development potential for the future establishment of a LC at the GRDC land plot. But the construction of a direct railway link could be problematic, because the level of the land plot and the industrial railway line are quite different.

The result of the micro-level site assessment was a score of 75 as per MCA - fact sheet “GRDC Land Plot”).

Table 6: MCA factsheet – GRDC land plot

GRDC land plot **overall score = 75**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	200,320 sqm (20 ha)	1
1.2 Site layout	classification / description	The subject property comprises 4 contiguous land parcels, collectively known as Airport Site 2 – 5	1
1.3 Land suitability (type of ground)	classification / description	The overall topography of the site is predominantly flat, however, at a micro level the terrain is uneven and undulating. This uneven topography is concentrated in the western quarter of the site. The site has an irregular shape as a result of its piecemeal composition; however, the broad form of the site is rectangular, running along an east-west axis. The property is bordered by disused industrial buildings to the south, greenfield land to the east and a small number of commercial buildings to the north.	3
1.4 Expansion possibilities	%	Possibility to expand by more than 100%	3
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Access to the property is via an unmade road leading eastwards from the main airport service road.	3
1.6 Connectivity infra-structure investment need	classification / description	Investment needed to restore existing road connection. The railway connection is more problematic	3
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	7 km	5
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	1 km	5
2.3 Vicinity of ports / airports	distance in km (linear)	0.3 km to Tbilisi International Airport	5
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	1 km	5
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	Short and good connection to main motor way, airport connection in place	5

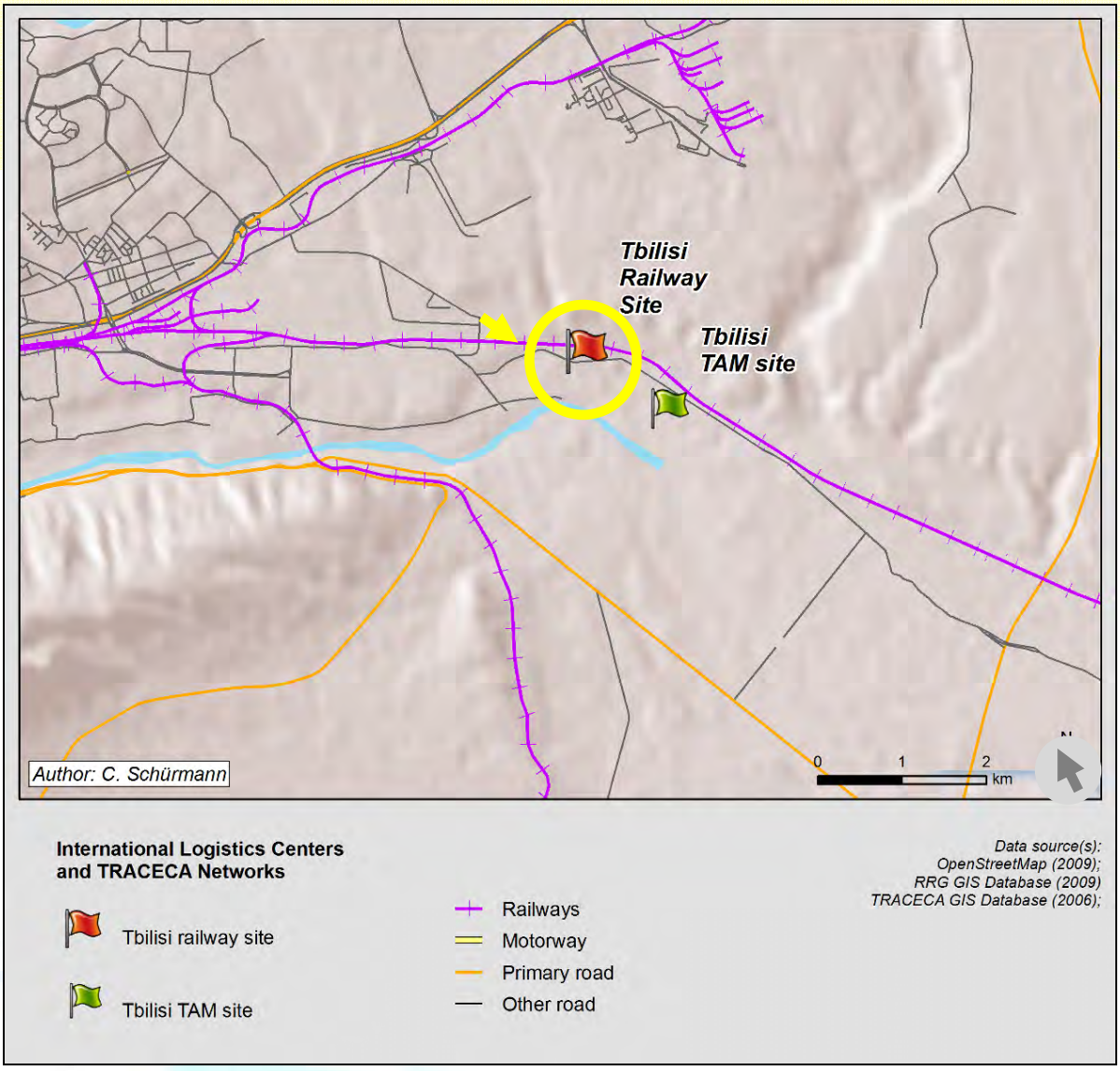
Assessment function	Units		Scale 1-5
3.2 Rail connections	distance in km (linear) or plans	The railway connection is problematic.	1
3.3 Logistics Centre integration into transport network	classification / description	Distributor, ware houses and hubs are nearby.	4
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	No.	5
4.2 Site-specific impact factors	classification / description	No.	5
4.3 Traffic impact factors	classification / description	No.	5
4.4 Environmental impact factors	classification / description	Not expected.	4
5 Planning reliability			
5.1 Maturity of project	classification / description	It is in a planning status as logistic centre.	4
5.2 Funding possibility	classification / description	Project should be phased. For the first phase feasibility and design will take 6 months, construction 12 months plus inspection and occupation another 6 months, in total 24 months for the phase.	5
5.3 Right of property	classification / description	Capital can be provided by international financial institutions. GRDC has an experience of working with and raising funds from EBRD, IFC, OPIC and FMO.	5
5.4 Conflict risks or restrictions	classification / description	No.	5
5.5 Public support	classification / description	to be expected.	3

2.3.4 Veli Railway Container Terminal

Site connectivity to national and international road- and railway network

This site is an obsolete container terminal, lies on the main railway line running SE from Tbilisi into Azerbaijan (via Aghstafa); see Figure 19. The same line also leads to Armenia, but through Azerbaijani territory. The nearest junction with the main highway Poti-Tbilisi-Baku/Yerevan is about 7km from the site, the Tbilisi International Airport is about 3km away.

Figure 19: Railway Container Terminal – Macro Location



Site location and transport connection in the micro region

The site is 2-3km from the main road into Tbilisi, which lies some 15km to the west. It is 1.5km from the main industrial area; 3km from freight forwarders' warehouses and a railway marshalling yard.

LC – location site and logistics surroundings

The site lies within a zone which the development plan of the Municipality of the City of Tbilisi dedicates to logistics activities, and it is adjacent to the site of aircraft manufacturer TAM (see above), complete with airfield.

The site is only 13.8ha in extent. It is disused at present and the land is earmarked for sale; see Figure 20. It could be bought and redeveloped as a logistics centre. In that case it would be necessary to buy an adjacent parcel of land from TAM for expansion; or village/agricultural land on the other (northern) side of the railway line.

Figure 20: Railway Container Terminal – General View

Future development opportunities of the LC – location site

Because of its location the most obvious use is for freight operation activities.

Summary and Outlook

The site is very well located with respect to Tbilisi and the national/international transport network, but small. As mentioned above, an optimal strategic solution would be to combine the site with TAM Tbilisi land plot.

In the micro-level site assessment, due to its limited size, it scored only 60 as per MCA - fact sheet “Railway Container Terminal - Veli”.

Overview of initial identified requirements

- Discussions should be held between the 2 site owners (Georgian Railway and TAM) and public authorities to discuss a possible joint development.
- Road access to the site is problematic. The access roads would need rehabilitation and upgrading.

Table 7: MCA factsheet – Railway Container Terminal - Veli

Railway Container Terminal - Veli **overall score = 60**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	The plot of about 14 ha is located next to the Logistics City Tbilisi (217 ha).	0
1.2 Site layout	classification / description	13,8 ha old container terminal, which should be tendered by Georgian Railway	0
1.3 Land suitability (type of ground)	classification / description	Good bearing soil, old facilities, crans	3
1.4 Expansion possibilities	%	Expansion possible in direction of LCT (217 ha)	4
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Highway access 7 km, direct rail access, international airport 3 km	3
1.6 Connectivity infra-structure investment need	classification / description	Road access has to be repaired	2
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	15 km to city centre	1
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	1,5 km to the industrial area	5
2.3 Vicinity of ports / airports	distance in km (linear)	International airport 3 km, Port of Poti 330km, Port of Batumi 450 km	5
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	Approx. 3 km to freight forwarders' facilities / warehouses	5
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	7 km to the road junction Azerbaijan/Armenia	3
3.2 Rail connections	distance in km (linear) or plans	Direct accsess to the Poti-Baku main railway line	5
3.3 Logistics Centre integration into transport network	classification / description	n.a.	1

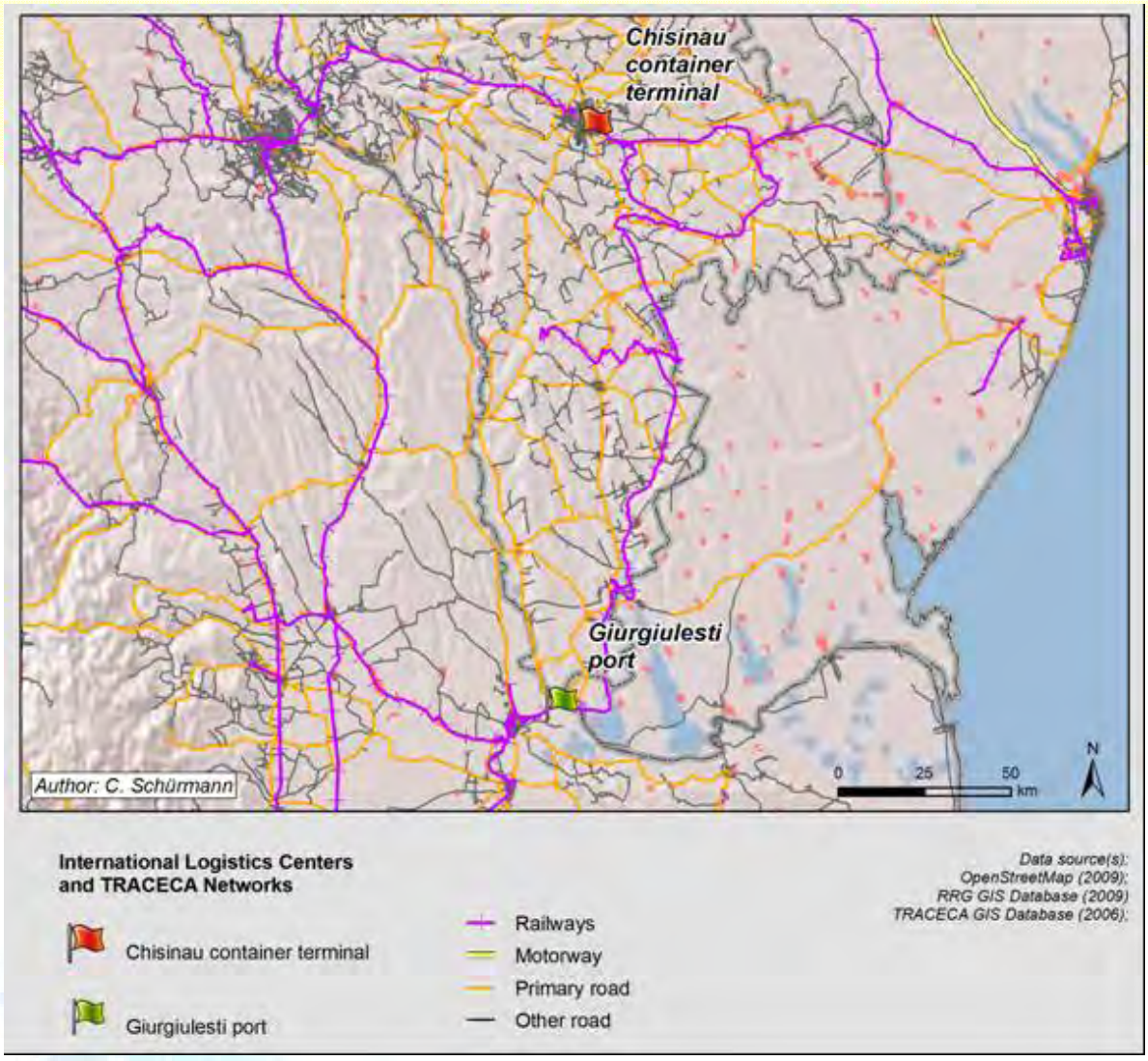
Assessment function	Units		Scale 1-5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	On the border of City Tbilisi - Gardabani District	3
4.2 Site-specific impact factors	classification / description	n.a.	3
4.3 Traffic impact factors	classification / description	n.a.	3
4.4 Environmental impact factors	classification / description	n.a.	3
5 Planning reliability			
5.1 Maturity of project	classification / description	Georgian Railway and Ministry of Economic Development of Georgia intend to tender the plot.	4
5.2 Funding possibility	classification / description	n.a.	3
5.3 Right of property	classification / description	In the ownership of Georgian Railway LTD	5
5.4 Conflict risks or restrictions	classification / description	n.a.	3
5.5 Public support	classification / description	n. a.	3

2.4 Moldova

2.4.1 Introduction and Overview of potential ILC sites

From the multi-criteria analysis as presented in the Inception Report identified Chisinau and Giurgiulesti as promising regions for location of the logistics centre, although the latter scored lower. Two sites were assessed Chisinau Container Terminal and Giurgiulesti International Free Port. The sites locations are presented in the Figure 21 below.

Figure 21: Overview – Site Location in Moldova



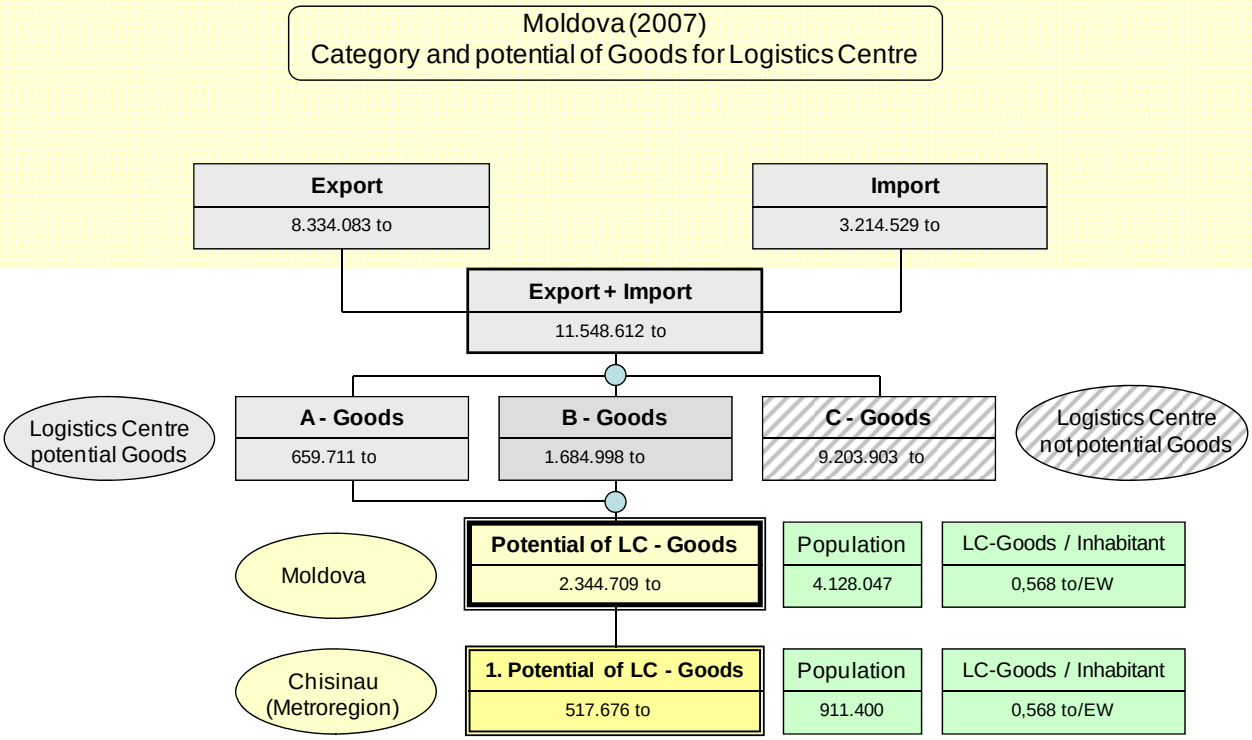
Eight hundred thousand inhabitants or about 20 per cent of Moldova's 4.3 m population live in Chisinau. The capital is directly located on the road and railway network of the TRACECA-Corridor, connecting it to Ukraine and Romania.

Giurgiulesti is situated in the extreme southern tip of Moldova, 220km from Chisinau, at the confluence of the Prut River and the Danube. It is Moldova's only port, affording it access to the Black Sea downstream and through the Danube system to Central Europe upstream. The port covers the area between the Romanian border mid-stream in the Prut and the Ukrainian border in the east. The port has almost no hinterland, and the number of population residing in the area

is low. The population of 'Giurgiulesti region is about 10,000. The nearest sizeable town is Galati, 15km away in Romania, with a population in excess of 300,000.

The overall cargo potential of freight suitable for a logistics centre is presented in Figure 22, based on the applied methodology.

Figure 22: Overview of estimated LC-cargo potential in Moldova



2.4.2 Railway Freight Station Chisinau – Container Terminal

Site location in regard of national and international road and railway network

The site may be linked to the road corridor: Romanian Border (Leuseni) - M1 - Chisinau - M21 - border Ukraine (Poltava) M13/E577 - M05/E95 - Kiev, Chisinau - M3 - Giurgiulesti. It has a direct access to the TRACECA railway line, as part of the Romanian Border (Ungheni) - Chisinau - Tiraspol - Ukrainian Border (Cucirgan) - Odessa, Chisinau - Giurgiulesti and indirect via Romanian Border (Ungheni) - Beltsy - Ukrainian Border (Klimentovo) railway route.

Site centrality and transport connection in the micro region

The container terminal (CT, road - railway interface) is conveniently situated in the south-east of the city centre (distance about 5km).

An access road (about 300m) connects the CT with the main city road network. Thus all quarters are accessible for truck distribution and supply as well as the national road corridors for long-distance traffic. The CT is directly linked to the neighbouring marshalling yard (Railway Freight Station Chisinau).

Site location and logistics surroundings

The available land is rectangular in shape and comprises about 14ha (about 900m x 150m). This site is located in direct vicinity of a large industrial and commercial area, further logistics facilities and a customs terminal are close (about 2km).The area is linked on one side to the main railway line and bounded in the west by the marshalling yard.

Figure 23: Container Terminal – Container Transhipment Module

The existing size of the first container transhipment module (CTM with two old gantry cranes for 20’ and 40’ containers) is sufficient to handle the expected medium- and long-term container volume (see also Figure 23). The second container transhipment module (two gantry cranes for 10’ CT and smaller sizes) is unsuitable for international traffic and can be used in the medium term for other purposes. The third container transhipment module (two old gantry cranes for 20’ containers) is currently not in operation.

A warehouse (3,000sq.m.) with direct railway access is adjacent in the north of the first CTM.

A possible expansion area consists of an adjacent green wooded area of about 13,5ha in the north-east, bounded by the main road and about 6ha of greenhouses. There is another greenhouse area of about 6ha adjacent to the access road in the north. 2km to the South-East there are a modern customs terminal and further logistics facilities.

Future development opportunities of the LC – location site

Future development opportunities the site is to serve for cargo consolidation purposes in close range of producers and consumers. Potential synergy effects with other regional LC sites, like cooperation and partnership with Giurgiulesti International Free Port (GIFP) and other Economic Free Zones in Moldova are promising.

Summary and Outlook

The location, infrastructure network connectivity and site attributes offer good conditions for the future establishment of an ILC in Chisinau. The site scored 78 as per MCA - fact sheet “Railway Freight Station Chisinau - Container Terminal”. There are comparatively low investments needed for transport infrastructure connection and development as well as for the modernisation and upgrading of the container terminal. Possibilities for public and institutional support regarding the preparation of marketing and business development concepts should be identified.

Overview of initial identified requirements

- Rehabilitation and upgrading of the existing access road and construction of a second access road to the main road.
- Rehabilitation and upgrading of existing internal (on-site) transport infrastructure (transhipment facilities, roads and railway tracks).

Table 8: MCA factsheet – Railway Freight Station Chisinau - Container Terminal

Railway Freight Station Chisinau – Container Terminal **overall score = 78**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	Available land plot: about 14 ha.	0
1.2 Site layout	classification / description	Rectangular site layout, about 900m x 150m.	3
1.3 Land suitability (type of ground)	classification / description	Good bearing soil, no evident problems expected, because land plot already since more than 40 years in use.	3
1.4 Expansion possibilities	%	Adjacent green wooded area of about 13,5 ha (240m x 560m) in the north-east limited by main road. Next door green-house area of about 6 ha (240m x 240m). Further green-house area of about 6 ha (250m x 250m) adjacent in the north to the access road. In total from about 100% up to 200%.	4
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	National highway access nearby via main roads. Direct link to the railway main line (not electrified). Direct access to the shunting yards (train marshalling) in south-west direction.	5
1.6 Connectivity infra-structure investment need	classification / description	Rehabilitation and upgrading of existing single access road (about 300m), construction of second access road to main road (about 250m).	4
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	About 5 km to city centre	4
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	Direct location in industrial and commercial zone	5
2.3 Vicinity of ports / airports	distance in km (linear)	International Airport Chisinau - about 15 km	3
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	Approx. 2 km to logistics areas (freight forwarders and warehousing facilities) and customs terminal	4
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	Direct road connection to the TRACECA corridor: Chisinau - M21/E577 - Transnistria - Ukrainan Border - M13/E577 - M05/E95 - Kiev, Chisinau - M14/E58 - Tiraspol - Ukrainian Border - M16/E58 - Odessa, Chisinau - R31-R30 - Ukrainian Border (Palanka) - M15/E57 - Odessa, Chisinau - M3 - Giurgiulesti. Excellent connection to urban highway network	5

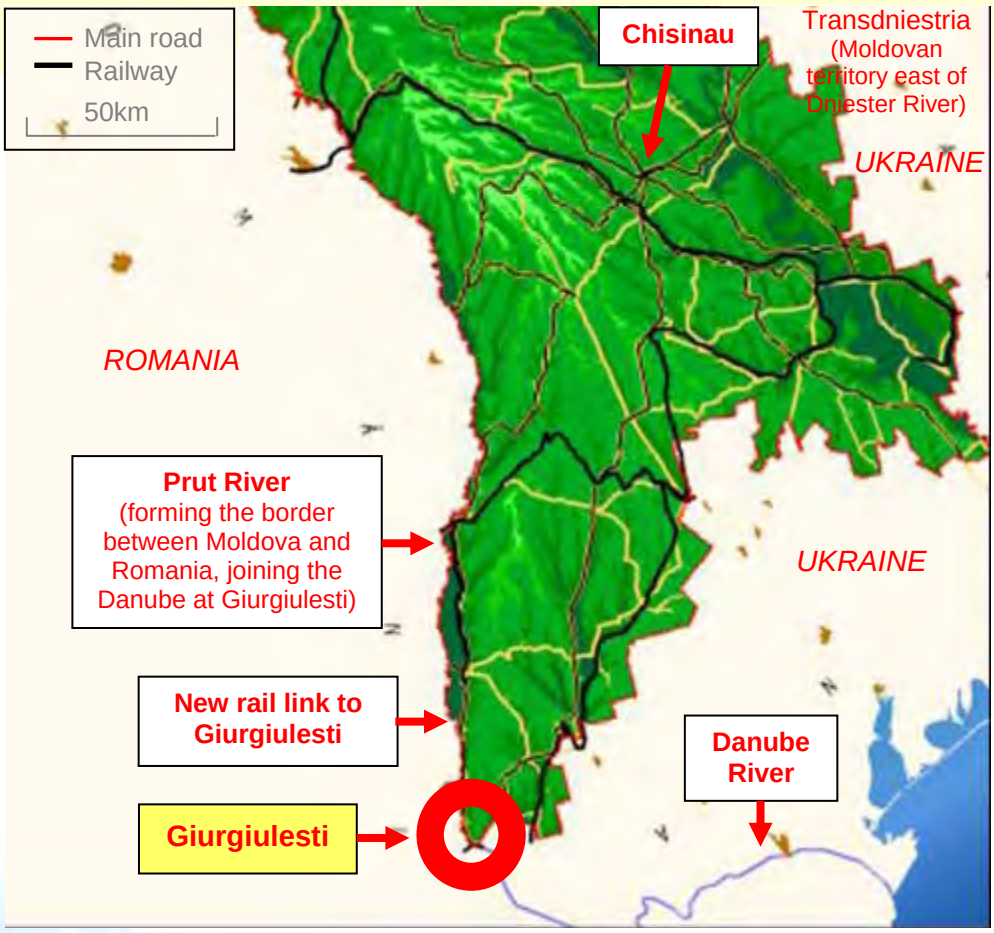
Assessment function	Units		Scale 1-5
3.2 Rail connections	distance in km (linear) or plans	Direct railway access to the TRACECA corridor: main line Ungheni (Romanian Border) - Chisinau - Tiraspol - Cucirgan (Ukrainian Border) - Odessa, direct link to Giurgiulesti via Cahul.	5
3.3 Logistics Centre integration into transport network	classification / description	Very good integration possibilities for connectivity and network integration.	5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Currently the adjacent plots are public owned (by municipality) green-house areas (unused) and green wooded areas.	3
4.2 Site-specific impact factors	classification / description	So far no specific development plans of the adjacent plots are specified.	3
4.3 Traffic impact factors	classification / description	Main road to access road has sufficient potential capability, furthermore a parallel main road runs in 300 m distance.	4
4.4 Environmental impact factors	classification / description	Area already used for cargo transhipment and warehousing, no protected zone - no other limitations expected so far.	5
5 Planning reliability			
5.1 Maturity of project	classification / description	Area already used for cargo transhipment and warehousing, so far no feasibility study or master plan prepared.	4
5.2 Funding possibility	classification / description	Support of the Moldovan Railway and Government in terms of planning and modernisation of infrastructure is general possible.	4
5.3 Right of property	classification / description	The land plot is owned by the Moldovan Railways. A small part (about 2 ha) in the north-west (closed to the access road) has some former claims of the Municipality, but in fact also currently owned by Moldovan Railways.	4
5.4 Conflict risks or restrictions	classification / description	So far no expected, but availibility and conditions of optional adjacent expansion areas have to be checked.	4
5.5 Public support	classification / description	Moldovan Railway, Government and Municipality are willing to facilitate the development of an future ILC.	5

2.4.3 Giurgiulesti International Free Port (GIFP)

Site location in national and international road and railway network

The north-western boundary is located on E87 road. It runs north via the M-03 to Chisinau and east as the M-15/E87 to Odessa. It also runs west into Romania, through Galati to Bucharest and north to Chernivtsi. It also gives access southward through Braila to Road 22/E87 to Constantza, and then to Varna as Road 39/E87. A recently completed railway line links Giurgiulesti to Chisinau. There is a line that runs westward across the Prut into Romania, and eastward into Ukraine (avoiding Transdniestria) via Ilyichevsk and Odessa. This is a mixed-gauge line allowing wagons be moved without bogey-exchange.

Figure 24: GIFP – Macro Location



Site location and transport connection in the micro region

The town of Giurgiulesti lies very close, on the other side of the E87.

ILC – location site and logistics surroundings

The port territory is 78ha, including a 19ha oil terminal, and an additional area of 42ha to the north is earmarked for an industrial free zone. This will be an integral part of the GIFP. Vessels with a draft of 7m can be accommodated, now and this limitation will be eased by channel dredging, for which EBRD loan funding has already been secured.

The site is in the shape of an acute-angled triangle. Because it is bounded by the river, the town and the Ukrainian border there is no possibility for expansion except to the north, where the industrial free zone will be developed.

The site has no industry and the port has no insignificant hinterland.

Figure 25: GIFP – General View of Port Territory Looking Westward

Future development opportunities of the LC – location site

GIFP is owned and operated by Danube Logistics SRL, the land occupied by the port is state-owned and long-leased on the basis of an investment agreement. Danube Logistics is a Moldovan limited liability company whose shareholders are EASUR Holding BV (80%) and EBRD (20%).

Businesses may be established on land leased from Danube Logistics in the Industrial Free Zone. They are entitled to a special tax regime and explicitly entitled to carry out a range of transport and related services, processing, packaging, wholesaling and industrial production.

The port is being developed in phases in accordance with a master plan drawn up in 2006. The oil terminal became operational in 2007, followed by a bulk grain terminal. In 2010 the dry cargo terminal, including a container terminal, is due to open.

Summary and Outlook

The port owner and the Government have demonstrated their commitment to develop the port as a logistics hub. Phased development will include container handling, storage and transhipment facilities, albeit on a small scale with an area of about 3ha. GIFP and the integrated Industrial Free Zone are expected to accommodate a wide range of services and manufacturing, including activities normally found in an ILC. However, the port does not have a substantial hinterland. The initial development of the oil and grain terminals reflects both the country's priorities and the owner's perception of commercial reality.

In the micro-level site assessment it scored 70 as per MCA - fact sheet "Giurgiulesti International Free Port").

Overview of initial identified requirements

- Further development should aim to maximise its integration with the regional network, and in particular to achieve synergies as a logistics node with the proposed LC at Chisinau.

Table 9: MCA factsheet – Giurgiulesti International Free Port (GFIP)

Giurgiulesti international free Port (GIFP) **overall score = 70**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	120ha including 19ha oil terminal and tank farm as well as a potential 42ha, which is earmarked for future development of an industrial free zone, therefore available site area of about 70 ha.	5
1.2 Site layout	classification / description	Triangular site bounded by the E87 road, the Danube and Prut rivers, and the Ukrainian border.	2
1.3 Land suitability (type of ground)	classification / description	Soil tests have indicated that the site is suitable for development as a port. The topography is not ideal, there being significant difference in level.	2
1.4 Expansion possibilities	%	0% (except for 42ha northward extension for industrial free zone).	1
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Excellent connection to road network (via E87); rail network (to Romania, Ukraine and now Chisinau via a recently completed rail link); and all Black Sea and Danube ports (via the Danube).	5
1.6 Connectivity infra-structure investment need	classification / description	1) Renewal of patches of the R34 road going N through Cahul. EBRD had agreed to fund these works, but have since frozen all road projects due to payment irregularities. 2) Addition to and rehabilitated of railway tracks (800m). 3) Dredging of the channel to ease the 7m draft limitation. This is already planned and EBRD funding secured in connection with the container terminal.	3
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	There is no significant local market/hinterland. The Romanian town of Galati, 15km away with industries and a population in excess of 300,000, has its own river port.	1
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	[Ditto]	1
2.3 Vicinity of ports / airports	distance in km (linear)	The nearest seaports are Constantsa (170km due S in Romania) and Ilyichevsk (200km ENE in Ukraine). The nearest Moldovan airport is 45km due N at Lebedenco, SE of Cahul.	1
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	There are no nearby logistics facilities other than a customs control point on the other side of the E87 road.	1

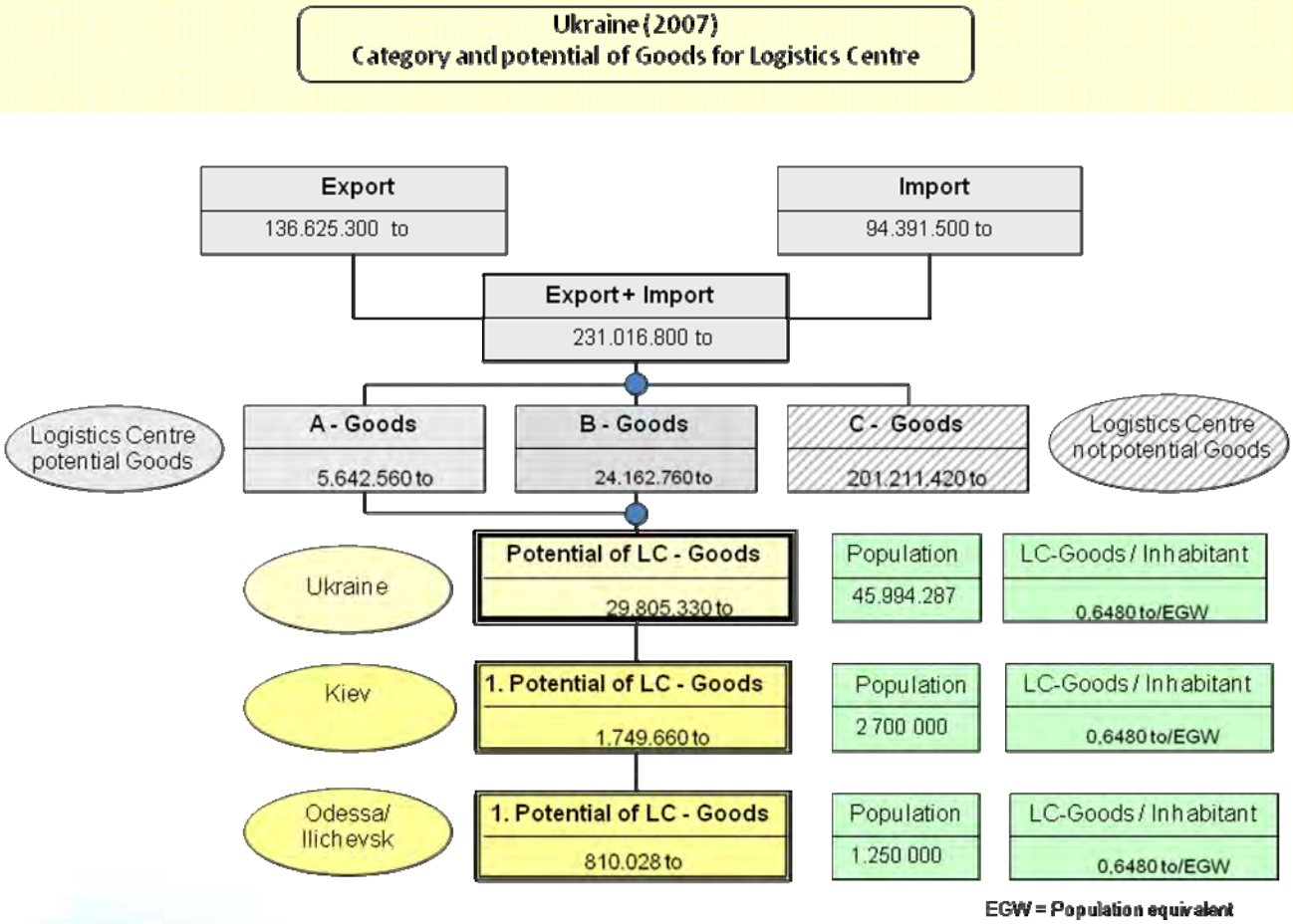
Assessment function	Units		Scale 1-5
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	E87 is a 2-lane road with limited capacity for trucks.	4
3.2 Rail connections	distance in km (linear) or plans	direct access to broad and standard gauge	5
3.3 Logistics Centre integration into transport network	classification / description	Excellent. See 1.5.	5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	The site is already being developed as a river port with specialised terminals for oil, containers, bulk cargoes and general cargoes. Upgrading as an ILC would not materially affect the local or regional impact.	4
4.2 Site-specific impact factors	classification / description	None that have not already been addressed in developing the port.	3
4.3 Traffic impact factors	classification / description	The E87 is a 2-lane road which should cope with increased heavy vehicle traffic associated with port upgrading, at least in the initial phases.	3
4.4 Environmental impact factors	classification / description	None apparent.	4
5 Planning reliability			
5.1 Maturity of project	classification / description	The port is already functioning, and progressive expansion is being carried out in accordance with the phased master plan.	4
5.2 Funding possibility	classification / description	The port belongs to Danube Logistics SRL, a Moldovan limited liability company whose share-holders are EASUR Holding BV (80%) and EBRD (20%). So far all capital funds has been provided by the shareholders from their own resources or from commercial credit sources.	5
5.3 Right of property	classification / description	The land is state-owned and long-term leased and operated by Danube Logistics SRL, whose rights are protected under an investment agreement with the Government of Moldova.	5
5.4 Conflict risks or restrictions	classification / description	None apparent.	5
5.5 Public support	classification / description	GIFP has the full support of the Government of Moldova, whch gives it the highest development priority in the transport/logistics sector. Reportedly the relations between the owner and the Government have been consistently good.	5

2.5 Ukraine

2.5.1 Introduction and Overview of potential ILC sites

As a result of MCA macro analysis two regions in Ukraine were selected as realistic candidates for ILC location in Kiev metropolitan area and in Odessa/Ilyichevsk. The cargo potential for the Ukraine LC is presented in Figure 26 as per applied methodology. In phase B nine sites were identified for the micro level MCA analysis. Four sites are located in Kiev and five sites are situated in the Odessa/Ilyichevsk region. The overview of the Kiev and Odessa region in terms of their logistics importance are presented in the sections 2.5.2 and 2.5.7 respectively.

Figure 26: Overview of Estimated LC-Cargo Potential in Ukraine

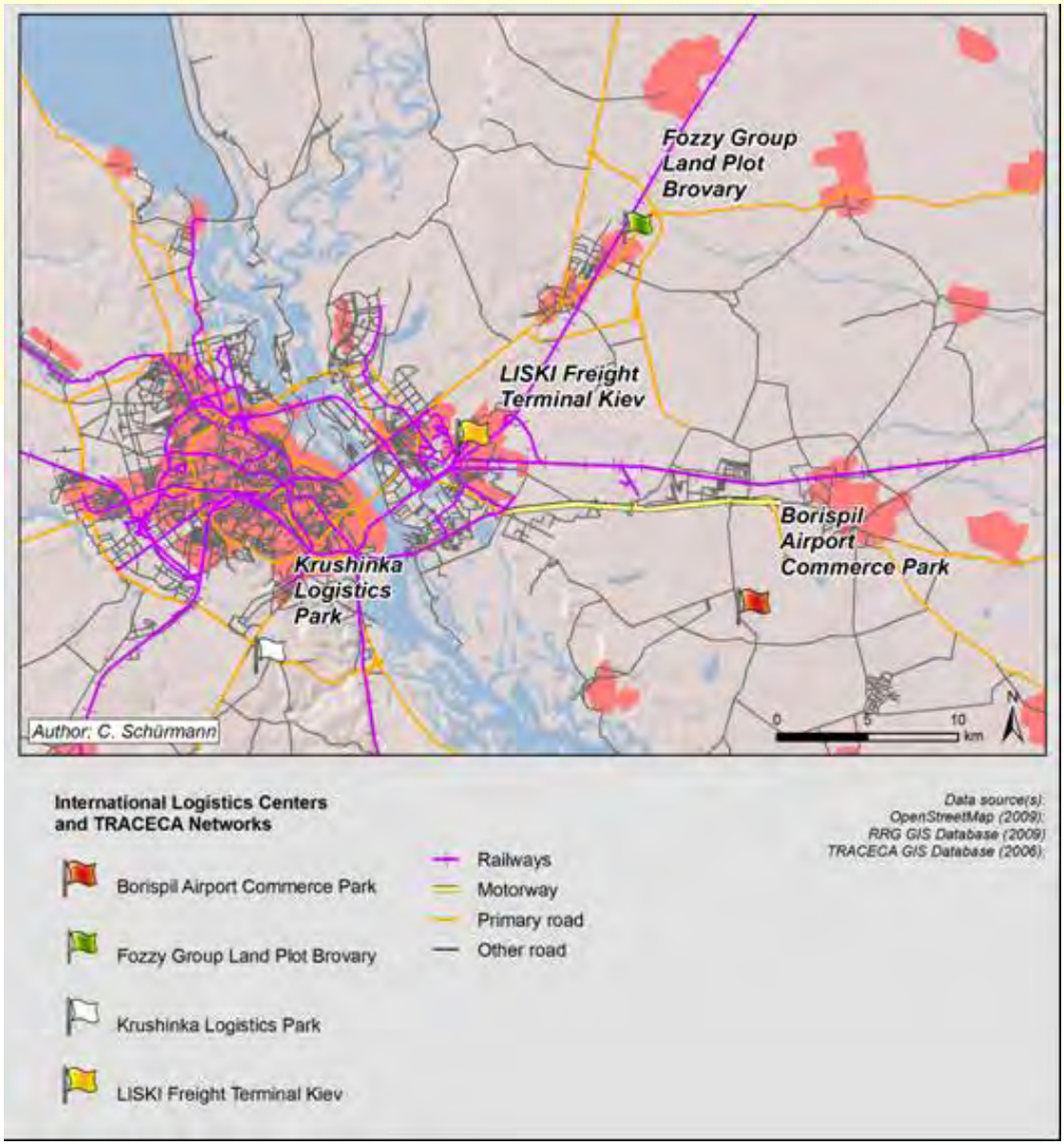


2.5.2 Kiev region importance for logistics

Four sites were identified in the Kiev region for MCA micro: LISKI-Kiev Freight Terminal, Boryspil Airport Commerce Park (BACP), Krushinka Logistics Park Site and Fozzy-UVK Brovary Site as specified in figure 27. Kiev is the political and commercial capital of Ukraine and, with a population in excess of 3 million, the pre-eminent centre of consumption. It is also the main industrial centre in the central and western parts of the country. Before the global financial and economic crisis, consumption was projected to grow at 9.6%pa.

Many supermarkets and shopping mall are increasingly demanding efficient, modern logistical services. The market is responding to this demand by building warehousing designed to function primarily as local distribution centres. But the majority of sites are small – typically 5ha – with warehousing covering half the site area, and without container handling or multi-modal facilities.

Figure 27: Overview - Site Locations in Kiev region



A comparative analysis indicates ample scope for growth in demand for containerised cargo. In Northern Europe the volume is equivalent to 144 TEU per thousand inhabitants per year. The level in Ukraine in 2008 was 28, and in Kiev Oblast it was about 40.

Kiev's potential as an international logistics hub, mentioned here, has not been addressed by the Ukrainian logistics sector beyond the operation of the Viking and Yaroslav container/trailer trains.

Kiev is not located on the TRACECA corridor, but it has road and railway network links to the TRACECA-Corridor:

- Road corridor: Polish Border Yagodin (M07/E373) - Kovel - Sarny - Korosten - Kiev and via M05/E95 to M13/E577 - border Moldova (Poltava) - M21 - Chisinau - M1 - Romanian Border (Leuseni) as well as via Chisinau to M3 - Giurgiulesti.
- Railway corridor: Polish Border (Yagodin) - Kovel - Sarny - Korosten - Kiev.

2.5.3 LISKI-Kiev Freight Terminal

Site connectivity to national and international road- and railway network

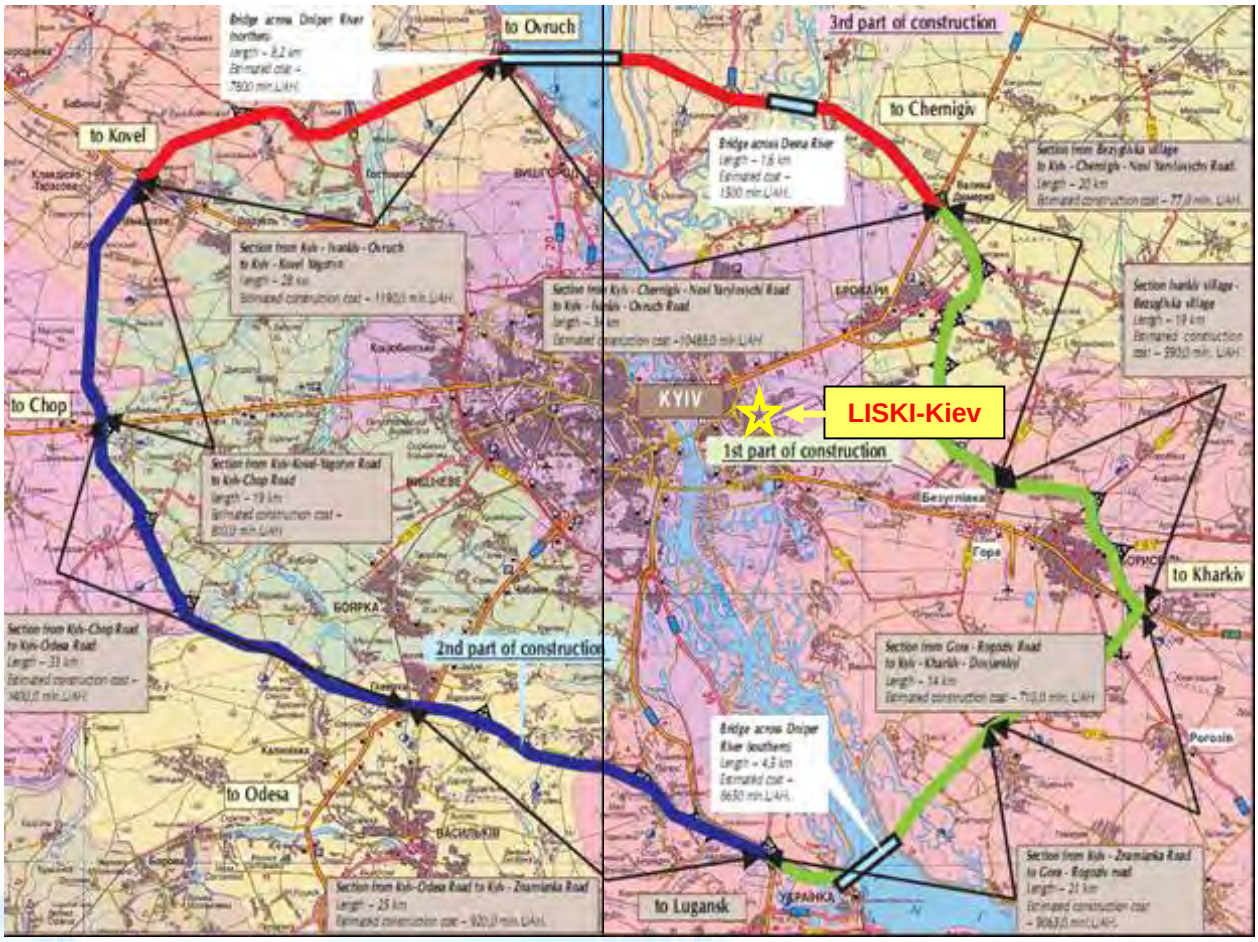
The LISKI-Kiev freight terminal is located within the municipal boundary, 10km from the city centre. It is integral to the national rail network, lying alongside the main line from Kiev to Nezhyn and Bakhman-Kievsky (thence to Belarus), Konotop (thence to Russia) and Sumy. There is access to a good 4/6-lane road that connects directly to the M-03/E40 4km to the south, which runs east to Kharkiv. The city road network affords access to the M-05/E95 Kiev-Odessa Highway. The terminal is 1km from an access point to the planned Kiev Ring Road.

Site location and transport connection in the micro region

The terminal is served directly by the Kiev urban road network and is located close to the industrial zone to the east of the Dnieper River. There are direct branch railway lines to many industrial sites.

There is residential as well as industrial growth to the east of the city, including in the satellite towns of Brovary and Borispol, where the international airport is located, and a number of villages that are likely to develop as suburbs in the Kiev conurbation.

Figure 28: LISKI-Kiev – Macro Location



Source: UkrDiproDor, showing the currently planned route of the Kiev Ring Road

Figure 29: LISKI-Kiev – Gantry Crane and Specialised Wagon to Transport Cars

ILC – location site and logistics surroundings

In 2007, before the crisis, the terminal handled a total of 120,000 containers (208,000 TEU) of which 40% were empty. The 27ha site could be used more intensively with upgraded warehousing and container handling equipment and storage. There is no possibility for expansion, without redeveloping neighbouring sites, or intruding into forest land to the east.

Future development opportunities of the ILC –site

As a corporate subsidiary of Ukrainian Railways (Ukrzaliznytsya, UZ) LISKI is reliant on the public investment funds. The Government has maintained its commitment and capital funding for LISKI, despite the global crisis, but it falls short of the scale of investment required for a transformative effect into an ILC. Nevertheless, there is an ongoing programme to:

- Reconstruct the LISKI terminals (6 altogether, Kiev being the 'flagship' terminal).
- Open customs offices at all LISKI terminals, as has already occurred at LISKI-Kiev.
- Further develop block train and piggyback services (modelled on the 'Viking' train).

The pace of implementation is constrained by limited budgets and reduced demand.

Summary and Outlook

LISKI-Kiev is the only substantial freight terminal in the Kiev region that has rail access and intermodal facilities for container traffic. It is well located with respect to access to Kiev city and region; to national/international road and rail networks; and to the port region Odessa. However, with 27ha the site is at the lower end of the initial size range for an ILC, and it is not expandable. Substantial investment would be required in replacing worn-out and obsolete assets; and the private sector is reportedly reluctant to become closely engaged with LISKI.

In the micro-level site assessment it scored 74 as indicated in fact sheet "LISKI-Kiev Freight Terminal").

Overview of initial identified requirements

- Discussion with LISKI, UZ and MoTC to ascertain whether LISKI would be willing to adapt its commercial strategy to accommodate a new vision of multiple-use, multiple-occupancy logistics centres.

Table 10: MCA factsheet – LISKI-Kiev Freight Terminal

LISKI-Kiev Freight terminal **overall score = 74**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	About 27 ha	1
1.2 Site layout	classification / description	Rectangel site layout, max. about 1000m x 300m.	5
1.3 Land suitability (type of ground)	classification / description	Established in 1995 as state-owned rail/road freight terminal.	3
1.4 Expansion possibilities	%	No available expansion areas, In the Nort and East limited by forrest and behind residential areas, in the West and South by industrial areas.	1
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Access road (about 1km) with link via city road network to M05/E95 Kiev - Odessa highway (about 16km) and western direction M07/E373 and M06/E40. Good future integration possibilities for connectivity and network integration to city road network. Direct link to railway main line network (about 2km) as well as railway freight station in the Southeast is about 4km away.	4
1.6 Connectivity infra-structure investment need	classification / description	Rehabilitation and upgrading of access road (about 1km) for proper connection city road network.	3
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	about 10km to Kiev city centre.	2
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	Closed to adjacent industrial areas in the West and South.	5
2.3 Vicinity of ports / airports	distance in km (linear)	International Airport Kiev Borispol - about 24km	1
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	adjacent customs terminal and railway freight station in the Southeast is about 4km away.	4
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	Direct road connection to the TRACECA corridor via city road (about 16km): Corridor III - Berlin - Wroclaw - Krakow - Lviv - (M06/E40) Kiev, Corridor V - Trieste - Ljubljana - Budapest - Lviv , Corridor IX - Helsinki - Kiev - Odessa (M05/E95) - Chisinau - Bucharest - Plovdiv - Alexandropoulos, good connection to local road network.	4

Assessment function	Units		Scale 1-5
3.2 Rail connections	distance in km (linear) or plans	Direct railway access to the TRACECA corridor: railway freight station is about 4km away.Corridor III - Berlin - Wroclaw - Krakow - Lviv - Kiev, Corridor V - Trieste - Ljubljana - Budapest - Lviv , Corridor IX - Helsinki - Kiev - Odessa - Chisinau - Bucharest - Plovdiv - Alexandropoulos	4
3.3 Logistics Centre integration into transport network	classification / description	Good connectivity and network integration in TRACECA transport corridor and Pan-European transport corridor IX.	3
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Potential conflicts with other land users so far not expected.	4
4.2 Site-specific impact factors	classification / description	So far not expected	4
4.3 Traffic impact factors	classification / description	Traffic impact by additional truck volumes can be minimised by required rehabilitation and upgrading of access road (about 1km) for proper connection to city road network.	3
4.4 Environmental impact factors	classification / description	So far not expected	4
5 Planning reliability			
5.1 Maturity of project	classification / description	Established in 1995 as state-owned rail/road freight terminal and operated by Ukrainian Centre of Transport Service (USCTS).	5
5.2 Funding possibility	classification / description	By State administration of the Ukrainian Railway Transport (Ukrzaliznytsya) or PPP	5
5.3 Right of property	classification / description	State owned by State administration of the Ukrainian Railway Transport (Ukrzaliznytsya).	5
5.4 Conflict risks or restrictions	classification / description	So far no stated or specific interests for settlement or participation of the private sector.	5
5.5 Public support	classification / description	Strong public support by State administration of the Ukrainian Railway Transport (Ukrzaliznytsya) and MoTC.	5

2.5.4 Boryspil Airport Commerce Park

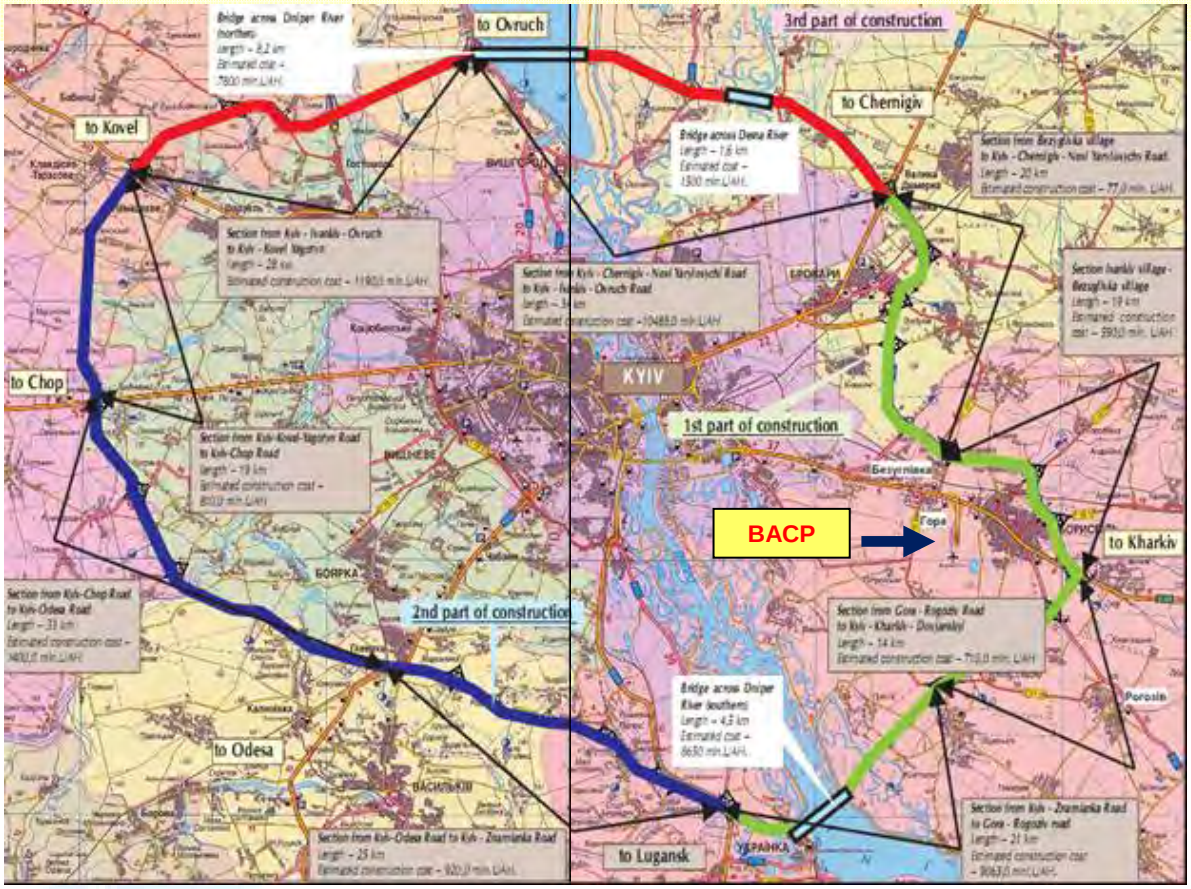
Site connectivity to national and international road- and railway network

The Boryspil Airport Commerce Park (BACP) is situated at a distance of about 35km to the east of Kiev city centre and directly adjacent to the International Airport Kiev - Borispol.

The site has direct access via road to M06/E40 Kiev - Charkov highway (about 4,5km away). The railway main line Kiev - Charkov (about 7km away) is located parallel and to the north of M06/E40, but there is no direct railway access at present.

The BACP has very good future integration possibilities for connectivity and network by close proximity to the projected Second Ring Road in the east of Boryspil City.

Figure 30: Boryspil Airport Commerce Park – Macro Location



Site centrality and transport connection in the micro region

The land plot has already direct road access to M06/E40, but currently no direct railway link. The railway freight station on the railway main line is about 16km away from BACP. The distance to the main industrial areas in Brovary and Darniza are about 20km. But the city of Borispil and other villages in vicinity of the airport have a promising development perspective.

Site location and logistics surroundings

The BACP land plot is privately owned and has a total area of about 350ha (rectangular about 2,100m x 1,600m). The site is flat and formerly used as agricultural or farm land. There are expansion possibilities to add 25% to its size. Construction of the dedicated logistics area (of about 120ha) has been started in 2008.

Some international logistics providers (e.g. Fiege) are already settled nearby or at the Airport and in Brovary. There are potentials for synergies with other subcentres (e.g. LISKI-Kiev Freight Terminal, distribution centres in the Western region of Kiev).

Figure 31: Boryspil Airport Commerce Park – Warehousing and Customs Terminal

Future development opportunities of the LC – location site

Despite its location on the east site of Kiev (at a greater distance from the Black Sea ports and the markets of the EU) the site has a good international perspective. This deficit is outweighed by the good access to the road networks (especially following completion of the Second Ring Road), the strong ties to the industrial East of Ukraine and current development progress of the site. A professional strategy concept and master plan for the further development of BACP exists. The planning of a future railway link (as passenger line) to the Airport and the exhibition area at BACP area is confirmed. An air cargo centre is being projected and has been agreed upon with the airport. Thus the site has a tri-modal potential.

Summary and Outlook

The owner and operator of BACP will provide entire developed plots and logistics facilities for long-term lease. The first two warehouse buildings (class A) are already partially in operation. The customs terminal will be opened in September 2009. BACP declared its willingness to coordinate, adapt and extend their strategy concept and master plan towards a future ILC, in case of a win-win situation proved by a business plan.

The location, infrastructure network connectivity and site attributes offer good conditions and development potential for the future establishment of an ILC in the BACP area.

The micro-level site assessment produced a score of 78 (see also MCA - fact sheet “Boryspil Airport Commerce Park”).

Overview of initial identified requirements

- The current strategy concept and master plan should be reviewed and discussions held with BACP to ascertain its interest in alternative approaches to coordinate further development and financing.
- The feasibility of the planned future railway link to Airport and exhibition area at BACP (passenger line) as well as synergies for future railway cargo has to be checked.

Table 11: MCA factsheet – Boryspil Airport Commerce Park

Boryspil Airport Commerce Park **overall score = 78**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	About 350 ha	5
1.2 Site layout	classification / description	Rectangular site layout, max. 2,100m x 1,600m	5
1.3 Land suitability (type of ground)	classification / description	Flat land plot and soil tests already have been done.	5
1.4 Expansion possibilities	%	Expansion areas about 25 %	5
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Direct access via road to M06/E40 Kiev - Charkov (about 4,5km). Railway main line Kiev - Charkov (about 7km away) parallel in Northern direction to M06/E40, but no direct railway access. Very good future integration possibilities for connectivity and network by close proximity to the projected Second Ring Road in the East of Boryspil City.	4
1.6 Connectivity infra-structure investment need	classification / description	Road between land plot and M06/E40 has partially to be upgraded and renewed. Required direct railway access of about 8km (with crossing of M06/E40), but already confirmed (by internal governmental decision) planning of future railway link to Airport and Exhibition area (passenger line).	3
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	about 35 km to Kiev City centre	2
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	about 20 km to industrial areas in Brovary and Darniza, but most ILC related industrial areas are located in the West of Kiev	2
2.3 Vicinity of ports / airports	distance in km (linear)	direct adjacent to Airport	5
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	Some international logistics providers (e.g. Fiege) already nearby or at the Airport and in Brovary.	4
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	road access to M06/E40 Kiev - Charkov (about 4,5km)	5

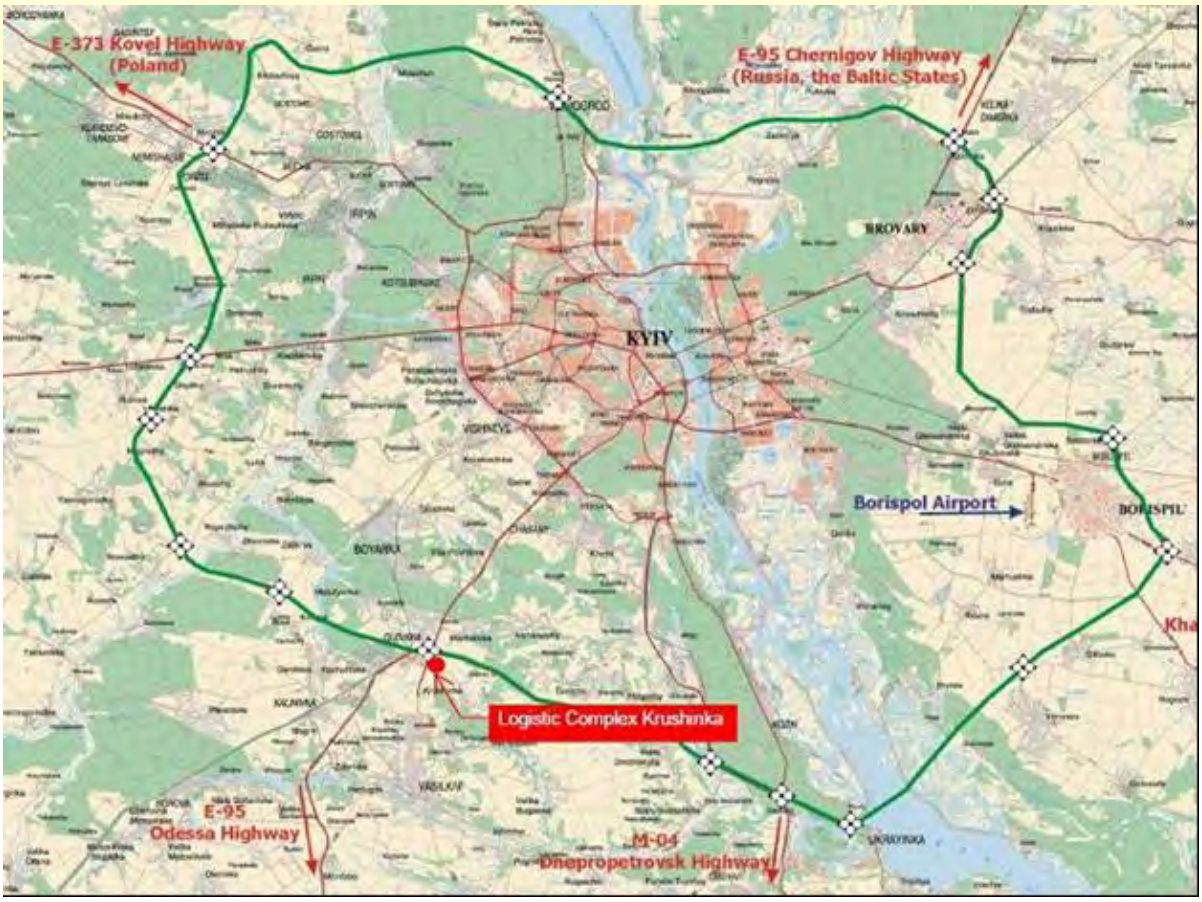
Assessment function	Units		Scale 1-5
3.2 Rail connections	distance in km (linear) or plans	Railway main line Kiev - Charkov (about 7km away) parallel in Northern direction to M06/E40, railway freight station about 16 km away, but no direct railway access.	1
3.3 Logistics Centre integration into transport network	classification / description	Subcentres (e.g. LISKI-Terminal, Distribution centres in the Western region of Kiev), Air Cargo Center projected at BACP area	4
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Potential conflicts with other land users so far not expected.	5
4.2 Site-specific impact factors	classification / description	Limits for height of construction (due to adjacent airport) so far unratable, but already four warehouse facilities (class A) already have been constructed as well as Kiev customs administration and terminal is under construction.	3
4.3 Traffic impact factors	classification / description	Future overlap of truck traffic and passengers traffic for Exhibition area expected, therefor traffic bottlenecks in exhibition times and rush hours possible.	3
4.4 Environmental impact factors	classification / description	Probably environmental protection measures required (due to hugh area), but so far unpredictable.	5
5 Planning reliability			
5.1 Maturity of project	classification / description	First construction site preparation of dedicated logistics area (of about 120ha) are done, four warehouse facilities (class A) already have been constructed as well as Kiev customs administration and terminal is under construction.	4
5.2 Funding possibility	classification / description	PPP for potential railway link required	4
5.3 Right of property	classification / description	Private owned land, land plots can be long-leased	5
5.4 Conflict risks or restrictions	classification / description	So far not expected, land owner is willing to adjust master plan on logistics market demands. Construction of future railway link is pending, possibility of synergies with planned future railway link to Airport and Exhibition area (passenger line) has to be checked.	4
5.5 Public support	classification / description	Public support for optional infrastructure approval procedures required.	5

2.5.5 Krushinka Logistics Park Site

Site location in regard to the national and international road and railway network

The site has direct access via ring road to M05/E95 Kiev - Odessa highway (about 800m) and western direction M07/E373 (34km) and M06/E40 (28km). There are good perspectives for network connectivity because the site's northern border is less than 1km from the projected Second Ring Road, where it will cross the main Kiev-Odessa road (M-05/E95). Access to this junction is via a straight 2-lane road running along the site's western boundary.

Figure 32: Krushinka Logistics Park Site – Macro Location



The main Kiev-Odessa railway line passes 2km to the west, on the other side of the M-05/E95 road. The nearest branch line serves Vasylkiv, 8km to the south. Borispol Airport is 48km to the east, on the other side of the Dnieper River.

Site centrality and transport connection in the micro region

The Krushinka site is located 25km SW of the city centre of Kiev, in an already re-zoned agricultural area between the villages of Glevakha, Zeleniy Bir and Krushinka. There is no significant industrial development in the vicinity. Access to Kiev city is via the M-05/E95 road.

Site location and logistics surroundings

The 21ha site is an irregular rectangular portion of a triangular field about 120ha in extent. It has direct access to the road that runs along its western boundary. An additional contiguous area of about 20ha could be reportedly acquired for expansion. This is privately owned, cultivated at present but the process of re-zoning for logistics/industrial development is under way.

There are industrial and logistics areas near traffic junction M05/E95 and Ring Road T1027 - M03/E40 (about 15km). There is also one small logistics complex at Kalinovka, 8km to the SW.

Figure 33: Krushinka Logistics Park Site - Access Road and General View to the North

Future development opportunities of the ILC – location site

From the perspective of the present study Krushinka is well situated. This is confirmed by logistics providers who were interviewed. With an orientation towards the Black Sea ports and the markets of the EU, a site in the South-West quadrant of the Kiev conurbation is ideal.

The site has been owned outright by the property investor/developer Alacor since 2006. It has already been re-zoned for logistics/industrial development and technical due diligence has been completed for Class A warehouse development covering the whole site. Preliminary site preparation (cutting of top-soil) has begun pending approval of construction plans. The current plans do not include container handling and storage but the owner is open to different ideas.

Summary and Outlook

The site is well located with respect to the Kiev region and both national and international transport networks, but itself is insufficient for a strategic development of an ILC. It would be necessary to acquire the adjacent 20ha area and secure other adjacent land for expansion. For full development a (costly) railway line is needed to connect the site to the main Kiev-Odessa line. The “Greenfield” project is still in the very beginning. The Vasylkiv Regional State Administration and Krushinka Village Council are known to support the development.

In the micro-level site assessment it scored 72 as per MCA - fact sheet “Krushinka Logistics Park Site“).

Overview of initial identified requirements

- Establishment of contact with all adjacent landowners to ascertain their willingness to sell land or to contribute it as an equity to a JSC or JV.
- Discussion between landowners, Consultant and UZ to ascertain the latter‘s interest in constructing a railway access to the main Kiev-Odessa railway line.

Table 12: MCA factsheet – Krushinka Logistics Park Site

Krushinka Logistics Park Site **overall score = 72**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	About 21 ha	1
1.2 Site layout	classification / description	Irregular rectangle site layout, about 600m x 350m.	2
1.3 Land suitability (type of ground)	classification / description	Formerly used as agricultural land. No further problems have been expected so far.	5
1.4 Expansion possibilities	%	Potential expansion areas (about 20 ha) in the North and Northeast, private owned and used as agricultural land (but rezoning procedure for logistics and industrial development has started).	2
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Direct access to M05/E95 Kiev - Odessa highway via ring road (800m) and western direction M07/ E373 (34km) and M06/E40 (28km). Close to railway main line Kiev-Odessa (2km), but no direct railway access. Good possibilities for connectivity to road network by close proximity to the projected Second Ring Road to the site north border.	3
1.6 Connectivity infra-structure investment need	classification / description	Direct railway link (about 2,500m) to railway main line Kiev - Odessa, but crossing of M05/E95 Kiev - Odessa highway required!	2
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	About 25km to Kiev city centre.	1
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	Not specified, but industrial areas nearby traffic junction M05/E95 and Ring Road T1027 - M03/E40 (about 15km)	3
2.3 Vicinity of ports / airports	distance in km (linear)	International Airport Kiev Borispol - about 48km	1
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	Not specified, but logistics facilities nearby traffic junction M05/E95 and Ring Road T1027 - M03/E40 (about 15km)	4
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	Direct road connection to the TRACECA corridor: access via ring road to Corridor IX - Helsinki - Kiev - Odessa (M05/E95, about 800m) - Chisinau - Bucharest - Plovdiv - Alexandropoulos, Corridor III - Berlin - Wroclaw - Krakow - Lviv - (M06/E40, about 28km) Kiev, Corridor V - Trieste - Ljubljana - Buda-pest - Lviv and western direction M07/E373 (34km)	5

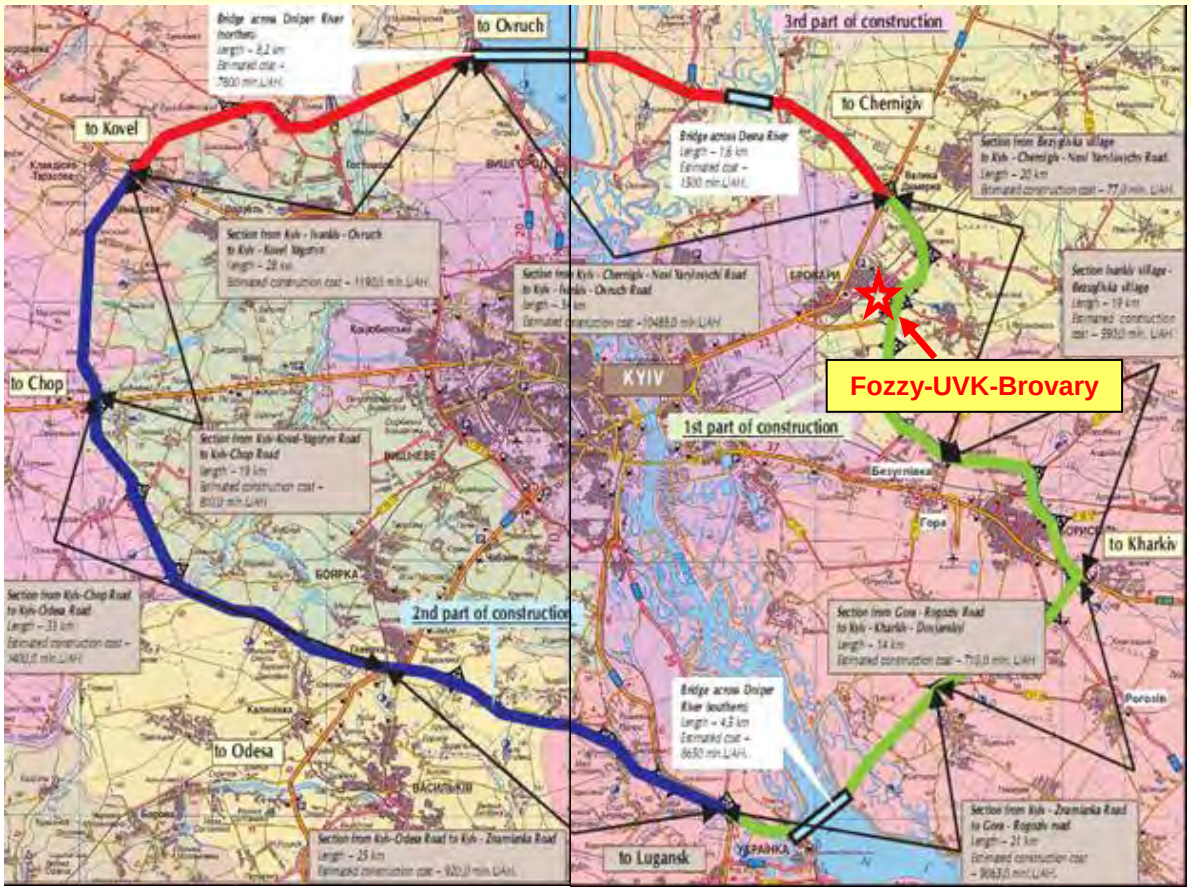
Assessment function	Units		Scale 1-5
3.2 Rail connections	distance in km (linear) or plans	No direct railway access to the TRACECA corridor, but close to railway main line Kiev-Odessa (about 2km).	2
3.3 Logistics Centre integration into transport network	classification / description	Very good connectivity and network integration possibilities in TRACECA transport corridor and Pan-European transport corridor IX.	5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Potential conflicts with other land users so far not expected (all adjacent areas are part of a future commercial area).	5
4.2 Site-specific impact factors	classification / description	So far not expected, geodesic and geological researches already are completed.	5
4.3 Traffic impact factors	classification / description	Traffic impact by additional truck volumes must be specified, but no significant impact expected due to good expanded access and Ring Road.	5
4.4 Environmental impact factors	classification / description	So far not expected, ecological due diligence for class A warehouse facilities and distribution centre already is done.	5
5 Planning reliability			
5.1 Maturity of project	classification / description	Land plot is already rezoned for industrial and logistics development, technical due diligence for class A warehouse facilities and distribution centre already is done. Planning and first construction permissions for preparation works are issued. First site preparation works already have been done (topsoil is cut).	5
5.2 Funding possibility	classification / description	PPP	5
5.3 Right of property	classification / description	Private owned land plot since 2006.	5
5.4 Conflict risks or restrictions	classification / description	So far not expected, but for future railway link cross-ing of M05/E95 Kiev - Odessa highway required.	3
5.5 Public support	classification / description	Already public support by Vasylkiv Regional State Administration and Krushinka Village Council.	4

2.5.6 Fozzy-UVK Brovary Site

Site location in regard to the national and international road and railway network

Brovary is a satellite town to Kiev, located 20km ENE of the city centre. Brovary straddles the main railway line from Kiev to Nezhyn and Bakhman-Kievsky (thence to Gomel, Belarus), Konotop (thence to Russia) and Sumy, with a marshalling yard at Brovary Station. There is also direct access to the LISKI freight terminal on the eastern side of Kiev. There is an excellent road connection to Kiev and the M-01/E95/E101 forms a bypass around Brovary, this will be part of the planned Kiev Ring Road. Borispol Airport is 20km to the south.

Figure 34: Fozzy-UVK Brovary Site – Macro Location



Source: UkrDiproDor, showing the currently planned route of the Kiev Ring Road

Site location and transport connection in the micro region

Brovary itself is small, with a population of 86,000 in 2006, but growing rapidly. Its significance lies in its easy access to Kiev and the availability of relatively cheap land.

The site is located 3km from the town centre and on the edge of the industrial zone. It abuts the main railway line on its NW side, with an industrial branch line running past its western corner. Its SE side abuts a good 2-lane road that links the town to the M-01/E95/E101 to the east.

Numerous small warehousing facilities for local distribution have been and are being built on or near the bypass road; the largest is 10ha in area.

LC – location site and logistics surroundings

The 30ha site is an uncultivated rectangular field with no superstructure of any kind. To the SW it is bounded by an operating asphalt factory; to the NE by the village of Dimitrovo. Expansion potential is limited to 6ha, which is reportedly available, and a rectangular site of about 80ha on the other side of the road. The availability of this land is unknown.

Figure 35: Fozzy-UVK Brovary Site – General View to NE and Railway Branch Line

Future development opportunities of the LC – location site

Despite its location on the east site of Kiev (farer from the Black Sea ports and the markets of the EU) the site has a good international perspective. This deficit is outweighed by the good access to the rail and road networks (especially following completion of the Kiev Ring Road).

The site is owned by the firms Fozzy and UVK, the first holding a majority. Their intention is to sell the site to an investor who would build warehouses (150,000m^2), lease one-third of the area to each firm and lease the remaining one-third to other tenants.

Summary and Outlook

The site itself is sufficient for initial development of an ILC. It is also well located with respect to Kiev city and region, and to national and international road and rail networks, as a branch railway line running past the site. The owners are keen to realise its capital value and to have assured access to additional warehousing. They are not developers/investors themselves, plans for development of the site are conceptional

In the micro-level site assessment it scored 63; see MCA - fact sheet “Fozzy-UVK-Brovary Site”.

Overview of initial identified requirements

- The interest of the neighbouring landowner(s) and potential investors/developers is yet to be ascertained by the owners.
- The State Administration of Railway Transport of Ukraine (UZ) should be approached to ascertain its receptiveness to a proposal to construct a spur serving the site

Table 13: MCA factsheet – Fozzy-UVK Brovary Site

Fozzy-UVK Brovary Site **overall score = 63**

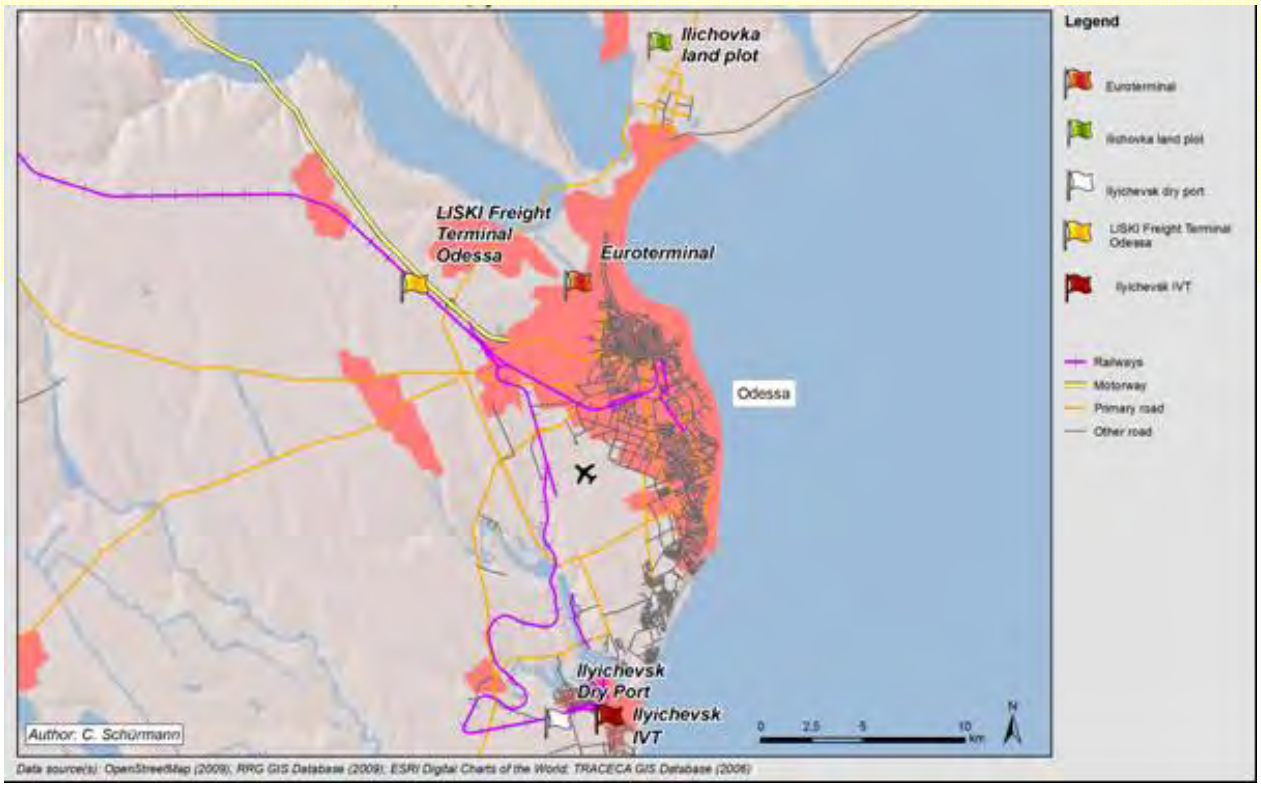
Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	30ha	2
1.2 Site layout	classification / description	Rectangular site (about 700x450m) bordered by the main railway line, Dimitrovo Village and asphalt factory. The 4th side is the road leading SW to Brovary City and NE to the Brovary Bypass. There is no on-site construction or cultivation. It is divided into several plots but all under the same ownership.	2
1.3 Land suitability (type of ground)	classification / description	No evident problems. The site is flat with no surface water. Soil tests have been made by the owner.	5
1.4 Expansion possibilities	%	20% immediately. About 80ha of vacant land lies on the other side of the main road, ownership status unknown.	4
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	1,6km to M-01/E95/E101 (= Brovary Bypass and Kiev Ring Road route) with direct access via a major interchange. Alongside the main raiway line running ENE from Kiev, 17km from the LISKI terminal and <0,5km from Kvitneviy Station, with an operating branch line running beside the site at its NW corner.	2
1.6 Connectivity infra-structure investment need	classification / description	Access to the 2-lane road that links residential and industrial areas SE of the main railway line to the Brovary Bypass via a cloverleaf interchange. The landowner has approval for such access. The 2-lane road may have to be widened as ILC-related traffic volumes increase. The reservation is ample and there are already lane-wide gravel shoulders.	2
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	The site is within 3km of Brovary's town centre. Brovary's population was 86,000 in 2006. It is a fast-developing satellite town to Kiev, with a population of at least 3 million.	3
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	On the edge of the Brovary industrial zone, bordering the asphalt factory. 15km to heavily industrialised aea of Kiev, E of the Dniepr.	3
2.3 Vicinity of ports / airports	distance in km (linear)	20km from Borispol Airport.	1
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	3.2km to Raben Brovary, 4.0km to UVK Krasilovka and 4.4km to AISI/UVK 'blue warehouse'. Also close to several newly consructed and under-construction warehouse complexes to the south and east of Brovary.	4

Assessment function	Units		Scale 1-5
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	See 1.5	3
3.2 Rail connections	distance in km (linear) or plans	See 1.5	1
3.3 Logistics Centre integration into transport network	classification / description	The site is adjacent to the main railway line with an operating branch line passing by its W corner. This line appears to serve a number of industrial sites to the SW. In the other direction the line loops N and W to terminate at an industrial zone E of Troeshchina. There are marshalling facilities near Brovary Station 2km to the SW. A preliminary site inspection suggests that a spur could be constructed to serve the site. Good road connection to the Brovary Bypass/Kiev Ring Road. No sea/air connections.	4
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Surrounding land is industrial and residential.	3
4.2 Site-specific impact factors	classification / description	None apparent.	4
4.3 Traffic impact factors	classification / description	No traffic impact initially. With traffic growth the main road serving the site may have to be wided from its present 2 lanes.	3
4.4 Environmental impact factors	classification / description	None apparent.	4
5 Planning reliability			
5.1 Maturity of project	classification / description	Vacant site with conceptual plans and detailed technical specificaton. The plans are based on constructing150,000m2 of warehousing (the maximum feasible density). The next step is so-called working documentation for the project.	4
5.2 Funding possibility	classification / description	The present owners want to sell the site to an investor/ developer who would develop it and lease back to them 100,000m2 of warehouse space (50,000m2 each for Fozzy and UVK). An additional 50,000m2 would be available to other tenants.	4
5.3 Right of property	classification / description	100% private (Fozzy/UVK, Fozzy being the majority share-holder in UVK but reportedly dealing at arm's length with it).	5
5.4 Conflict risks or restrictions	classification / description	None apparent.	4
5.5 Public support		Full support from friendly Brovary Administration	5

2.5.7 Odessa/Ilyichevsk region importance for LC

Five sites in the Odessa Odessa/Ilyichevsk Region as presented in the Figure 36 included Euroterminal Dry Port, LISKI-Odessa Freight Terminal, IlyichevskVneshTrans Logistics Complex, Ilyichevsk "Dry Port" Land Plot and Ilichovka site.

Figure 36: Overview - Site Locations in Odessa/Ilyichevsk region



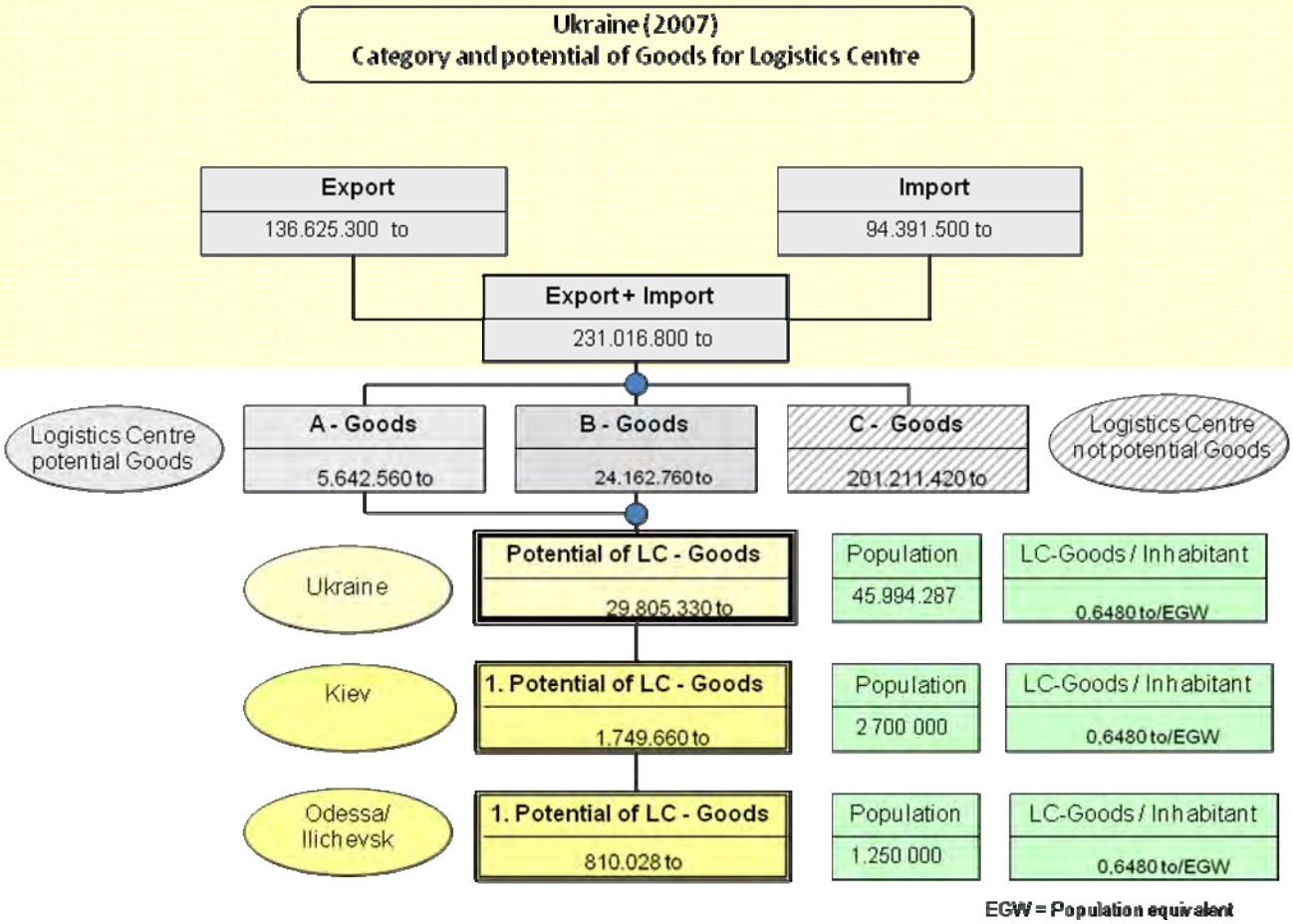
The Odessa region is one the main hubs of TRACECA, and is directly linked by the road and railway network to the TRACECA-Corridor:

- Road corridor: Polish Border Yagodin (M07/E373) - Kovel (M19/E85) - Lutsk - Ternopil (M12/E50) - Khelmnytski - Vinnytsa - Nemirov - Uman (M05/E95) - Odessa - Ilyichevsk (M22) and via M05/E95 to M13/E577 - border Moldova (Poltava) - M21 - Chisinau - M1 - Romanian Border (Leuseni) as well as via Chisinau to M3 - Giurgiulesti.
- Railway corridor: Polish Border (Yagodin) - Kovel - Rovno - Zdobulnov - Shepetovka - Kazatin - Vinnytsa - Klimentovo - Odessa - Ilyichevsk.

Odessa is Ukraine's main port, offering all-year access to the Black Sea. In 2008 it accounted for 26% of Ukraine's total port throughput of 132Mt. Odessa's throughput included container traffic amounting to 572,000 TEU, of which 12% were in transit through Ukraine.

The city itself is Ukraine's fourth largest, with a population of more than 1 million. It attracts many tourists, domestic and international. The port represents its main economic asset, but in addition there are well established food-processing, mechanical engineering, metal-working, metallurgical, chemical, petrochemical and pharmaceutical industries. Future normalization of the international trade relations will positively affect qualitatively and quantitatively the supply of goods to the population in Odessa region as potential end customers.

Figure 37: Overview of Estimated LC-Cargo Potential in Ukraine



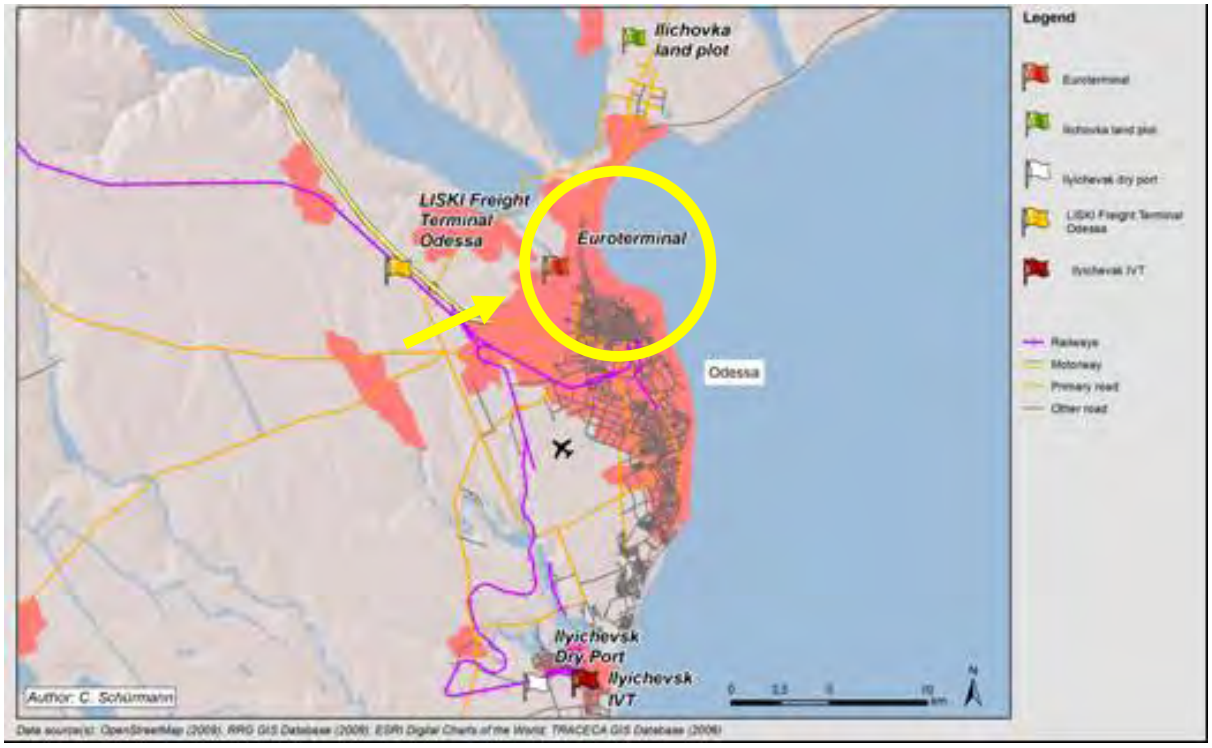
2.5.8 Dry Port Euroterminal

Site centrality and transport connection in the micro region

The Dry Port Euroterminal is located about 5km from Odessa city centre in vicinity of the main industrial centre and an oil refinery. The distance to the Odessa Commercial Sea Port (container berths and storage areas) is about 3-5km via flyover (to be completed in 2009). The site is well connected to the national and international road transport network (link to M05/E95 Odessa - Kiev and M14/E58 Odessa - Nikolayev highway) via nearby city road (about 4km).

Nearby is the railway main line Odessa - Kiev with a former branch line to the adjacent industrial area and a railway freight station 4km away; but currently there is no direct railway access. The Ilyichevsk Commercial Sea Port lies about 35km to the south and Yuzhniy Port lies 40km to the east. The International Airport Odessa is about 10km away.

Figure 38: Dry Port Euroterminal – Macro Location



Site location and logistics surroundings

The Euroterminal site (established in 2005) is a privately owned land plot with of about 50ha (of which site preparation of 43 ha has been completed). A crude oil pipeline forms the western land boundary to the adjacent potential extension areas of 400-700ha (owned by the Odessa municipality). Euroterminal already has built new access roads to the site at its own cost.

The open storage area (1,5ha) has a storage capacity of about 3,500 TEU (empty containers) and is already used by HPC since 2008. Storage of full containers is planned. A truck parking area (5,5ha) is equipped with portable offices offering port related services (e.g. online operational control etc.) to road hauliers.

Transport of goods development in the international sea, road and railway traffic

The Euroterminal is envisaged mainly to serve as an extension and hinterland dry port to the existing container handling facilities within the Odessa Commercial Sea Port. Therefore its throughput is and will be strongly correlated with that of the port.

Figure 39: Dry Port Euroterminal – Micro Location

Source: presentation LLC Euroterminal, 2009

Future development opportunities of the ILC – location site

The strategy concept and master plan for the further development is confirmed by Odessa Port authorities, local customs services and Odessa Municipality. The site will consist of two functional parts, a commercial territory and a customs territory.

The further Dry Port development includes five terminals (T1 - TIR, T2 - Customs Complex, T3 - Open Storage, T4 - Logistics Centre, T5 - Rail/Road). For the implementation of the Customs Terminal (about 5,5ha, planned for 2010) a due diligence by EBRD is under preparation.

Euroterminal is planning to enhance the connection to the highways to Kiev and Nikolayev by construction of a new private road (about 4km). A railway access (700m) to the site is projected.

Summary and Outlook

Dry Port Euroterminal is interested in the project and willing to coordinate, adapt and extend their strategy concept and master plan in accordance with the objectives of a future ILC, in case of a win-win situation proved by a business plan. Furthermore, Euroterminal is interested to attract other private companies to the site and has already a MoU with HPC Ukraine.

The location, infrastructure network connectivity and site attributes offer very good conditions and development potential for the future establishment of an ILC. The result of the micro-level site assessment was a score of 89% (see also MCA - fact sheet “Dry Port Euroterminal”).

Overview of initial identified requirements

- Current strategy concept and master plan should be discussed with Euroterminal to ascertain the company‘s interest in alternative approaches to coordinate further development and financing.

Table 14: MCA factsheet – Dry Port Euroterminal

Dry Port Euroterminal **overall score = 89**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	About 50 ha, therof about 43 ha already finished site preparation.	3
1.2 Site layout	classification / description	Polygonal site layout, max. about 1,250m x 750m.	5
1.3 Land suitability (type of ground)	classification / description	Former used as sewage filtration land, therefore a soil filling up to an average of 3m with final compection required. But no further problems have been expected so far	4
1.4 Expansion possibilities	%	About up to 700 ha former sewage filtration land (owned by Odessa Municipality) in the North (current boundary follows oil crude pipeline)	5
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	National highway network access (about 4km) nearby via city road with link to M05/E95 Odessa - Kiev and M14/E58 Odessa - Nikolaev highway. Excellent future integration possibilities for connect-ivity and network integration with the new planned and to be constructed private road (about 4 km) to city road network. Nearby railway main line with former branch line to adjacent industrial area as well as railway freight station is about 4km away.	4
1.6 Connectivity infra-structure investment need	classification / description	Construction of private road (about 4 km) for proper connection via city road with Odessa - Kiev and Odessa - Nikolaev highway is already planned by LLC Euroterminal, construction of direct railway link to main railway (about 700m).	4
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	About 3 up to 5km via flyover (estacada) from the Port Area (Container berths and storage areas), about 5km to Odessa city centre.	5
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	5km to Sea port, nearby oil refinary, oil storage tanks area, petrolchemistry	5
2.3 Vicinity of ports / airports	distance in km (linear)	International Airport Odessa - about 10 km	4
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	About 3 up to 5km via flyover (estacada) to the Port Area (Container berths and storage areas), nearby logistics facility with open storage area for container (about 2km)	5
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	Direct road connection to the TRACECA corridor via city road (about 4km): Odessa - M15/E87- Ukrainian Border (Palanka) - R30- R31 - Chisinau, Odessa - M05/E95 - Kiev, good connection to port and local road network.	4

Assessment function	Units		Scale 1-5
3.2 Rail connections	distance in km (linear) or plans	Possible direct railway access to the TRACECA corridor: main line Odessa - Kiev, railway freight station is about 4km away, but not direct link to land plot.	4
3.3 Logistics Centre integration into transport network	classification / description	Very good integration possibilities for connectivity and network integration.	5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Conflicts with other land users so far no expected.	5
4.2 Site-specific impact factors	classification / description	Strategy concept and master plan is already approved by Odessa Port authorities, local customs services and Odessa Municipality.	5
4.3 Traffic impact factors	classification / description	Traffic impact by additional truck volumes will be minimised by new planned and to be constructed private road (about 4 km) to city road network.	4
4.4 Environmental impact factors	classification / description	For future expansion so far no expected and unpredictable, optionally ecological compensation area required.	3
5 Planning reliability			
5.1 Maturity of project	classification / description	See also 4.2, open storage area for empty container and truck parking area in use. Establishment customs terminal is envisaged in March 2010. Closed cooperation (MoU) between Euroterminal and HPC, further negotiations with international logistics service providers (e.g. Kühne & Nagel) are ongoing.	5
5.2 Funding possibility	classification / description	PPP, further interest of private sector participation already stated.	5
5.3 Right of property	classification / description	The land is private owned by LLC Euroterminal.	5
5.4 Conflict risks or restrictions	classification / description	So far no soil expertise of optional expansion areas available, time schedule for required rezoning and construction permits for optional expansion areas is unpredictable.	4
5.5 Public support		Currently strong public support by Odessa Port authorities, local customs services and potentially also by Odessa Municipality.	5

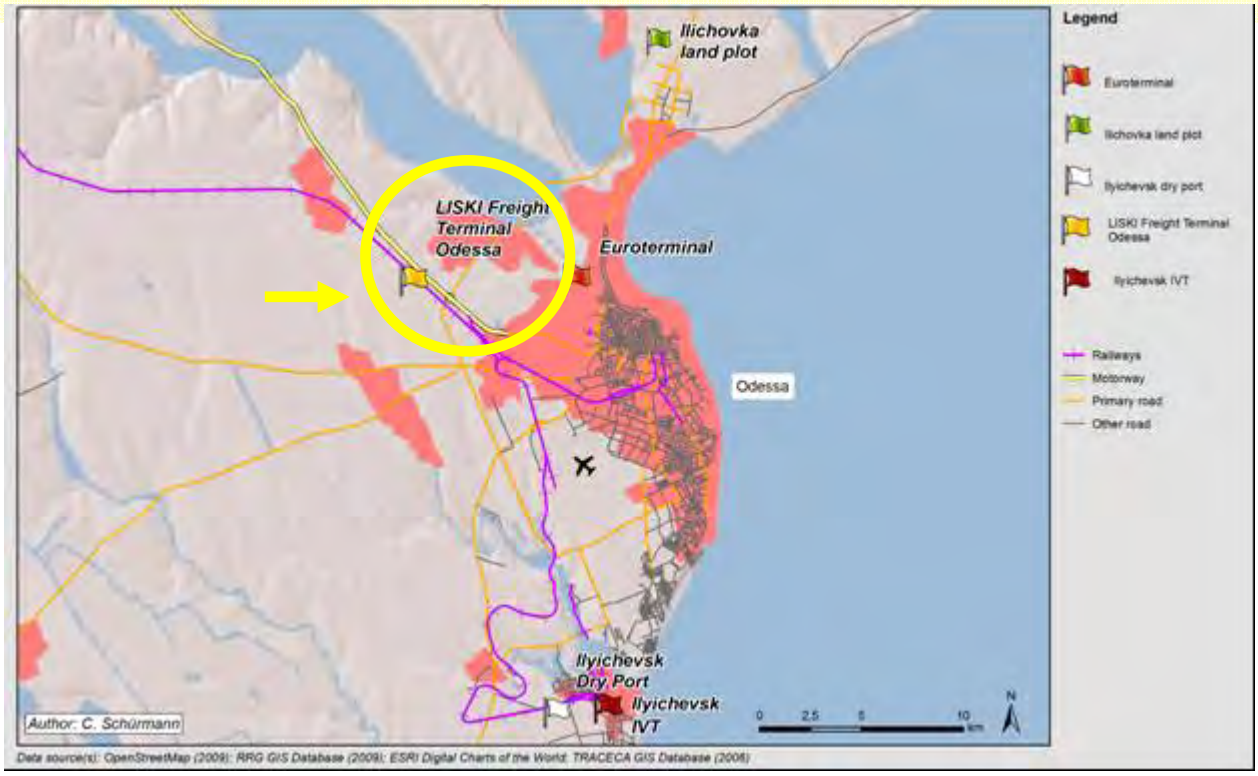
2.5.9 LISKI-Odessa Freight Terminal

Site connectivity to national and international road- and railway network

The LISKI site is located 10km from Odessa Port with a direct rail link. It is also within 11km of the city centre and 7km of the main industrial centre. Ilyichevsk Port lies 29km to the south and Yuzhny Port lies 35km to the east.

The site is well connected to national and international transport networks. It is situated alongside Usatovo Station on the main line to Kiev with connections to all parts of Ukraine and all neighbouring countries. It is also within 0.5km of the M-05/E95 road to Kiev, and thence to international corridors. 4km south of the LISKI terminal the M-05 joins the M-15/E87 which runs westward to Giurgiulesti International Free Port (GIFP) in Moldova and into Romania.

Figure 40: LISKI-Odessa Freight Terminal – Macro Location



Site centrality and transport connection in the micro region

A 4-lane highway links the site to Odessa's city centre and to its industrial areas. A railway marshalling yard lies 7km to the SSE. Beyond that is the city terminal. There is a direct connection southward to Iyichevsk and into Ilyichevsk Port, which is the southern terminal of the 'Viking' container block train to the Baltic. To the east there is a connection to Yuzhny Port.

Site location and logistics surroundings

In 2007, before the global financial and economic crisis, the terminal was handling 35,000 containers per year. With augmented and upgraded warehousing, hard-standing and container handling equipment that capacity could be substantially increased.

There is an area for expansion of 7ha (owned by the railway) between LISKI and Usatovo station. A residential area lies to the south. To the north and west the site is surrounded by more than 1,000ha of cultivated agricultural land.

Figure 41: LISKI-Odessa Freight Terminal – Warehouse and Container Handling

Transport of goods development in the international sea, road and railway traffic

There are plans to develop Odessa Port, in particular to expand its container capacity. Similar plans exist at other Ukrainian ports too, notably at Ilyichevsk. It is projected[1] that the present combined annual capacity of Odessa, Ilyichevsk, Yuzhny and Nikolayev Ports will increase from 1.6M TEU in 2008 to 5.3M TEU in 2018.

Future development opportunities of the LC – location site

As mentioned above, the Government of Ukraine is strongly committed to developing its six LISKI terminals as a major player in the intermodal transport and logistics market. Furthermore the Government gives Odessa region the highest priority for logistics investment. This has been clearly articulated by the Ukrainian State Agency for Investment and Innovations. An upgrading plan has already been drawn up, but the global crisis has interrupted the project. As yet, however, LISKI's planning has been limited to intermodal operations.

Summary and Outlook

The site itself is large and expandable. It is also well located with respect to access to Odessa, Ilyichevsk and Yuzhny Ports, and to national and international road and rail networks. Substantial investment is required to replace worn-out and obsolete assets.

Government support is strong. However the private sector is reportedly reluctant to become closely engaged with LISKI. It has yet to be ascertained whether LISKI would be willing to adapt its commercial strategy towards a vision of multiple-use, multiple-occupancy logistics centres. In the micro-level site assessment it scored 81% (MCA-fact sheet "LISKI-Odessa Freight Terminal").

Overview of initial identified requirements

- Current upgrading plans should be reviewed and discussions held with LISKI to ascertain its interest in alternative approaches to development and financing.

[1] Hamburg Port Consulting GmbH 'Black Sea Port Capacity & Investment, Container Transport' 2008.

Table 15: MCA factsheet – LISKI-Odessa Freight Terminal

LISKI-Odessa Freight Terminal **overall score = 81**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	35	2
1.2 Site layout	classification / description	Plan provided. The site is about 1km long x 300m wide with railway tracks running longitudinally and storage areas and buildings arranged between. The site is not intensively used.	3
1.3 Land suitability (type of ground)	classification / description	Flat, no surface water or other visible restrictions. No soil test data available, but see 1.5.1 below.	5
1.4 Expansion possibilities	%	>100%. 7ha between the site and the main railway track, beside a tank farm, can be acquired from Odessa Railway. An adjacent area of 5ha on the other side could probably be bought from its private owner. Large areas of agricultural land lie to the west, north and east (on the other side of the main railway track). The land to the east is thought to be for sale now.	4
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Direct access to main railway line Kiev-Odessa and Odessa Port. Access to Highway M-05/E95 via 2km access road.	5
1.6 Connectivity infra-structure investment need	classification / description	The approach road to the site requires upgrading, even without expanded throughput.	4
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	11km to Odessa city centre.	2
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	7km to main industrial area.	4
2.3 Vicinity of ports / airports	distance in km (linear)	10km to Odessa Port, 29km to Ilyichevsk Port, 35km to Yezhny Port, 11km to Odessa Airport.	4
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	10km to Odessa Port, about 5km to logistics areas with direct railway access, warehousing, container storage areas in the Southeast.	4
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	<1km.	5
3.2 Rail connections	distance in km (linear) or plans	0km.	5

Assessment function	Units		Scale 1-5
3.3 Logistics Centre integration into transport network	classification / description	Excellent.	5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Minimal impact; essential use would be unchanged.	4
4.2 Site-specific impact factors	classification / description	Minimal impact; essential use would be unchanged.	4
4.3 Traffic impact factors	classification / description	Nearby highway has ample capacity and no extra urban traffic would be generated.	4
4.4 Environmental impact factors	classification / description	None apparent.	5
5 Planning reliability			
5.1 Maturity of project	classification / description	A development plan has already been drawn up: hard-standing for 4,500 TEUs, bigger gantry cranes & stackers and more warehousing. We can meet Deks (private engineering firm) about details and cost estimates.	5
5.2 Funding possibility	classification / description	Funding was expected from the State Budget, but in the present financial crisis and trade downturn (-40% volume) this is not available.	4
5.3 Right of property	classification / description	Railway-owned land, including 7ha expansion area. Surrounding land is privately owned.	4
5.4 Conflict risks or restrictions	classification / description	Under present rules the site can be used only for logistics services. It is not clear whether these would include the full range of ancillary services that an ILC should have.	3
5.5 Public support		MoTC, LISKI and the LISKI Odessa management are keen to see development.	4

2.5.10 JSC IlyichevskVneshTrans (IVT) Logistics Complex

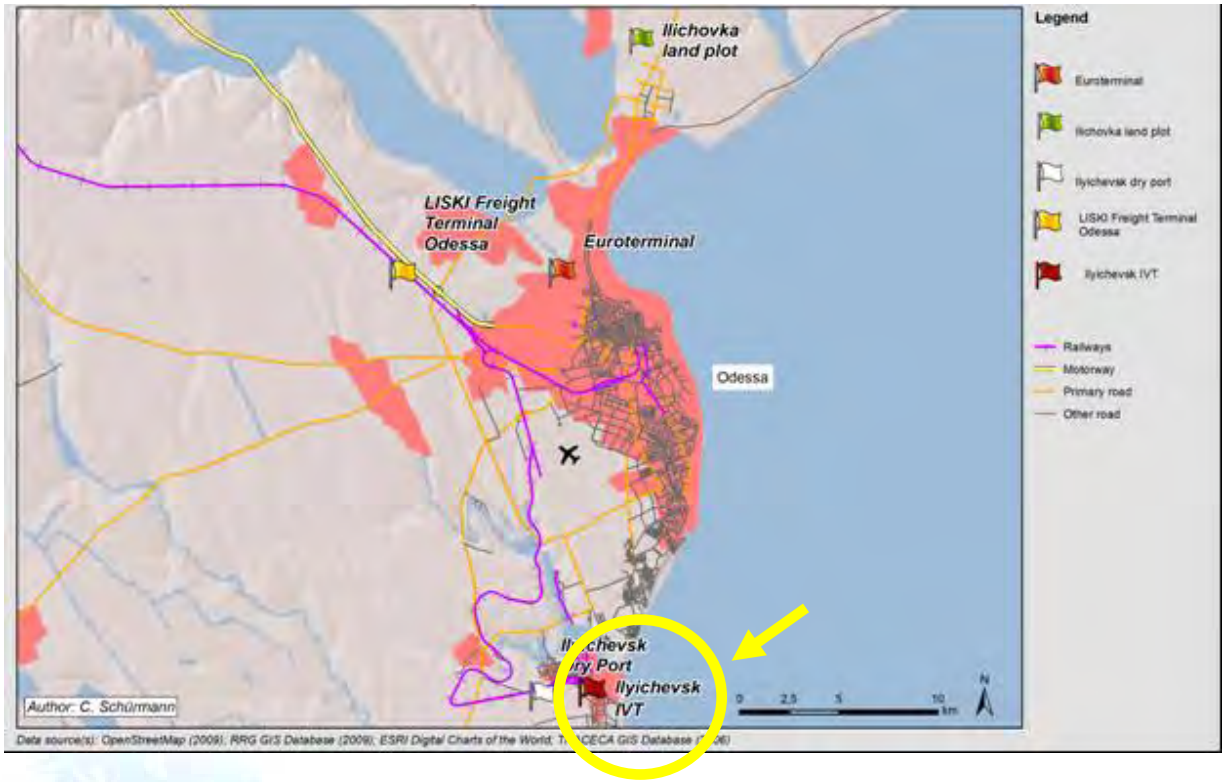
Site location in regard to the national and international road and railway network

In terms of throughput Ilyichevsk is Ukraine's first container port, followed by Odessa which is only 20km to the north. In 2008 its throughput of containers was 670,600 TEU. The capacity is planned to reach 4.0M TEU, confirming its status as Ukraine's busiest container port. In-port services include reefer storage and stuffing/stripping.

From Ilyichevsk Ro-Ro and rail ferries operate Varna, Poti/Batumi and Derindge. Since 2003 it has been the southern terminus of the Viking block container/trailer train that links the Black sea to the Baltic. Several vegetable oil processing plants are located within the port.

The IVT site is well-connected to national and international road and rail networks, via Odessa. A railway marshalling yard lies 500m to the NW, from which two spurs serve the site. This effectively gives IVT direct rail access to the port.

Figure 42: IlyichevskVneshTrans – Macro Location



Site centrality and transport connection in the micro region

Ilyichevsk City itself is small, with a population of only 33,000 and little industry. The port is the biggest employer. The site is located close to the port, separated from it by a main road and some smaller commercial/industrial units. The city centre lies immediately to the south; a residential area to the north; and a vehicle assembly plant on a 25ha site to the west. There is easy access to the urban road network as well as to the rail network via the marshalling yard.

LC – location site and logistics surroundings

The 36ha site is almost fully developed. Warehousing and container handling equipment are old and the hard-standing for container storage is in poor condition. The scope for site expansion is limited. There is a cultivated area of about 150ha to the west, but it is not contiguous to the site. 4ha of adjacent land is reportedly available.

Figure 43: IlyichevskVneshTrans - Warehouses and Container Handling

Transport of goods development in the international sea, road and railway traffic

There are plans to develop Ilyichevsk Port, in particular to expand its annual container handling capacity, doubling it to 1.7M TEU by 2018 and eventually increasing it to 4M TEU.

Future development opportunities of the LC – location site

As yet IVT's activities have been limited to transhipment, warehousing and distribution of imported goods. There are plans to upgrade the assets in order to increase throughout capacity and offer a higher standard and wider range of services in response to their customers' demands. While offering some ancillary services to its established clients, the company has no plans for transformation of its site into an ILC with multiple occupancy and activities.

Summary and Outlook

The site itself is large, but with little potential for expansion. It is well located with respect to access to Ilyichevsk Port and to national and international road and rail networks. Investment would be required to upgrade assets. Direct road access to Ilyichevsk Port via an Estacada would be required. There is strong support from the Ilyichevsk City administration for expansion or upgrading plans.

In the micro-level site assessment it scored 75 as per MCA - fact sheet "JSC IlyichevskVnesh-Trans (IVT) Logistics Complex".

Overview of initial identified requirements

- Current upgrading plans should be reviewed and discussions held with IVT to ascertain its interest in alternative approaches to development and financing.

Table 16: MCA factsheet – JSC IlyichevskVneshTrans (IVT) Logistics Complex

JSC IlyichevskVneshTrans (IVT)
Logistics Complex **overall score = 75**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	36	2
1.2 Site layout	classification / description	Rough plan downloaded from website. The site is about 800m long and up to 500m wide. It is almost fully used, with 45,000m2 of covered storage, incl-uding warehouses with railway access and bonded warehouses; 70,000m2 of open container storage accommodating 10,000 TEU; and fenced customs-controlled areas for goods awaiting clearance.	3
1.3 Land suitability (type of ground)	classification / description	Flat, no surface water or other visible restrictions. No soil test data available.	4
1.4 Expansion possibilities	%	4ha of adjacent land could be acquired easily. There is other privately-leased industrial land between the site and Ilyichevsk Port. To the W of the site, across a road, is a vehicle assembly plant* occupying about 30ha [our estimate from Google map] beyond which is agricultural land. Conceivably the site could be expanded by 50% [our judgement].	2
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	The site has 2 railway spurs entering from the nearby railway yard (to the NW). It lies just SE of Highway M-22 with a good 2-lane access road.	4
1.6 Connectivity infra-structure investment need	classification / description	Access is good to both road and rail networks, and via those to Ilyichevsk Port. With expanded throughput some upgrading of road access to Ilyichevsk port might be required. A viaduct (as at Odessa) would be ideal.	4
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	<2km to Ilyichevsk city centre; 20km to Odessa city centre.	1
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	The site is in the midst of Ilyichevsk's main idustrial area, with a vehicle factory immediately to the W.	5
2.3 Vicinity of ports / airports	distance in km (linear)	0.5km to Ilyichevsk Port, 20km to Odessa Port, 50km to Yezhny Port, 12km to Odessa Airport.	5
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	Other freight forwarders and logistics operations are also located close to the port and railway yard.	5
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	20km S of Highway E58/E87/M-15, with good quality access via M-22.	3

Assessment function	Units		Scale 1-5
3.2 Rail connections	distance in km (linear) or plans	<1km.	4
3.3 Logistics Centre integration into transport network	classification / description	Excellent.	5
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	No impact; the site is already a logistics centre located in an industrial area.	5
4.2 Site-specific impact factors	classification / description	No impact; the site is already a logistics centre located in an industrial area.	3
4.3 Traffic impact factors	classification / description	[See 1.6 above.]	4
4.4 Environmental impact factors	classification / description	None apparent.	5
5 Planning reliability			
5.1 Maturity of project	classification / description	There are plans to strengthen the hard-standing to allow stacking of containers up to 5 deep (empty); and to upgrade handling equipment. Temperature-controlled facilities do not exist and were not mentioned as a desired addition. These plans and cost estimates are confidential. Given the global crisis and associated uncertainty, IVT is in no hurry to implement them.	5
5.2 Funding possibility	classification / description	Questions about possible funding arrangements for the planned improvements were evaded. IVT is a closed JVC owned by private citizens, mostly its own employees. It does not want to go deeply into debt at current commercial interest rates, but is interested in the prospect of EU grant money.	4
5.3 Right of property	classification / description	The site and adjacent sites are community-owned land (Ilyichevsk City Government) on long leases. Our interviewees claimed ignorance of the remaining period of IVT's lease.	5
5.4 Conflict risks or restrictions	classification / description	None apparent. However, we are not sure that IVT's shareholders would welcome dilution of their owner-ship; or would willingly give access to other companies to operate on the site.	1
5.5 Public support		IVT is confident of strong support from the Ilyichevsk City Government, eg in extending its lease as required.	4

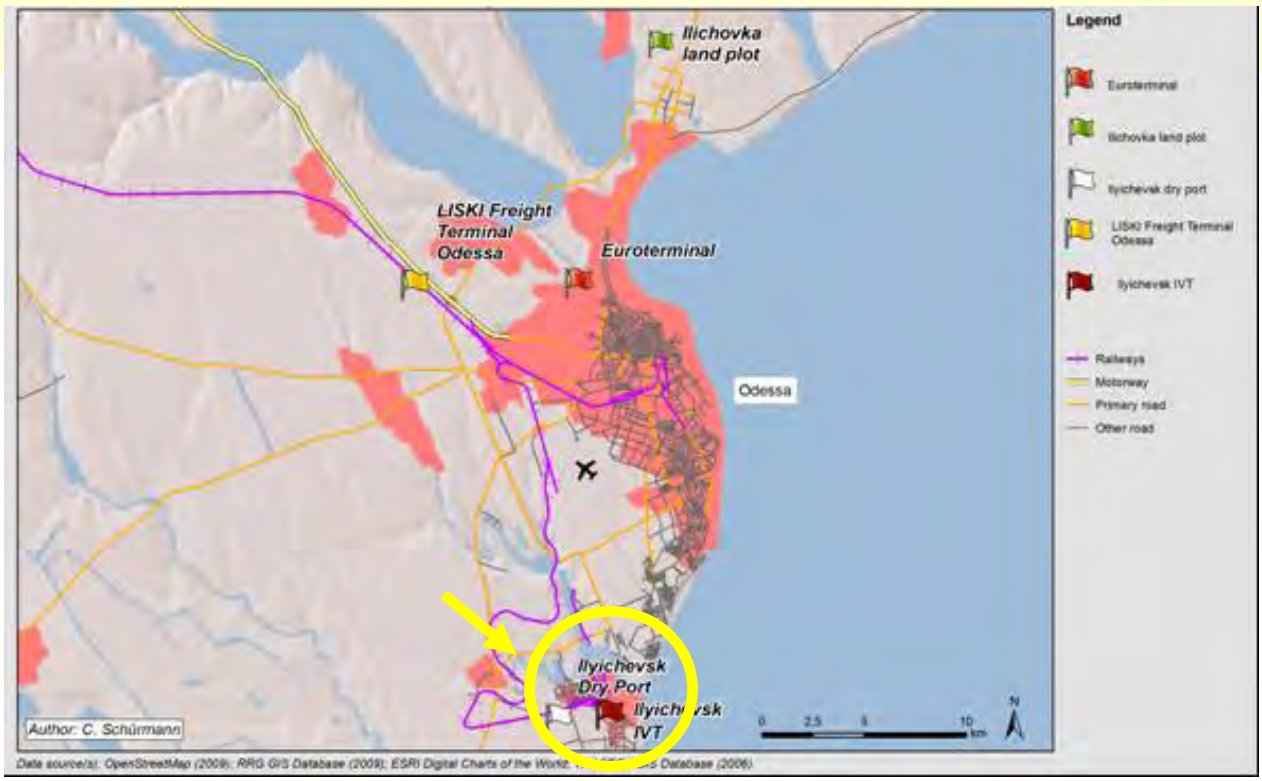
2.5.11 Ilyichevsk "Dry Port" Land Plot

Site connectivity to national and international road- and railway network

The land plot of the planned Ilyichevsk Dry Port is located about 4,5km from the Ilyichevsk Commercial Sea Port (ICSP). The site has a direct road connection to the TRACECA corridor via T-1604 (about 20km): Odessa - M15/E87 - Ukrainian Border (Palanka) - R30 - R31 - Chisinau, Odessa - M05/E95 - Kiev. Improvement of the network integration can be expected with the planned Black Sea ring road[2] - about 4km from the plot in a westerly direction.

The railway main line from Ilyichevsk and ICSP to Odessa is close and marshalling yards (parallel to main road) as well as the railway freight station about 1km away.

Figure 44: Ilyichevsk "Dry Port" Land Plot – Macro Location



Site centrality and transport connection in the micro region

The land plot is located 3-4 km from Ilyichevsk and about 20km from Odessa. It is connected by a secondary road with limited traffic capacity. There is direct connection to the urban highway and local roads network, but the main road to and from the ICSP is highly congested. Possible direct railway access to the main line Ilyichevsk - Odessa – Kiev would be possible via the adjacent railway freight station, but there is no direct access to the land plot, yet.

Site location and logistics surroundings

The available undeveloped land plot is currently owned by the Regional Government of Odessa and has a total rectangular area of about 80ha (about 1,250m x 750m). The ICSP authorities mentioned a reservation of this land plot. Currently the area is in use as agricultural land and

[2] Black Sea ring road project initiated by the Black Sea Economic Cooperation (BSEC), about 7,500 km ring road around the Black Sea. Realisation of Ukrainian sector in Odessa/Ilyichevsk region is pending due to outstanding investment.

has good bearing soil. To the south of the land plot there are still small agricultural areas. To the west it is bordered by residential areas. There are possible expansion areas adjacent to the main road and immediately to the east of the site. They are currently under cultivation..

No ILC related industrial settlements or areas are located in the vicinity of the plot. At a distance of 3-4 km are some logistics areas (freight forwarders and warehousing facilities) and the customs terminal in the ICSP.

Figure 45: Ilyichevsk "Dry Port" Land Plot – General View

Transport of goods development in the international sea, road and railway traffic

There are plans to develop ICSP, in particular to expand its annual container handling capacity, doubling it to 1.7M TEU by 2018 and further increasing it to 5M TEU.

Future development opportunities of the LC – location site

The planned land plot is envisaged mainly to serve as extension and hinterland dry port to the existing container handling facilities within the Ilyichevsk Commercial Sea Port. The objective is to ease the congestion of container traffic to and from the port through the city. However the ICSP is looking for interested parties invest into the development of the site. There are currently no solid strategies and sketch designs in place, neither formal approval for the establishment of a dry port. The implementation of the project might take considerable time.

Summary and Outlook

The planned dry port is projected and supported by the ICSP and has according to the Port's Authorities the support of the city government of Ilyichevsk. The ICSP has developed this idea and identified this location, but there is no development strategy. So far the planned dry port only has the maturity of a project idea. The ISCP is not interested to own and operate the plot, but would be willing to act as promoter, coordinator and facilitator for interested investors. But so far no specific interest of private sector participation could be stated.

The result of the micro-level site assessment was a score of 62 as per MCA - fact sheet "Ilyichevsk 'Dry Port' land plot").

Table 17: MCA factsheet – Ilyichevsk "Dry Port" Land Plot

Ilyichevsk "Dry Port" Land Plot **overall score = 62**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	Available land plot has about 80 ha.	4
1.2 Site layout	classification / description	Rectangular site layout, about 1,250m x 750m.	5
1.3 Land suitability (type of ground)	classification / description	Good bearing soil, no evident problems expected , currently in use as agricultural land.	5
1.4 Expansion possibilities	%	Adjacent to the main road and land plot to the east, all land is in agricultural use; in the south are still small agricultural plots; residential areas border the site in the west.	3
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	National highway network access nearby via main road to T-1604 with link to M05/E95 Odessa - Kiev highway. Very good future integration possibilities for connectivity and network integration with a new highway to be planned and constructed (Black Sea ring road), about 4 km from the plot in a westerly direction. There are adjacent railway main line and marshalling yards (parallel to main road) and a railway freight station is about 1km away.	3
1.6 Connectivity infra-structure investment need	classification / description	Main road rehabilitation (about 2km), construction of access roads, construction of direct railway link to main railway (about 1000m, crossing main road!).	3
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	about 4,5 km from the Port Area (Container berths)	4
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	No industrial activity in the vicinity of the plot	1
2.3 Vicinity of ports / airports	distance in km (linear)	International Airport Odessa - about 35 km	1
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	3-4 km to logistics areas (freight forwarders & ware-housing facilities) and customs terminal in the Port	3
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	Direct road connection to TRACECA corridor via T-1604 (about 20km): Odessa - M15/E87- Ukrainian Border (Palanka) - R30- R31 - Chisinau , Odessa - M05/E95 Kiev. Good connection to urban highway and local roads network. The one main road to and from the port is highly congested , traffic has to go partly through the city centre of Ilyichevsk.	3

Assessment function	Units		Scale 1-5
3.2 Rail connections	distance in km (linear) or plans	Possible direct railway access to the TRACECA corridor: main line Ilyichevsk - Odessa - Kiev, Railway connection via adjacent railway freight station is available, but not direct link to land plot.	4
3.3 Logistics Centre integration into transport network	classification / description	Good integration possibilities for connectivity and network integration (railway connection has only low capability).	4
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Currently the plots are public owned (by regional government) and are agricultural used land.	2
4.2 Site-specific impact factors	classification / description	So far no specific development plans are specified.	3
4.3 Traffic impact factors	classification / description	Main road has not sufficient potential capability (already now traffic congestions in rush ours).	2
4.4 Environmental impact factors	classification / description	An environmental impact study would be required , but probably will not find any objections	3
5 Planning reliability			
5.1 Maturity of project	classification / description	The port has developed this idea and identified this location, but there is no development strategy behind. It might be this issue that the Port is not keen to own and operate the plot , but act as promotor, coordinator and facilitator, for interested investors/operators.	2
5.2 Funding possibility	classification / description	PPP, but so far no specfic interest of private sector participation could be stated by the Port.	3
5.3 Right of property	classification / description	The land is currently owned by the Regional Government of Odessa. The Port mentioned a prereservation of this land plot.	4
5.4 Conflict risks or restrictions	classification / description	There seems to be existing political issues between the Port and the Municipality, which may hamper the realization as well as existing new laws and regul-ations. An optional railway link has to cross the main road additional impact on high traffic density).	1
5.5 Public support		Public support for the acceleration and approval for rezoning, construction permits etc. are rquired.	3

2.5.12 Ilichovka Site

This site scored 51 as per MCA - fact sheet “Ilichovka site”. Due to this low scoring and no promising potentials as future ILC only photos and a fact sheet are presented.

Figure 46: Ilichovka Site – Macro Location

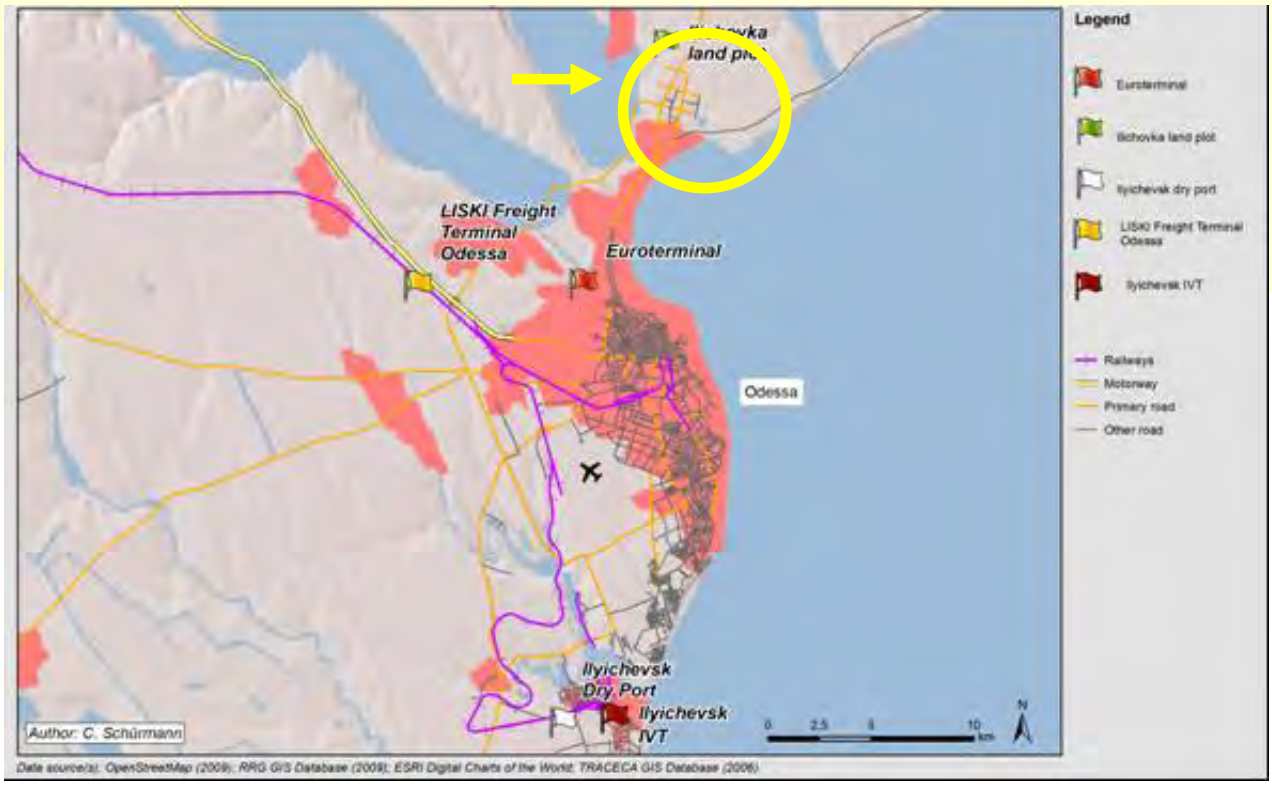


Figure 47: Ilichovka Site – General View

Figure 48: Ilichovka Site – Access Road to Odessa-Nikolaev Highway

Table 18: MCA factsheet – Ilichovka Site

Ilichovka Site **overall score = 51**

Assessment function	Units		Scale 1-5
1 Site attributes			
1.1 Size in ha, sq. m.	ha	about 70 ha	4
1.2 Site layout	classification / description	Trapezoidal site layout, max. about 920m x 750m.	3
1.3 Land suitability (type of ground)	classification / description	Former used agricultural used land. No further problems have been expected so far.	5
1.4 Expansion possibilities	%	So far no information is available, but adjacent land in the south-east is in agricultural use (about 50 ha). Expansion to the north-east is limited by an old industrial area; to the west by a residential area and main railway line Odessa Donezk; and to the South by residential areas.	1
1.5 Connectivity to routes and networks (access routes)	distance in km (linear)	Access road (about 1,5km) with link to M14/E58 Odessa - Nikolaev highway. Good future integration possibilities for connectivity and network integration to city road network. Nearby railway main line Odessa - Donezk with several branch lines to adjacent old industrial area in the Northeast area as well as railway freight station in the South is about 1km away.	4
1.6 Connectivity infra-structure investment need	classification / description	Rehabilitation and upgrading of access road (about 1,5 km) for proper connection to Odessa - Nikolaev highway, construction of direct railway link to main railway via railway freight station in the South (about 1500m) or railway branch line to old industrial area in the North (about 1000m).	2
2 Site centrality			
2.1 City and consignees vicinity / Distance	linear km and catchment area	About 22km from the Port Area (Container berths and storage areas), about 25km to Odessa city centre, about 30km to Yushni Port.	1
2.2 In vicinity of industrial area (mainly producers)	distance in km (linear)	22km to Sea port, adjacent old industrial area in the Northeast, small container terminal about 1,5km in the Northeast.	1
2.3 Vicinity of ports / airports	distance in km (linear)	International Airport Odessa - about 30 km	1
2.4 Vicinity to existing freight forwarding areas and logistics facilities	distance in km (linear)	About 3 up to 5km via flyover (estacada) to the Port Area (Container berths and storage areas), nearby logistics facility with open storage area for container (about 2km)	3
3 Network connectivity			
3.1 Road connections	distance in km (linear) or plans	Direct road connection to the TRACECA corridor via city road (about 4km): Odessa - M15/E87- Ukrainian Border (Palanka) - R30- R31 - Chisinau, Odessa - M05/E95 - Kiev, good connection to port and local road network.	4

Assessment function	Units		Scale 1-5
3.2 Rail connections	distance in km (linear) or plans	Possible railway access to the TRACECA corridor: via main line Odessa - Nikolaev to main line Odessa - Kiev, railway freight station is about 1km away, but not direct link to land plot.	3
3.3 Logistics Centre integration into transport network	classification / description	Good integration possibilities for connectivity and network integration.	4
4 Site and surroundings			
4.1 Region / District impact factors (conflicts with other land users)	classification / description	Potential conflicts with other land users so far not mentioned, but adjacent agricultural used land and residential areas.	3
4.2 Site-specific impact factors	classification / description	No strategy concept or master plan so far is prepared, private owner is only interested in selling the land plot. Two high voltage power lines with pylons are crossing diagonal the land plot.	1
4.3 Traffic impact factors	classification / description	Traffic impact by additional truck volumes can be minimised by required rehabilitation and upgrading of access road (about 1,5 km) for proper connection to Odessa - Nikolaev highway.	4
4.4 Environmental impact factors	classification / description	For future expansion so far no expected and unpredictable, optionally ecological compensation area required.	2
5 Planning reliability			
5.1 Maturity of project	classification / description	See also 4.2, no specific interests from private sector could be stated so far.	1
5.2 Funding possibility	classification / description	PPP required	3
5.3 Right of property	classification / description	The land is private owned by local citizen or company, no further info are available.	2
5.4 Conflict risks or restrictions	classification / description	Restrictions for hight of construction and alignment of logistcs facilities due to two high voltage power lines crossing diagonal the land plot. So far no soil expertise of land plot available, time schedule for required rezoning and construction permits is unpredictable.	1
5.5 Public support		Public support by Odessa Port authorities and local customs services is required but so far not stated. There is support only from Odessa Regional Council so far.	1

International Logistics Centres

for Western NIS and the Caucasus

in Armenia, Azerbaijan, Georgia, Moldova, Ukraine

Progress Report I - Annex 4

Ranking of Potential Priority ILC sites

July 2009

This project is funded by
the European Union

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Dornier Consulting GmbH / NTU / Inros Lackner AG

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LIST OF ABBREVIATIONS

BACP	Boryspol Airport Commerce Park.
BISTP	Baku International Sea Trade Port.
EU	European Union.
EUR	Euro (also abbreviated as €).
GIFP	Giurgiulesti International Free Port.
GRDC	Georgian Reconstruction and Development Company.
HPC	Hamburg Port Consulting GmbH.
ICSP	Ilyichevsk Commercial Sea Port.
ILC	International Logistics Centre.
IVT	JSC IlyichevskVneshTrans.
JSC	Joint Stock Company.
JV	Joint Venture.
LC	Logistics Centre.
LCT	Logistics City Tbilisi
MCA	Multi-Criteria Analysis (also known as Multi-Variate Analysis, MVA).
MoTC	Ministry of Transport and Communication (Ukraine).
PPP	Public-Private Partnership.
TAM	Tbilisi Aircraft Manufacturing.
TEU	Twenty-foot Equivalent Unit (a 20' shipping container or its equivalent; for example a 40' container is 2 TEUs).
TIR	Transports Internationaux Routiers (usually pronounced 'Teer' in all langages).
TOR	Terms of Reference (of the present project, unless stated otherwise).
TRACECA	TRAnsport Corridor Europe Caucasus Asia.
UZ	The State Administration of Railway Transport of Ukraine.

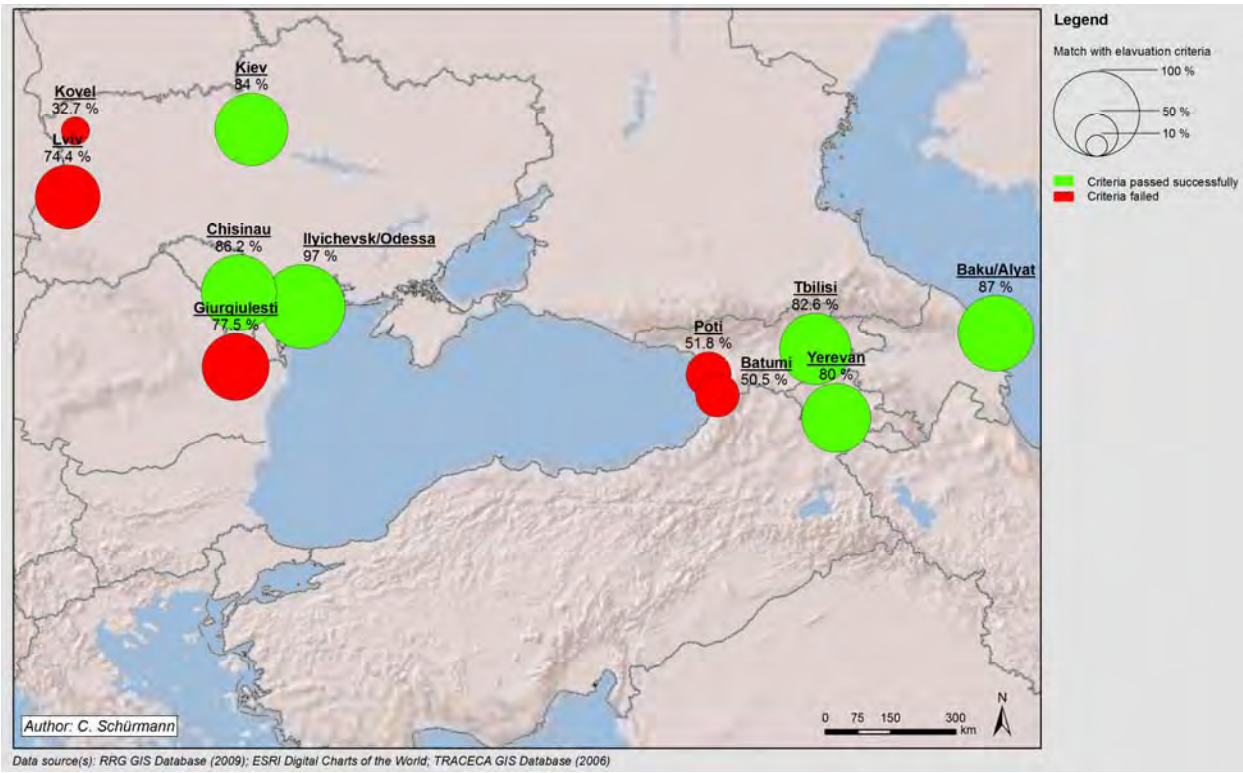
1 INTRODUCTION AND OVERVIEW

1.1 Introduction and Methodology

The Methodology for the MCA-Macro level assessment of the regions and Micro level assessment of sites in the five beneficiary countries is described and outlined in Chapter 1 of Annex 3 as part of the Progress Report 1.

As a result of the Phase A analysis the following Makro-locations have been selected for further investigation in Phase B as depicted by the Inception Report: **Yerevan** (Armenia), **Baku** (Azerbaijan), **Tbilisi** (Georgia), **Chisinau, Giurgiulesti** (Moldova), as well as **Kiev** and **Odessa / Ilyichevsk** (Ukraine).

Figure 1: MCA-Macro Level Assessment: Selected Regions



As a result of the investigations in Phase B 17 sites were selected for the MCA- Micro level assessment as per the below table:

Beneficiary Countries	Number of Sites	
Armenia		**2**
Azerbaijan		**1**
Georgia		**3**
Moldova (2 sites in two regions)	**Chisinau:** **Giurgiulesti:**	**1** **1**
Ukraine (9 sites in two regions)	**Kiev:** **Odessa/Ilyichevsk:**	**4** **5**

1.2 Summary of Scoring Results and Ranking

The scoring results of the Micro level assessment for the 17 selected sites in the beneficiary countries are based on the detailed analyses of annex 3 of this report and as shown in Table 1.

Table 1: MCA-Micro Level Assessment: Overview of Scoring Results and Ranking

Benificiary Country	Macro Region	Site *Weight* *Assessment function*	Score II 0,25 1	Score II 0,15 2	Score II 0,20 3	Score II 0,20 4	Score II 0,20 5	Overall Score	Rank*
Armenia	Yerevan	Apaven CT	*0,74*	*0,60*	*0,76*	*0,70*	*0,76*	0,71	1
		Yerevan-Airport	*0,84*	*0,53*	*0,60*	*0,66*	*0,66*	0,66	2
Azerbaijan	Baku	BISTP - Alyat	*1,20*	*0,39*	*0,92*	*0,92*	*1,00*	0,89	1
Georgia	Tbilisi	TAM Tbilisi	*1,21*	*0,75*	*0,84*	*1,00*	*0,85*	0,93	1
		GRDC	*0,53*	*0,75*	*0,64*	*0,96*	*0,88*	0,75	2
		Railway CT-Veli	*0,41*	*0,57*	*0,68*	*0,60*	*0,74*	0,60	3
Moldova	Chisinau	Railway CT Chisinau	*0,71*	*0,63*	*1,00*	*0,72*	*0,83*	0,78	1
	Giurgiulesti	GIFP	*0,80*	*0,15*	*0,92*	*0,70*	*0,94*	0,70	2
Ukraine	Kiev	BACP	*1,14*	*0,44*	*0,64*	*0,80*	*0,87*	0,78	1
	Kiev	LISKI-Kiev Terminal	*0,69*	*0,51*	*0,76*	*0,76*	*1,00*	0,74	2
	Kiev	Krushinka Logistics Park	*0,55*	*0,38*	*0,76*	*1,00*	*0,91*	0,72	3
	Kiev	Fossy-UVK Brovary	*0,65*	*0,47*	*0,48*	*0,70*	*0,87*	0,63	4
	Odessa	Dry Port Euroterminal	*1,03*	*0,74*	*0,84*	*0,88*	*0,97*	0,89	1
	Odessa	LISKI-Odessa Terminal	*0,89*	*0,51*	*1,00*	*0,84*	*0,83*	0,81	2
	Ilyichevsk	IlyichevskVneshTrans	*0,75*	*0,57*	*0,76*	*0,84*	*0,81*	0,75	3
	Ilyichevsk	Ilyichevsk "Dry Port"	*0,96*	*0,38*	*0,72*	*0,50*	*0,52*	0,62	4
	Odessa	Ilichovka	*0,79*	*0,24*	*0,72*	*0,48*	*0,32*	0,51	5

Note*: Ranking per Country or Region

The Micro level assessment is based on objective quantitative and qualitative data evaluation, as well as on subjective expert estimations and judgements. The highest scoring results in the TRACECA network were given to the site TAM Tbilisi (93 of maximum achievable 100) in Georgia, the Dry Port Euroterminal (89) in Ukraine (Odessa region) and the planned new Baku International Sea Trade Port at Alyat (89) in Azerbaijan.

Since economic, geographical, demographic, legal and political situation in the countries is not homogeneous the scoring results cannot directly be compared between beneficiary countries.

But they provide a reliable and objective basis for comparison of sites within the countries and regions.

2 RANKING RESULTS OF POTENTIAL PRIORITY ILC SITES

2.1 Armenia

In Armenia two sites in Yerevan region have been investigated and evaluated: the Yerevan Airport site and the Apaven Container Terminal. Both sites are close to the TRACECA road and railway corridor. The description and MCA-fact sheets of these sites are outlined in Chapter 2.1 of Annex 3 of this Progress Report.

Table 2: MCA-Micro Level Assessment: Scoring Results and Ranking in Armenia

Benificiary Country	Macro Region	Site *Weight* *Assessment function*	Score II 0,25 1	Score II 0,15 2	Score II 0,20 3	Score II 0,20 4	Score II 0,20 5	Overall Score	Rank
Armenia	Yerevan	Apaven CT	*0,74*	*0,60*	*0,76*	*0,70*	*0,76*	0,71	1
		Yerevan-Airport	*0,84*	*0,53*	*0,60*	*0,66*	*0,66*	0,66	2

The Yerevan-Airport site is scored 66 and the Apaven Container Terminal with 71.

The site location, infrastructure network connectivity and the site attributes as per the MCA show good development potential for the future establishment of an International LC (ILC) for Yerevan at the Airport site. The main TRACECA railway line is only two km away, but currently there is no direct railway access.

The Apaven Container Terminal offers gradually better conditions and development potential for the future establishment of an ILC. Due to its direct railway access and link to the main TRACECA railway line as well as Apaven LTD planned investment for the future expansion, this site was awarded the first rank. However, current size limits result in contraints of expansion possibilities, and rezoning as industrial and logistics area should be further clarified and adjusted development plans of the municipality.

2.2 Azerbaijan

In the greater Baku region, a new Baku International Sea Trade Port (BISTP) is planned to be implemented at Alyat. This site has, therefore, been evaluated. The description and MCA-fact sheet of this site are outlined in Chapter 2.2 of Annex 3 to this Progress Report.

Table 3: MCA-Micro Level Assessment: Scoring Results and Ranking in Azerbaijan

Benificiary Country	Macro Region	Site	Score II 0,25 1	Score II 0,15 2	Score II 0,20 3	Score II 0,20 4	Score II 0,20 5	Overall Score	Rank
Azerbaijan	Baku	BISTP - Alyat	*1,20*	*0,39*	*0,92*	*0,92*	*1,00*	0,89	1

BISTP is very well located is 70km south of Baku and of high importance for further improvments of cargo and trade flows via the TRACECA corridor. The site is close to the TRACECA and North-South Corridor intersection and will be directly linked to the TRACECA maritime corridor. The site score, therefore, reached 89. The Government is firmly committed to developing the new port and has allocated budget means in favour of the project and hence the project is not fully dependent on external funding. It is part of the development scheme to allocate a logistics centre within the new port. Further discussions between the Consultant and

the design engineers entrusted by government of Azerbaijan with the port of Alyat master planning will be held during phase C in order to achieve synergies for logistics centre development.

2.3 Georgia

Three sites in Tbilisi region have been reviewed: TAM Tbilisi, GRDC and the Railway Container Terminal - Veli. Tbilisi is an important TRACECA node and all three sites are close to the TRACECA road and railway corridor. Details and the MCA-fact sheets for the a.m. sites are depicted in Chapter 2.3 of Annex 3 to this Progress Report.

Table 4: MCA-Micro Level Assessment: Scoring Results and Ranking in Georgia

Benificiary Country	Macro Region	Site	Score II 0,25 1	Score II 0,15 2	Score II 0,20 3	Score II 0,20 4	Score II 0,20 5	Overall Score	Rank
Georgia	Tbilisi	TAM Tbilisi	*1,21*	*0,75*	*0,84*	*1,00*	*0,85*	0,93	1
		GRDC	*0,53*	*0,75*	*0,64*	*0,96*	*0,88*	0,75	2
		Railway CT-Veli	*0,41*	*0,57*	*0,68*	*0,60*	*0,74*	0,60	3

The TAM Tbilisi site got a score of 93 and achieved the first rank. The available area is large. The site is well connected to the city of Tbilisi and close to the national and international transport infrastructure network. However, the combination of the site with the Railway Container Terminal - Veli would allow for suitable railway access. We therefore recommend further investigations and a combined evaluation of both sites in order to allow for best possible and flexibile development options. Therefore further stakeholder discussions are envisaged with and between the two site owners (Georgian Railway and TAM), the municipal government and the Ministry of Economic Development.

The GRDC site scored 75 and ranked second. GRDC intents to use the site for logistics and freight transport purposes. The location, infrastructure network connectivity and site attributes provide good conditions and development potential for the future establishment of a LC. However, establishment of a direct railway access evolves as complicated and would require complex and likely costly technical solutions.

The Railway Container Terminal - Veli is well connected to Tbilisi and to the national/inter-national transport network (direct railway link to the TRACECA railway corridor Baku-Poti). Due to its limited size, gradients in level, and the need to bridge a chanalised river which underpases the area the Railway Container Terminal – Veli alone scored only 60. The most promising macro-strategy is to combine the development of this site with TAM Tbilisi site.

2.4 Moldova

Two sites in Chisinau and Giurgiulesti regions have been evaluated: the Chisinau Railway Container Terminal and the Giurgiulest International Free Port (GIFP). Details of these sites are outlined by the MCA-fact sheets of presented by Chapter 2.4 of Annex 3 to this Progress Report.

Table 5: MCA-Micro Level Assessment: Scoring Results and Ranking in Moldova

Benificiary Country	Macro Region	Site *Weight* *Assessment function*	Score II 0,25 1	Score II 0,15 2	Score II 0,20 3	Score II 0,20 4	Score II 0,20 5	Overall Score	Rank
Moldova	Chisinau	Railway CT Chisinau	*0,71*	*0,63*	*1,00*	*0,72*	*0,83*	0,78	1
	Giurgiulesti	GIFP	*0,80*	*0,15*	*0,92*	*0,70*	*0,94*	0,70	2

The Chisinau Railway Container Terminal scored 78 and ranked first. It is directly located on the road and railway network of the TRACECA corridor. The site location, infrastructure network connections and site attributes offer good conditions for the establishment of an ILC in Chisinau. There are comparatively low investments required to establish the interconnections to the existing transport infrastructure connections and for upgrading and expansion of the container terminal into an ILC.

The Giurgiulesti International Free Port (GIFP) scored 70. The site is linked to the road and railway network of the TRACECA corridor as well as directly to the Rhine-Main-Danube waterway corridor (TEN 7). The port owner and the Government expressed their commitment to develop the port to a regional logistics hub. GIFP is located on at the Rhine-Main-Danube waterway, an international transportation corridor which provides acces to the Black Sea, EU countries and to the North Sea. The port has European standard gauge and Russian broad gauge access. However, the port does not have a substantial hinterland. Therefore GIFP is mainly designated as a national logistics node and is of less importance as an ILC. We recommend to maximise its integration into the regional transport infrastructure networks, and to achieve synergies with the proposed LC at Chisinau.

2.5 Ukraine

Nine sites in Kiev region and Odessa/Ilyichevsk region have been evaluated in total. Four sites are in Kiev region: LISKI-Kiev Freight Terminal, the Boryspil Airport Commerce Park (BACP), the Krushinka Logistics Park site and the Fozzy-UVK Brovary site.

The five sites reviewed in Odessa/Ilyichevsk region are the Dry Port Euroterminal, the LISKI-Odessa Freight Terminal, the JSC IlyichevskVneshTrans (IVT) Logistics Complex, the Ilyichevsk “Dry Port” land plot and the Ilichovka site. Details and the MCA-fact are outlined in Chapter 2.5 of Annex 3 to this Progress Report.

Table 6: MCA-Micro Level Assessment: Scoring Results and Ranking in Ukraine

Benificiary Country	Macro Region	Site	Score II 0,25 1	Score II 0,15 2	Score II 0,20 3	Score II 0,20 4	Score II 0,20 5	Overall Score	Rank*
Ukraine	Kiev	BACP	*1,14*	*0,44*	*0,64*	*0,80*	*0,87*	0,78	1
	Kiev	LISKI-Kiev Terminal	*0,69*	*0,51*	*0,76*	*0,76*	*1,00*	0,74	2
	Kiev	Krushinka Logistics Park	*0,55*	*0,38*	*0,76*	*1,00*	*0,91*	0,72	3
	Kiev	Fossy-UVK Brovary	*0,65*	*0,47*	*0,48*	*0,70*	*0,87*	0,63	4
	Odessa	Dry Port Euroterminal	*1,03*	*0,74*	*0,84*	*0,88*	*0,97*	0,89	1
	Odessa	LISKI-Odessa Terminal	*0,89*	*0,51*	*1,00*	*0,84*	*0,83*	0,81	2
	Ilyichevsk	IlyichevskVneshTrans	*0,75*	*0,57*	*0,76*	*0,84*	*0,81*	0,75	3
	Ilyichevsk	Ilyichevsk "Dry Port"	*0,96*	*0,38*	*0,72*	*0,50*	*0,52*	0,62	4
	Odessa	Ilichovka	*0,79*	*0,24*	*0,72*	*0,48*	*0,32*	0,51	5
Note*: Ranking per Region									

Kiev region

The LISKI-Kiev Freight Terminal scored 74, the Boryspil Airport Commerce Park (BACP) 78, and the Krushinka Logistics Park site 72. The total scoring results for the three sites are quite similar. Since these three sites are all promising candidates the investigations and consultations should continue and need a common consensus and subsequent decission by the beneficiary.

The LISKI-Kiev Freight Terminal is presently the most substantial freight terminal in the Kiev region and possesses rail access and intermodal facilities for container handling. It is good connected with the City of Kiev and the region. Government support for LISKI ensures high planning reliability. However the size of the site is limited and the area is not expandable. Furthermore the private sector is reportedly reluctant to become more closely engaged with LISKI. A discussion with LISKI, UZ and MoTC to ascertain whether LISKI would be willing to adapt its commercial strategy to accommodate a new vision of multiple-use, multiple-occupancy logistics centres should be held.

The Boryspil Airport Commerce Park offers (BACP) good site conditions and development areas and therefore significant potential for establishment of a future LC. The owner and operator of BACP intends to provide entire developed plots and logistics facilities for long-term lease. Two two class A warehouses are already partially in operation. The customs inspection terminal will be opened in September 2009. BACP is willing to coordinate and to adjust the strategy concept and business planning towards the implementation of a future ILC financial viability provided. Key issues for further investigations are to assess the technical and the economic feasibility of cargo operations at the future railway link to Airport and exhibition area at BACP which is presently planned as a passenger transport line only.

The Krushinka Logistics Park is located to the Southwest of Kiev region and provides good connectivity to the national and the international transport network infrastructure. This is statement is confirmed by all interviewed logistics service providers and operators. The Southwest of Kiev region is the most Black Sea ports and westbound EU orientated quarter,

and hence a site in the SW quadrant of the Kiev conurbation possesses good preconditions for an ILC. However, site under consideration itself is lacking sufficiency for development to an ILC because it would be necessary to acquire adjacent 20ha area for which the rezoning process has been commenced. Furthermore a new railway track, including a bridge over a main motorway, is needed to be build for connecting the site to the Kiev-Odessa trunk line. While the Vasylkiv Regional State Admnistration and Krushinka Village Council are known to support the development technical and economic viability of the project needs to be proven if considering further investigations of this site.

Odessa/Ilyichevsk region

The Dry Port Euroterminal is scored 89 and the LISKI-Odessa Freight Terminal with 81. The total scoring results for both sites are promising. Both sites are close to the TRACECA road and railway corridor.

The Dry Port Euroterminal offers very good conditions and development potential for the future establishment of a LC. Euroterminal is very interested in the project and willing to further cooperate in the development o the site to an ILC. Iand will adapt strategy concept, business development and master plan if justified by economic and financial vialbility. Euroterminal is interested to cooperate with further interested private companies on site and has already concluded a MoU with the Germany Ukrainian joint venture HPC Ukraine. Strategy concepts and master plan should be further discussed with Euroterminal to review and to ascertain the company‘s interest in the establishment of an ILC if approved by the beneficiary.

The area of the LISKI-Odessa Freight Terminal is large and expandable. The location provides good access to the ports of Odessa, Ilyichevsk and Yuzhny and to the national road and railway networks (direct railway link to the TRACECA railway corridor Ilyichevsk/Odessa-Kovel/Yagodin). The replacement of the worn-out or obsolete equipment and assets needs capital investment. Government support is strong and hence planning reliability is considerd to be high. There is a rehabilitation and development plan. Funds out of the State Budget had been allocated for financing part of the investment, but the global economic crisis lead to project int eruption. However the private sector is reportedly not in favour of the establishment of to close engagements with LISKI. Further investigations and discussions will take place in order to clarify if and to what exent the establishment of an ILC would suit the commercial strategy of LISKI.

2.6 List of Potential Priority ILC Sites

The following list summarises the identified sites for the establishment of an ILC within the the beneficiary countries (see Table 7). The list considers the results of the above ranking and comprises the recommended sites for further consideration and planning during the project Phase C. The results also reflect the consultations and recommendations of the EU and National Secretaries in the direct beneficiary countries.

Table 7: List of potential Priority ILC Sites

Benificiary Country	Macro Region	Site *Weight* *Assessment function*	Score II 0,25 1	Score II 0,15 2	Score II 0,20 3	Score II 0,20 4	Score II 0,20 5	Overall Score
Armenia	Yerevan	Apaven CT	*0,74*	*0,60*	*0,76*	*0,70*	*0,76*	0,71
Azerbaijan	Baku	BISTP - Alyat	*1,20*	*0,39*	*0,92*	*0,92*	*1,00*	0,89
Georgia	Tbilisi	TAM Tbilisi	*1,21*	*0,75*	*0,84*	*1,00*	*0,85*	0,93
Moldova	Chisinau	Railway CT Chisinau	*0,71*	*0,63*	*1,00*	*0,72*	*0,83*	0,78
Ukraine	Kiev	BACP	*1,14*	*0,44*	*0,64*	*0,80*	*0,87*	0,78
	Odessa	Dry Port Euroterminal	*1,03*	*0,74*	*0,84*	*0,88*	*0,97*	0,89

The Consultant recommends that six sites (two sites in Ukraine and one in each of the other beneficiary countries) should be selected for the preparation of business plans as well as technical and economic feasibility studies in Phase C of this project.

The proposed sites can potentially form an effective network along the TRACECA - routes in the Caucasus in Western NIS. They cover the main logistics nodes of the TRACECA corridor in the direct beneficiary countries. The highest scores were achieved by sites with a considerable transit potential for the main cargo flows along the corridor (Alyat in Baku, Azerbaijan, TAM in Tbilisi, Georgia, Dry Port Euroterminal in Odessa, Ukraine).

The lower scores of the sites in Moldova and Armenia correspond partially to their function of smaller logistics nodes in the context of the TRACECA corridor with a limited transit potential. The limited size of the evaluated sites, for instance, resulted in lower scores in the MCA-process. But this corresponds to existing market conditions and does not affect the viability of these projects.

The site BACP in Kiev, which is not directly located on a TRACECA-route, has the main market function to provide logistics services to Kiev and the surrounding region. But the site has the potential of connecting the considerable Ukrainian market and the capital region of Kiev itself to the TRACECA network, including value added services for export and import cargo.

In this context the synergies and cooperation potentials with the existing container terminals in Kiev (LISKI-Kiev Freight Terminal) and Odessa (LISKI-Odessa Freight Terminal) region should be considered and integrated in the future development of the recommended Ukrainian sites.

The same concerns the interrelations with logistics nodes in the indirect beneficiary countries (Bulgaria, Romania and Turkey). The potential traffic flows and synergy effects will be considered for the selected and approved sites during the next phase.

International Logistics Centres

for Western NIS and the Caucasus

in Armenia, Azerbaijan, Georgia, Moldova, Ukraine

Progress Report I - Annex 5

Action Plan to Address Issues Encountered by Operators

July 2009

This project is funded by
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LIST OF ABBREVIATIONS

3PL	3rd Party Logistics.
ADB	Asian Development Bank.
ADR	Agreement on Dangerous goods by Road.
AEM-TRANS	Moldovan association of freight forwarders and customs brokers.
AGTC	European Agreement on Important International Combined Transport Lines and Related Installations.
ATP	Autonomous Trade Preferences (EU scheme to extend selective preferences to non-member countries, including Moldova).
BCA	Bulgarian Customs Administration.
BDZ	Bulgarian State Railways.
CFR	National Railway Company (Romania).
CMR	Contract Road Goods Transport (agreement).
EBRD	European Bank for Reconstruction and Development.
ECMT	European Conference of Ministers of Transport.
EDI	Electronic Data Interchange.
EORI	Economic Operators Registration and Identification (new EU system).
ERP	Enterprise Resource Planner.
EU	European Union.
EUR	Euro (also abbreviated as €).
FEZ	Free Economic Zone (where imports and internal transactions are free of tax).
GDP	Gross Domestic Product (the value of goods and services produced within a country, usually an annual amount either in the domestic currency or in US dollars. It may be expressed in terms of purchasing power parity (PPP: see below).
ILC	International Logistics Centre.
IRU	International Road Transport Union (association of the road transport industry, including truck operators, and international guarantor of the TIR carnet system).
ISO	International Organization for Standardization.
IT	Information Technology.
ITC	Information Technology and Communication.
ITS	Intelligent Transport System.
LC	Logistics Centre.
LCL	Less than Container Load.
MCA	Multi-Criteria Analysis (also known as Multi-Variate Analysis, MVA).
MoT	Ministry of Transport (Azerbaijan).
MoTC	Ministry of Transport and Communication (Ukraine).
MTCT	Ministry of Transport, Construction and Tourism (Romania).

OIZ	Organized Industrial Zone (Turkey).
PPP (1)	Public-Private Partnership.
PPP (2)	Purchasing Power Parity (GDP or some other measure of national or per capita income, adjusted for price levels relative to those of the USA).
PSO	Publc Service Obligation (usually associated with a government subsidy in recognition that a commercial entity, public or private, is providing unprofitable sevices in support of public policy objectives.
RCA	Romanian Customs Administration.
Ro-Ro	Roll on – Roll off (applied to rail and ferry operations where road vehicles are carried).
SCC	State Customs Committee (Azerbaijan).
SNCFR	Romanian Railways National Company (now defunct).
SOP(T)	Sectoral Operational Programme (- Transport), in connection with preparation for a state's accession to the EU.
SPA	Special Provincial Administration (Turkey).
TCDD	Turkish State Railways.
TIR	Transports Internationaux Routiers (usually pronounced 'Teer' in all langages).
TIR carnet	Single document that must accompany transit cargoes under the TIR system.
TMS	Transportation Management Services.
TOR	Terms of Reference (of the present project, unless stated otherwise).
TRACECA	TRAnsport Corridor Europe Caucasus Asia.
UND	Turkish international transporters' association.
UNECE	United Nations Economic Commission for Europe.
USA / US	United States of America.
WMS	Warehousing Management System.
ZAC	Zone d'Aménagement Concerté (Comprehensive Development Area).

Note

Standard ISO abbreviations are used where appropriate; for example ha [hectare(s)], kV [kilovolt(s)], m [metre(s)], m^2 [square metre(s)], m^3 [cubic metre(s)], t [tonne(s)], kt [kilotonne(s)], Mt [megatonne(s)]. An apostrophe may denote minutes [for example: 39°27′20″N] or feet in the imperial measurement system [for example: 20' container].

Countries are also referred to by their ISO 2-character abbreviations: AM Armenia, AZ Azerbaijan, GE Georgia, MD Moldova, UA Ukraine, BG Bulgaria, RO Romania, TR Turkey.

1 EXECUTIVE SUMMARY

The issues that arose during the Consultant's Phase A have been addressed and a programme of actions has been drawn up. The issues vary greatly between countries, as is to be expected, as do the actions that are considered to be potentially effective. The majority relate to legal and regulatory matters; private sector participation in projects; and customs procedures.

The Consultant has not attempted to devise solutions to problems that are much broader than the scope of this project; or that are site-specific to be better dealt with in Phase C.

This annex has three substantive components:

- Chapter 3: General discussion of issues and proposals, under four headings.
- Chapter 4: Country-wise discussion of issues and proposals.
- Chapter 5: Action programme matrix, comprising three tables for (a) direct beneficiary countries, (b) indirect beneficiary countries and (c) regional issues.

In most cases the issues are as reported in the Inception Report (Annex 4). However, some new ones were revealed in the phase B.

2 INTRODUCTION AND METHODOLOGY

The ToR called for an investigation into constraints hampering the development of the network and smooth management of merchandise flows; and development of a short/medium term action programme "for the improvement of condition of performance of logistic activities." Possible targets for improvement were cited: legal framework adaptation, customs related issues, technical standards, public policies, training and capacity building.

The starting point was the identification of significant issues. The issues were presented and discussed in Annex 4 to the Inception Report. The approach to formulating an Action Programme to address these issues was described in the same document.

Action Plan formulation involved:

- Follow-up meetings and correspondence with stakeholders.
- Visit to four direct beneficiary countries by the International Legal Expert, meeting government officials, legal practitioners and other consultants working on related projects.
- Desk research, mainly using web-based data.
- Reference back to key stakeholders and in-country consultants to confirm the relevance and practicality of the proposed actions.
- Vast consultations with local experts in countries.

As foreshadowed in the Inception Report:

- Legal, regulatory and procedural issues have been addressed in Phase B, with input from the International Legal Expert.
- But issues that relate to a country's overall legislative, budgetary, administrative or ownership systems are too broad to be addressed within a sectoral study.
- Likewise corruption has not been addressed, being too broad an issue to be dealt with in a sectoral study.
- Issues affecting operating costs have been approached on an ad hoc basis. Excessive costs are often imposed by legal, regulatory and procedural deficiencies. In other cases

they will be most effectively countered by promoting technical efficiency and competition, which is the intended outcome of the project through development of the logistics network.

- Infrastructural deficiencies are site-specific and will be addressed in Phase C.

This task applies both to the indirect and direct beneficiaries. In practice, it was found that the great majority of issues raised by operators in the former fell into the following categories:

- Legal/regulatory/procedural/structural issues that are being progressively addressed in the context of adjustment to EU membership (Bulgaria and Romania) or EU membership negotiations (Turkey).
- Issues related to the creation or management of ILCs (and other multi-user sites), which are not relevant to the present project because ILC sites will be selected only in the direct beneficiary countries.
- Infrastrucural deficiencies which are either (a) general in nature, well recognised and being addressed by the countries concerned in terms of financial constraints; or (b) local and site-specific, therefore not relevant in the indirect beneficiary countries.

A number of actions have been identified to benefit the countries concerned and promote the long-term development of TRACECA. The programme is presented as a matrix, showing priorities, responsible agencies and timeframes for implementation. This is supplemented by a general and a country-wise discussion of the proposals. There is great variation between countries with respect to the number and complexity of issues, and of the actions that can be usefully recommended in the Action Programme.

3 GENERAL DISCUSSION OF ISSUES AND PROPOSALS

3.1 International agreements and conventions

In general, the beneficiary countries are contracting parties to the most significant international agreements and conventions), though in some cases ratification has not yet been effected.

It is widely alleged that countries' obligations under the various international agreements are not fulfilled in all respects. It is a common complaint, for example, that transit cargoes are subject to unnecessary inspection and delays, in contravention of the TIR Convention.

3.2 Customs administration

Customs authorities counter such allegations by blaming delays on incomplete or incorrect documentation, and outright fraud. In general, the most effective solutions appear to be:

- Promoting the growth of customs brokerage services, so consignors and consignees have access to professional advice on documentation and procedures.
- Increasing the reliance on software-supported risk analysis to determine which cargoes should be examined.
- Accelerating the adoption of elecronic documentation, in particular e-declarations. This is a matter for private stakeholders as well as government agencies and the EU to address.
- Through formal and on-the-job training, increasing awareness of customs officers of the international agreements and national laws that they are bound to apply.
- Continuing efforts to combat corruption at al levels.

Table 1: Contracting Parties to UNECE Legal Instruments on Transport

Legal instrument	Abbrev-iation	Contracting Parties among the Project's direct beneficiary countries				
		AM	AZ	GE	MD	UA
E Combined Transport Network, 1991	AGTC			✓	✓	✓
Road Traffic, 1968		✓	✓	✓	✓	✓
Contract Road Goods Transport, 1956	CMR	✓	✓	✓	✓	✓
Protocol to CMR, 1978		✓		✓	✓	
TIR Convention, 1975	TIR	✓	✓	✓	✓	✓
Temporary Importation Commercial Vehicles, 1956			✓			
Customs Container Convention, 1972		✓	✓	✓		✓
Harmonization Frontier Controls Goods, 1982		✓	✓	✓	✓	✓
Dangerous Goods by Road, 1957	ADR		✓		✓	✓
Perishable Foodstuffs, 1970	ATP		✓	✓	✓	✓
Simplification and Harmonization of Customs Procedures (as amended), 1973	Kyoto		✓			

Source: www.unece.org

3.3 National legal and administrative processes

There is a tendency in the countries of the region to develop new laws to address specific cases, whereas in most cases the existing normative laws are sufficient. For example, freight forwarding may be considered as a relatively new activity, and it was communicated to the Consultant that the new legal framework for ILCs could be recommended. The initiatives of the freight forwarding associations in this respect should be promoted.

3.4 Land management and use

In a number of EU member-states the necessary coordination between agencies has been achieved through defined legal procedures. These are invoked typically where planning for multiple uses is necessary within an urban area, for the sake of socio-economic balance and synergy. Examples of these procedures include:

- France: Zone d'Aménagement Concerté (ZAC) = Comprehensive Development Area.
- Germany: Entwicklungsmassnahmen = Development Measures.
- Italy: Concessione = Concession.

Having such procedures in place makes it easier to implement developments such as ILCs without recourse to special legislation: an appropriate legislative framework already exists.

Most countries have legal provision for expropriation of land, for public purposes and with compensation at fair market value. In practice expropriation is rarely if ever used. This has allowed speculative land purchases in sensitive locations specifically to take advantage of expected development needs.

This problem is recognised in the project's ToR, which specifically refer to the public sector's role in promoting land acquisition to avoid speculative pressure on prices and to prepare areas for future private logistics operators.

Much land is still in public ownership, however. This includes land owned by local authorities, and railway-owned land. Land issues are politically sensitive and often involve powerful vested interests. It would be unrealistic to expect changes to land-related laws and practices to be

brought about in the short or even medium term. In the present context, therefore, it would be prudent to select ILC sites that can acquired, developed for multiple uses and argumented as necessary within the present framework of law, ownership and political feasibility.

4 COUNTRY-WISE DISCUSSION OF ISSUES AND PROPOSALS

4.1 Armenia

A transport sector development strategy has been drafted under an ADB project. Among the recommended elements of strategy the following are relevant in the present context:

- Accession to key international conventions.
- Accession to the Convention on Transit Trade of Landlocked States (the so-called New York Convention), 1965, and the Convention and Statute on Freedom of Transit (the so-called Barcelona Convention), 1921.
- Implement well the conventions already acceded to or for which accession is in process. Conventions often require training and a well-developed enforcement capacity to achieve the benefits intended.
- Bilateral agreements should be made more effective, with implementation in the spirit of mutual cooperation and detailed annexes/protocols clearly specifying implementation procedures. The report gives examples of bilateral agreements with Georgia and Iran which should be made more prescriptive with respect to implementation.
- The law on freight forwarding, drafted in 2007 under the Eurasian Foundation grant, should be re-examined.

The Consultant endorses these recommendations.

In February 2009, the Prime Minister signed a protocol to approve the Concept Note[1] of Public-Private Partnership (PPP) in the Republic of Armenia. In pursuance of the protocol, the Ministry of Economy as the authorized body of the government in the area of PPP development, had to submit:

- A Charter of the structure/fund to implement PPP.
- A draft decision of the Government on establishing the constitution/composition of the Trustee Board.

4.2 Azerbaijan

In 2008, the World Bank's 'Doing Business' report named Azerbaijan the Top Reformer. The country had effected reforms in 7 out of 10 identified areas of business regulation and improved its ranking by an unprecedented 64 places with respect to ease of doing business (from 97th to 33rd in a list of 181 countries). The biggest improvement was the introduction of a 'single window' for business registration. Since the report was issued, in January 2009, legislation has been passed to introduce a single window for customs clearance too, which is claimed as a major improvement.

However, there are still a number of customs-related problems:

- Failure to apply international conventions effectively.
- Non-signature of several important conventions.
- Non-recognition of standard documents.

[1] A concept note is the first stage of the legislative process, marking the Government's clear intent to promote PPP projects and create a framework for their realization.

- Long delays at border crossings.

Regarding international conventions and recognition of documents, the Consultant's inquiries revealed that their translation into Azeri was a major hindrance. The table above shows that Azerbaijan has a better-than-average record of signing the main customs- and transport-related conventions, and is the only one of the direct beneficiary countries to have signed the Kyoto Convention (Simplification and Harmonization of Customs Procedures).

In part, the reported delays at border crossings are attributed to slow operation of ITC equipment. This is a matter of establishing efficient procedures and training those who apply them.

Two deficiencies were cited, which increase the cost of maintaining Azerbaijan's roads to the desired standard:

- Obsolete road maintenance norms.
- Failure to enforce the axle-load limit.

The Consultant is aware of no obstacle to the review and revision of the road maintenance norms by the responsible agency: the Road Transport Services Department of the MoT (or Nakhavtoyol in Nakhichevan).

Enforcement of the axle-load limit is the responsibility of another MoT agency: the Auto Transport Services Department. Although Azerbaijan has developed regulations that limit vehicle axle loads to 13 tons, there is an urgent need to strengthen enforcement of axle load control for sustainability of the road network." Mobile weighing equipment was purchased several years ago.

4.3 Georgia

Phase A consultations in Georgia gave rise to no significant complaints about legal, regulatory or other 'soft' issues. The only negative comment on the Customs Service was that officers were inexperienced. This was attributed to mass dismissals of corrupt officers and their replacement by new recruits. Other issues were all related to land availability and infrastructural deficiencies.

In subsequent research, however, it was concluded that a review of legislation should be made to ensure that it provides an adequate framework for ILC development. The following legislation was identified for review:

- Civil Code.
- Law on Entrepreneurship.
- Tax Code.
- Law About Privatization of Agricultural Land Owned by the State.
- Law About Ownership of Agricultural Land.
- Law About Licences & Permits.
- Law About Building Licences.
- Customs Code.
- Railway Code.
- Law About Free Industry Zones.
- Law About Privatization & Transfer With the Right of Use of State & Local Government Property.
- Law About Transfer of Buildings With the Right of Use Owned by the State.
- Law About Licences & Permission Fees.
- Law About Road Transport.
- Law About Roads.
- Law About Protection of the Environment.
- Law About Customs Fees.
- Law About Guaranteeing & Supporting Investment Activities.
- Law About Local Taxes.
- Law About Free Industry Zones.

4.4 Moldova

A law on freight forwarding has been drafted, with input from the forwarders' and customs brokers' representative body AEM-TRANS, but it has not yet been passed.

Moldova has signed but not yet ratified the TIR Convention. It appears that Moldova is applying the Convention in practice, and ratification will take place when the necessary procedures have been completed.

In recent years, Moldova pursued a policy of reform aimed at achieving private sector-led economic growth. Its National Development Strategy for 2008-11 emphasises development of small urban 'growth poles' to support the rural population and economy; and a number of free economic zones (FEZs) to attract investment. An important objective is to provide employment opportunities in the country.

On the legal/regulatory side, the private sector has benefitted from:

- An improved business registration system.
- The so-called 'Guillotine Law' to remove ineffective business regulations that impede investment.
- The Regulatory Impact Assessment for new legislation that affects business.
- Fiscal incentives.
- The successful example of the agreement under which Giurgiulesti International Free Port was set up and is being operated.

In combination these initiatives suggest a generally favourable climate for private investment.

Following an amendment to the Constitution in 2006, Moldova has embarked on local government reform, which would enable local authorities to participate in business ventures as full equity partners. This may open up opportunities for local authority participation in ILC projects.

Uncertainty still surrounds the legal framework for land privatisation

4.5 Ukraine

It was reported that the absence of an official transport policy was an obstacle to the sector's development. A draft of a Ukrainian transport policy document has now been completed and is in the process of being reviewed and amended.

Most of the issues that were raised in Phase A were related to customs administration. Accordingly, much of the Consultant's effort in Phase B was directed to defining causes and formulating solutions in this domain.

In the case of transit cargoes covered by TIR carnets, the complaint is that the procedures in Ukraine do not always comply with the TIR Convention. In particular, it is alleged that customs officers demand excessive documentation; inspect transit cargoes unnecessarily; and refuse to return the TIR carnet to the carrier immediately upon delivery of the goods. The latter problem occurs where a consignment is subjected to testing or the consignee has not completed all formalities.

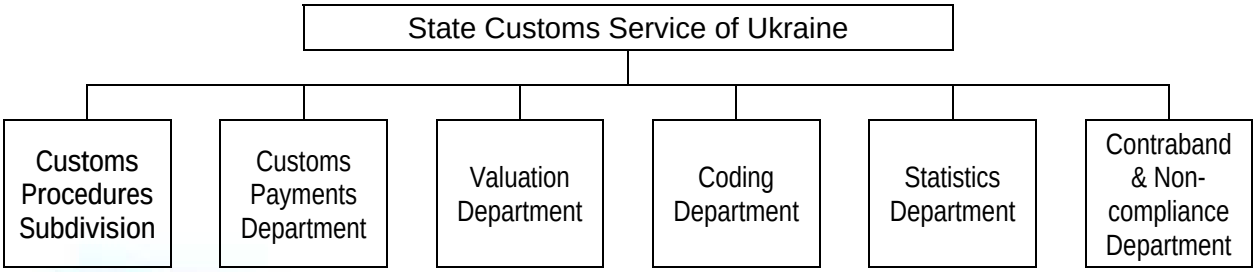
The following actions are proposed to tackle the root causes of customs-related problems:

- Transfer all customs procedures from border posts to inland posts. Clearance procedures, except for imported vehicles, have already been transferred but 'preliminary control' procedures still reside at the borders where they cause delay. In principle, there is no reason to exercise any controls at the borders in routine cases, although facilities should be retained to deal with special cases. These would mainly involve sanitary, phyto-sanitary, veterinary, radiological, ecological and hazardous goods risks. A small minority would be identified as being high-risk from a customs point of view.
- Extend the use of risk analysis, based on preliminary information supplied to the Customs Service, to minimise the number of inspections. This would be facilitated by more widespread use of e-documents. The Customs Service already uses the software 'Inspection

2006' to make an objective determination of the risk associated with each consignment and recommend whether it should be inspected or examined. Customs officers are free to make decisions that override that recommendation. The Customs Service acknowledges that the proportion of consignments inspected is too high and there is an obligation to the EU and EBRD to reduce it. The percentages reported by the Customs Service (10%+) and the operators (50%+) differ widely. More rigorous application of risk analysis would produce significant savings.

- Reorganise the Customs Service with a less rigid departmental structure. This is a radical proposal that would take time to implement. At present, the paperwork for every consignment has to be processed by 6 separate units; see Figure 1. This processing takes place sequentially, each unit taking a minimum of 1 day and typically 2-3 days. In the Consultant's opinion all processing could be performed by the Customs Procedures Subdivision, invoking the other departments' expertise as required.
- Modify customs regulations and practice to allow goods to be unloaded into a bonded warehouse pending tests or completion of formalities. This would allow carriers to make delivery and depart immediately, in accordance with international agreements.
- Modify customs regulations to allow transit cargoes to be transferred between vehicles within Ukraine. At present this is disallowed, for no apparent reason. It is understood that this change could be effected immedately by an order from the Customs Service.
- Sign, ratify and implement the Kyoto Convention (Simplification & Harmonization of Customs Procedures [as amended], 1973). This convention requires that if goods are to be tested, to ascertain their correct customs classification for example, the consignment should not be held up pending the test results: the duty can be paid and adjusted later.
- Give formal training to customs officers in the principles and practical application of (a) risk analysis and (b) the TIR Convention and other trade- and transport-related conventions that Ukraine has signed. It would be appropriate for the EU to provide financial and technical support if requested.

Figure 1: Structure of State Customs Service of Ukraine (Partial)



A new Customs Code has been drafted. It is not known when or whether it will be passed, or what its final form and content will be. Therefore it has not been taken into account in formulating the Action Programme.

A new land law is currently being drafted. As it stands it enlarges the powers of agencies responsible for privatization and management of land. In particular, it gives important decision-making powers to the State Land Committee (Derzhkomzem), which may make it more difficult to collaborate with local communities on land issues. The draft law also toughens the conditions for re-zoning or changing the designated use of land plots, which may also be an obstacle to ILC development. It is understood that the draft law contains no provision to discourage land speculation and the consequent inflation of prices for strategically located land.

There is no law that relates specifically to logistics centres. As for Georgia, it is recommended that a thorough review of relevant legislation be undertaken or commissioned, to ensure that it provides an adequate framework for ILC development.

4.6 Indirect beneficiary countries

The issues that were revealed in Bulgaria, Romania and Turkey during Phase A, and discussed in the Inception Report (Annex 4), do not directly affect the development of ILCs. Nevertheless, addressing those issues would benefit the countries concerned and promote the long-term development of TRACECA. The Consultant offers the following recommendations:

4.6.1 Bulgaria

Bulgaria being an EU member country, it is assumed that any remaining discrepancies between its laws, regulations and procedures and those of the EU will be corrected in due course. Such issues are not addressed here.

In two areas it may be useful to undertake management reviews:

- It appears that decision-making processes at the Port of Varna are over-centralized. The Executive Port Administration at the MoT is involved in matters that could be dealt with locally, and there is too little opportunity for on-site managers to make an input to policy decisions.
- Joining the EU has radically changed the scale and nature of the Bulgarian Customs Administration's role. 60% of Bulgaria's international trade is now with its EU partners. This change may not have been fully accounted for by re-sizing and re-structuring the BCA, or re-training its staff.

Generally high transport costs are attributed mainly to under-capitalization and poor maintenance of the road and rail networks.

The road maintenance budget (€500M in 2008, equivalent to €12,500/km of road and 1.6% of GDP) is at a reasonable level by international standards, but there is little allowance for remedial works or upgrading. The expenditures should be increased as soon as possible.

Railway reform is under way, initiated in 2000 by the Railway Law which created separate companies to own and manage the infrastructure and to operate freight and passenger services. There is now a transparent subsidy to compensate BDZ for subsidized rail fares (€80M in 2009) and foreign competitors will be allowed to operate passenger and freight trains from 2012. But there has been no private participation in the rail sector and the benefits of reform have been small. Customers complain about inefficiency of rail terminals, delays and high tariffs.

The Consultant supports a continuation of the reform process, as rapidly as the global financial and economic crisis allows. In particular, steps should be taken to encourage private operation of rail services, including block trains between the high-density regions of the country.

4.6.2 Romania

Romania being an EU member country, it is assumed that any remaining discrepancies between its laws, regulations and procedures and those of the EU will be corrected in due course. Such issues are not addressed here.

In Phase A the Consultant reported that an official Transport Strategy was being prepared by the MTCT; and that it would include a section on LCs. This is still the case. The Sectoral Operational programme - Transport (SOPT) 2007-13, one of seven SOPs prepared in connection with Romania's EU accession, foreshadows an emphasis on intermodal transport and logistics and reinforces the expectation of a sound legal basis for the establishment and operation of LCs. The following is an extract:

Key areas of intervention: Promotion of inter-modal transport

These operations promote intermodal transport and will implement projects to facilitate modal shift for freight, principally from road to rail/road or waterway/road. The provision or rehabilitation of relevant infrastructure (waterways and ports, rail track) is addressed by other operations: consequently, the promotion of intermodal transport refers mainly to the provision of terminal infrastructure or logistics centres for intermodal units.

Initiatives will include calls for proposals for the development of intermodal terminals and/or combined transport logistics and distribution centres covering terminal infrastructure.

It is expected to aid intermodal operations focussing on rail.

Joining the EU has radically changed the scale and nature of the Romanian Customs Administration's role. 70% of the country's international trade is now with its EU partners. This change may not have been fully accounted for by re-sizing and re-structuring the RCA, or re-training its staff. An internal management review is suggested.

Under-investment and poor maintenance of railway infrastructure and the rail ferries were identified as significant issues that add to transport costs and weaken CFR's competitiveness vis-à-vis road haulage operators.

The process of railway reform began in 1991 with a commercial reorientation of CFR's predecessor SNCFR and preparation of a new legal framework. It was not until 1998, however, that institutional reform took place with the splitting of SNCFR into separate entities responsible for sector regulation, infrastructure, passenger services, freight services (including rail ferry operations from Constantza) and IT services. Since then the reform process has progressed steadily with the consolidation of the new companies; public service obligation (PSO) payments from the state budget; freight tariff deregulation; establishment of private operators; outsourcing of non-core activities; privatization of subsidiaries; EU interoperability of 75% of the network; and a two-thirds reduction in the labour force.

While there has been significant investment, notably in track renewal and communications/ signaling to achieve interoperability, the railway companies lack access to the capital needed to overcome the backlog of under-investment and poor maintenance, which affects the ferry services as well as the railway network. The Consultant supports the long-term strategy of encouraging private sector participation – initially through outsourcing, leasing and concessons to private operators; and later through sale of equity.

The private sector may be reluctant to participate in any sector due to the global financial and economic crisis. But a landmark was attained in May this year when Romania's first PPP concession tendering process was successfully concluded, for the 58km Comarnic-Brasov section of the Bucharest-Brasov Motorway. The same process could be applied to railway and inland waterway projects.

4.6.3 Turkey

There is no direct law regulating LCs in Turkey, but from 28 November 2008 a regulation on the establishment of LCs was included in the law on Organized Industrial Zones (OIZs). It is very restrictive, however. Only municipalities, chambers of Industry and trade and special provincial administrations (SPAs) may apply to the Ministry of Industry and Trade to initiate LCs. The process excludes the MoT. So far no LC has been established under this law, but some projects have been presented to the Ministry or are being prepared, eg Manisa OIZ.

Transit quotas are set annually by mutual agreement between countries. In Turkey the responsible body is the International Transporters' Association (UND) and ECMT is the transit document in use. Equal quotas are exchanged between pairs of countries, but Turkish TIR regulations (Article 4) are unusually restrictive. Foreign vehicles (and Turkish vehicles carrying goods of foreign origin) must follow routes and use loading-unloading points determined by the

Turkish Undersecretariat of Customs and the necessary approvals must be received at those points. TIR drivers experience problems during approval procedures that delay delivery. The industry associations have applied to the related Ministry to remove this restriction.

There are no logistics centres in Turkey that conform to the established Europlatforms definition. Logistics operators normally provide seperate logistics services at their own facilities. Operation centres or state-owned facilities exist at ports and railway terminals. But infrastructure, other facilities and operations require upgrading.

Port access roads at Istanbul (Haydarpasa and Kumport-Ambarli) and Izmir are congested because of interference between port traffic and urban traffic. There is a plan to integrate Haydarpasa Port with the railway station, which would relieve the problem. The situation is more serious at the private port of Kumport-Ambarli, where trucks carrying containers have very long waiting times. No solution is in sight. At Izmir the situation has been exacerbated by closure of the railway connection.

There are no road-railway inland hubs in Turkey, the railway network having suffered decades of underdevelopment. TCDD has established 12 new logistics centres but they operate mainly as transshipment points or rail-hubs. They are not covered by the law mentioned above.

The few 3PL logistics companies in Turkey use ICT tools including Internet, Electronic Data Interchange (EDI), Warehousing Management Systems (WMS), Transportation Management Services (TMS), Enterprise Resource Planner (ERP) and supplier portals. Some large 3PL companies use Intelligent Transport System (ITS) technology. Optimization tools such as i2 or Manugistics are rarely used, and only by a few industrial companies. Middle and small transporter companies use only TMS, or no ICT tool at all.

4.7 Regional

Operators in Ukraine have raised two issues that may apply across the region. The first relates to customs documentation. Ukraine is keen to continue its move towards e-documentation, which greatly facilitates risk analysis in advance of a consignment's arrival in the country. The EU now requires e-declarations for all consignments to member countries, but does not recognize Ukraine's (and presumably other countries') reciprocal right to impose a similar condition. This problem is the subject of negotiations between Ukraine and the EU, assisted by the IRU.

The second issue relates to the Economic Operators Registration and Identification (EORI) number, which was introduced by the EU on 1 July 2009. According to an EC website:

> " Economic operators **established outside the EU** have to be assigned an EORI number if they lodge a customs declaration, an Entry or an Exit Summary Declaration."

An 'economic operator' can be a company or a natural person. The EORI numbers are issued by the customs services of individual member states. Ukrainian 'economic operators' who have dealings with EU members states suffer from the lack of a common system, a common registration form (in different languages) and a definitive list of required documentation.

It is reported that dealing with Poland and the Baltic States has presented no problems, but other countries (including Bulgaria and Romania) are less easy to deal with. The system has created opportunities for corruption and has led to trucks, some with perishable cargoes, being held up at border posts for long periods. This appears to be a serious non-tariff barrier to trade that should be addressed as a matter of urgency.

5 ACTION PROGRAMME MATRIX

The proposed Action Programme is presented in the three tables below.

Table 2: Action Programme Matrix: Direct Beneficiaries

COUNTRY / Issue	Action	Priority	Respons-ibility	Time-frame
ARMENIA				
Customs and other procedures obstruct trade.	Full, effective implementation of international conventions and bilateral agreements aimed at trade facilitation; and related training of customs, transport and traffic officials. [Recommended in ADB Transport Sector Development Strategy]	High	MoTC, Customs Service, Traffic Police.	Immed-iate
There is no law on freight forwarding*.	Re-examine, amend as necessary and pass the law drafted in 2007 under a Eurasian Foundation grant. [Recommended in ADB Transport Sector Development Strategy]	Medium	MoTC	Short term
All LCL consignments in a container are delayed when 1 fails to meet customs require-ments.	Amend customs regulations and related instructions to customs officers.	Low	Customs Service	Medium term
AZERBAIJAN				
International con-ventions have been signed; but not all are ratified or effectively enforced.	Accelerate the process of translating the conventions from Russian into Azeri.	High	MoT	Immed-iate
Border crossing procedures are un-reasonably lengthy.	Review ITC customs procedures and adequacy of staff training in their use.	High	SCC	Immed-iate
	Intensify anti-corruption measures	High	SCC	Immed-iate
Soviet road norms, still in use, are unresp-onsive to actual traffic needs.	Carry out or commission an international review of best maintenance practice, leading to publication and application of revised norms.	Medium	MoT Road Transport Services Department	Short term
Some roads are damaged by over-loaded vehicles because the axle-load limit is not enforced.	Review the procedures for using mobile weighing equipment and minimizing corruption.	Medium	MoT Auto Transport Services Department	Medium term

COUNTRY / Issue	Action	Priority	Respons-ibility	Time-frame
GEORGIA				
There is no specific law for ILCs, though the legal environment is generally favourable.	Carry out or commission a review of existing laws (see section 4.3) to determine whether any amendment or addition is required to facilitate ILC development.	High	Ministry of Economic Development Legal Dep-artment	Short term
MOLDOVA				
A new law on forward-ing is not yet passed.	Pass the law as soon as the political situation allows.	Medium	Parliament	Medium term
The law does not yet define the mechanism for land privatisation and pricing.	Draft and pass relevant law and associated regulatons as soon as the political situation allows.	Medium	Parliament	Medium term
UKRAINE				
Customs and other border procedures cause delays and congestion at ports and other border crossings.	Transfer all customs procedures from border posts to inland posts.	High	Customs Service	Short term
	Extend the use of risk analysis, based on preliminary information supplied to the Customs Service, to minimise the number of inspections and examinations.	High	Customs Service	Short term
	Reorganise the Customs Service with a less rigid departmental structure.	Medium	Customs Service	Medium term
	Give formal training to customs officers in the principles and practical application of risk analysis.	High	Customs Service, (EU Delegation)	Immed-iate
TIR Convention provisions are not followed correctly. In particular the Customs Service requires documents in addition to the TIR carnet; and the carnet is not always returned promptly to the carrier.	Modify customs regulations to allow unloading and storage of goods subject to tests or formalities, so that carriers can deliver and depart.	Medium	Customs Service	Short term
	Sign Kyoto Convention (Simplification and Harmonization of Customs Pro-cedures [as amended], 1973)	Medium	Customs Service, Ministry of Foreign Affairs	Medium term
	Give formal training to customs officers in the provisions and operation of the TIR Convention.	High	Customs Service	Immed-iate
No legal framework exists specifically for logistics centres.	Review relevant legislation to ensure that it provides an adequate framework for ILC development	Medium	MoTC Legal Department	Short term

COUNTRY / Issue	Action	Priority	Respons-ibility	Time-frame
Expropriation of land, though provided for in the Civil code, is politically infeasible. This constrains the scope to aggregate sufficient land area for an ILC.	Include in the new Land Code specific provision for expropriation for public purposes at fair market value, in such a way as to (a) discourage speculative land purchases and (b) lessen fear of unfair treatment under the law.	High	Supreme Council of Ukraine	Short term

Source: Consultant's research and consultations.

Table 3: Action Programme Matrix: Indirect Beneficiaries

COUNTRY / Issue	Action	Priority	Respons-ibility	Time-frame
BULGARIA				
Over-centralisation of port management.	Review decision-making processes with a view to delegating more powers to local managers. It may be appropriate to engage management consultants to assist this exercise.	Medium	MoT	Short term
Officious customs enforcement.	Undertake management review of BCA in light of Bulgaria's EU membership and consequent reduction in trade involving customs duty collection.	Medium	Ministry of Finance	Short term
Bad roads.	As soon as the fiscal situation allows, increase the budget for road reconstruction, rehabilitation and maintenance; and construction of bypasses.	High	MoT, Ministry of Finance	Medium term
	Pursue PPP possibilities in the roads sector.	Medium	MoT, Ministry of Finance	Medium term
Underdeveloped railway infrastructure including intermodal terminals.	Pursue railway reform measures initiated in 2000, with a view to attracting private capital, renewing capital assets and making all freight and passenger services profitable.	Medium	MoT, BDZ	Medium term
ROMANIA				
No legal basis exists for LCs; but this will be addressed in the Romanian Transport Strategy, being prepared by MoT.	Complete Romanian Transport Strategy as soon as possible.	High	MTCT	Short term
Excessive inspection of containers by customs officials.	Undertake management review of RCA in light of Romania's EU membership and consequent reduction in trade involving customs duty collection.	Medium	RCA	Short term

COUNTRY / Issue	Action	Priority	Respons-ibility	Time-frame
Under-investment in and poor maintenance of railway infrastructure including intermodal terminals and Ro-Ro ferries.	Pursue the reform process vigorously, in particular with regard to promoting private sector participation.	High	CFR	Ongoing
	Replicate successful concession tendering for Comarnic-Brasov section of motorway, particularly in the railway/ ferries sector.	Medium	CFR	Medium term
TURKEY				
Gap in Legislation on establishment of the logistics centres	Apply and further develop amended OIZ law published on 28.11.08.	High	MoT	Short term
Restrictive quotas apply to foreign-registered vehicles carrying transit cargo.	Continue negotiation with industry associations to remove restrictions.	Medium	Under-secretariat of Customs	Medium term
Suboptimal operation of infrastructure and transhipment facilities.	Optimise facility utilization in master plans for individual nodes, in line with city logistics master plans being prepared in Istanbul.	High	MoT, municipalities, node planners	Short term
Congested access roads to Istanbul and Izmir Ports.	Include appropriate measures in port privatization dossiers and city logistics master plans.	High	MoT	Short term
Lack of the road-rail inland hubs.	Prepare a freight transport and logistics master plan, drawing on TCDD's experience with its first inland hub at Samsun.	High	MoT, TCDD	Short term
Inadequate unloading equipment for grain at some ports.	Include installation of quayside conveyors in port privatization contracts.	Medium	MoT	Medium term
Lack of ICT inter-operability.	Instigate cooperation among government agencies, industry associations and logistics companies for R&D and training in IT.	Medium	MoT, industry associations, universities	Medium term

Source: Consultant's research and consultations.

Table 4: Action Programme Matrix: Regional

COUNTRY / Issue	Action	Priority	Respons-ibility	Time-frame
The EU requires e-declarations and TIR e-carnets to be sent to member countries in advance, but without recognition of other countries' reciprocal right.	Continued negotiations between Ukraine and the EU, assisted by the IRU, leading to a solution that will benefit all countries of the region affected by the problem.	High	EU Ministry of Foreign Affairs of Ukraine, AsMAP, IRU	Immed-iate
New 'EORI numbers' required by EU from 1 July 2009 are a barrier to trade and a source of frustration to EU's trading partners.	Introduce a common system to be operated by all member states, with a common registration form (available in different languages) and a definitive list of required documentation.	High	EU	Short term
	Until a common system exists: Consult colleagues in Poland and Baltic states with a view to bringing national pro-edures into line with theirs.	High	Authorities in Bulgaria & Romania	Immed-iate

Source: Consultant's research and consultations.

International Logistics Centres

for Western NIS and the Caucasus

in Armenia, Azerbaijan, Georgia, Moldova, Ukraine

Progress Report I - Annex 6

Recommendations for Optimising Public Granting Schemes and Necessary Regulatory Changes

July 2009

This project is funded by
the European Union

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CEMAT	Combined European Management and Transportation
CIS	Commonwealth of Independent States
DGTREN	Directorate General for Trasport and Energy, EC
DIF	Direct Investment Facility
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
EWS	Early Warning System
FDI	Foreign Direct Invetsment
FEZ	Free Economic Zones
FIAM	Free International Airport “Marculesti”
FS	Feasibilty Study
GNIA	Georgian National Investment Agency
ILC	International Logistics Center
LC	Logistics Center
LC DUNI	Logistics Center Duisburg/Niederrhein
MCC	Multiple Country Consolidation
MCFF	Medium-sized Co-Financing Facility
MIEPO	Moldovan Investment and Export Promotion Organization
MSME	Micro, Small and Medium Enterprises
RENFE	Spanish National Railway Network (Red Nacional de los Ferrocarriles Españoles)
RfD	Rail freight Distribution
SME	Small and Medium Enterprise
SNCF	Romanian Railways National Company
UNECE	United Nations Economic Commission for Europe
WB	World Bank

1 GENERAL OVERVIEW, APPROACH AND METHODOLOGY

1.1 Executive Summary

This annex delivers performance indicators for Task B2 – "Recommendation for optimizing the degree of most relevant public granting scheme and necessary regulatory changes". Based on the benchmarking of ILC practices in the European countries and analysis of the existing legal framework for ILC financing in the beneficiary countries, the Consultant provides recommendations for optimizing financing mechanisms for ILCs.

This Annex comprises the following main components:

- Chapter 2: Benchmarking and best practices in Europe
- Chapter 3: Chances and Challenges for the Involvement of Private Capital for ILCs in the Direct Beneficiary Countries
- Chapter 4: Chances and Challenges for the Involvement of the Public Sector in ILCs in the direct beneficiary countries
- Chapter 5: Brief review of financing ILCs in the indirect beneficiary countries
- Chapter 6: Summary of Recommended Measures for Optimising Financing Measures for International logistics Centres

No major long-term changes of the legal, economic or institutional framework are recommended in this report given the time limits for this assignment and taking into account the comparatively favourable conditions for financing ILCs. Revision of the existing legislation could be carried out only in a long run though the Consultant suggests that the acting laws and use of the European best practices would be sufficient at this stage. Phase B considers the issues on the macro-economic level, whereas business and financial plans for each site on the micro-economic level will be elaborated during Phase C.

1.2 General Overview

The project has started with the evaluation of the regions specified in the TOR for the establishment of logistics centres, the so-called macro level multi-criteria analysis (MCA). The MCA revealed six locations in the western part of TRACECA namely in Baku, Yerevan, Tbilisi, Kiev, Odessa, and Chisinau, confirmed already by the beneficiaries. Within these locations numerous sites with different quality of access roads, land, layout or phase of development were identified and micro level multi-criteria analyses are prepared.

The main purpose of this annex is to highlight potential financing schemes for implementing the ILCs in the direct beneficiary countries.

The establishment of ILCs requires high initial investments. They provide benefits both for the participating transport operators, companies and the society. Therefore, worldwide the ILCs are mainly realised as PPP projects, i.e. public and private capital is involved in different financing structures and mixes. Institutional and legal settings for ILC embedding define potential financeing structure .

The PPP options are selected on individual for each specific project. At this stage of project implementation any recommendations for a financing mix would be speculative until the specific sites are selected for further development. The PPP mix depends on the profitability of a selected micro site and on such factors as ownership of land or perceived project risks. This is a task for Phase C.

The Consultant strives to keep financing and implementation structure realisable. It will adaptive to legal and institutional framework in a certain country and to the site context. Recommend-

ations on major long-term changes of the legal, economic or institutional framework will be avoided. This is only possible in a long run and goes beyond scope and duration of the current assignment. Recommendations at this stage comprise financing and public granting aspect facilitating establishment of ILCs.

The section 1.2 refers to principle guidelines governing the set-up and financing of ILCs. The chapter 2 illustrates experiences, lessons learnt and best practices of existing ILCs relevant for TRACECA. The chapter 3 deals with benchmarking of project attractiveness and potential for private financing on a macroeconomic level. The chapter 4 defines potential for public financing, granting measures and legal matters on country-wise basis. The chapter 5 outlines situation in the indirect project beneficiary countries. The chapter 6 summarizes the findings and indicates further steps.

1.3 General Approach and Methodology

Modern ILCs require a neutral entity managing their establishment, operation, maintenance and marketing. Their characteristics, tasks entrusted and consequent forms of financing mainly require various forms of PPP. Some purely private exceptions will be illustrated, too.

The pre-requirements for viable financing via the different PPP models are:

a) Stable economy

b) Supportive legislation and public granting schemes

c) Substantial cargo flows defining business potential

The justification, quality and intensity of public involvement in establishment of ILCs depend on existence of positive spillover effects. The private sector is concerned on return of investment. Therefore further investigation will comprise two distinct but complementary approaches, i.e. financial business planning and socio-economic impact assessment. This derives from the very nature of a PPP, as agreement between public and private sector depends on different incentives and benefit expectations.

As summarised by Europlatforms the main objective of partners working inside a Logistics Centre are to assure a high quality level, generating the following transport system effects:

- Optimisation of the logistics chain and utilisation of trucks, warehousing and labour:
- Reduced total transport, industrial and personnel costs;
- Increased turnover.

These aspects will be analysed on the micro-economic level in business and financial plans for each site.

Besides the financial evaluation, PPP-projects take into account uncertainties and risks. Specific ILC-risks related to construction costs, period for construction, traffic volumes, operation, maintenance costs, or revenues will be covered in phase C. The phase B deals with macro scale to the general country risks that are further described in the respective chapters.

The public authority aims at increasing benefits for the society and implementing its wider socio-economic policy. This includes macro-logistic goals that are achieved at the following levels of public intervention:

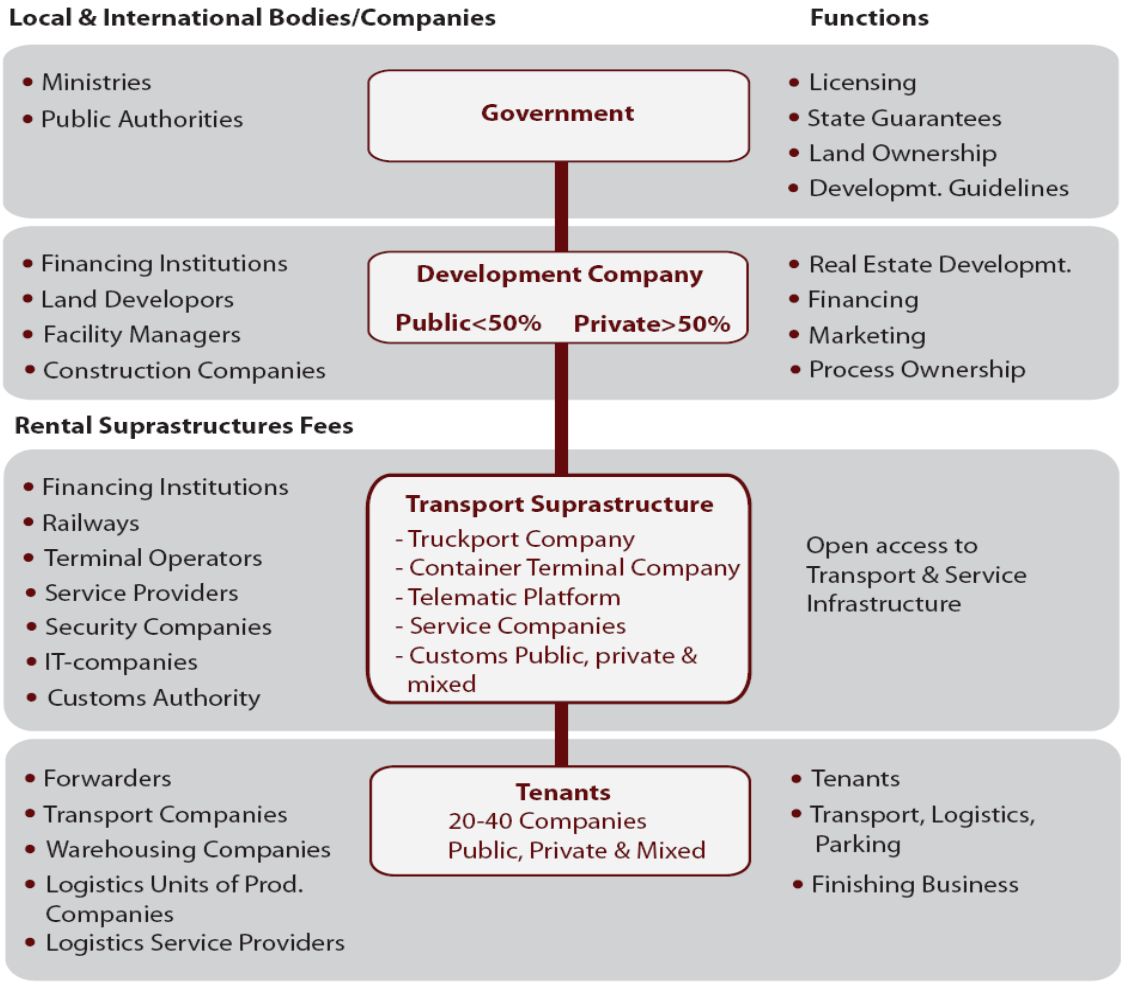
- Economic goals: Concentration of logistics services create synergy effects leading to more efficient and cheaper freight transport. Synergies might be internal such as pooling of certain purchases and services (e.g. guards, electricity etc.) and external such as agglomeration advantages, positive employment effects, higher tax revenues and others. European experience shows that ILCs contribute considerably to the modal shift from road to rail,

inland waterways and maritime shipping and to increased efficiency because of synergy effects. Furthermore, improved infrastructure provision and increased commercial / industrial areas improve local economy, attract additional trade and commerce and thus generate new jobs. Multiplier effects are created through strengthening local business development. The competitiveness of SMEs is strengthened through common usage of existing facilities and through cooperation with other companies along the supply chain.

- Transport related goals: Increased contribution of the transport sector to GDP and influencing the modal split in favour of railways and/or harbours through increased intermodality. Reducing empty returns and higher utilization of transport capacities. Reducing congestion in certain areas especially when combined with city logistics measures.
- Environmental goals: To avoid harmful externalities of mainly road freight transport, such as environmental damage, pollution and noise emissions. In cities, ILC can contribute to this goal through traffic relocation to other areas and through traffic reduction because of synergy effects.
- City and spatial planning related goals: Release of cities from freight traffic, optimisation of the usage/spatial distribution of industrial and living areas.

A conceptual ILC structure is given in the following chart. It reveals various possibilities in shaping the legal, economic and financial relationship between the actors. Each country has to find its own way suiting best to its framework conditions.

Figure 1: Conceptual ILC Structure



There are four principal PPP financing structures applicable for an ILC Management / Development Company as summarized below:

a) the leasing model: a property holding company takes care of planning, implementation and financing of the ILC investments and then leases the entity to the state against a constant leasing rate. The Government is responsible for the management of the ILC.

b) the operator model (DBOT): the Government grants a license to a private company or consortium for the implementation of infrastructure investments. The private company finances, designs and builds the investments, but the ownership is still with the state. During operation, the private company is paid by the state until the license has to be given back to the state.

c) the concession model: the government tenders a certain infrastructure investment and grants an operator concession allowing the winning bidder to charge the users of the investment directly.

d) project based financing: the stakeholders of a project found a common project company mainly in the form of a joint venture who is the debtor for the required capital and who operates and maintains the business.

Table 1: Summary of Potential PPP Financing Structures for ILCs

	PPP financing structure			
	Leasing	DBOT	Concession	Project-based financing
Ownership	Company	Government	Government	Company/JV
Private partner's status	Owner	Licensee	Concessionaire	Owner
Planning, implementing, financing	Company	Company	Government and Company	Company/JV
Management	Government	Company	Company	Company/JV
Private return derived from	Rent from Government	Fee from Government	Profit from operation	Profit from operation

2 BENCHMARKING AND BEST PRACTICES IN EUROPE

2.1 Introduction

The idea of ILCs was widely practiced most European Countries already in 80s and 90s. However, ILC development varies considerably between the European countries depending on initiative taken for their foundation and on support of transport and economic policies for an ILC.

The comparison and benchmarking of the ILC development in selected European and East-European Countries[1], helps apply lessons learnt to the specific conditions in the direct beneficiary countries. This helps define action in each direct beneficiary country and recommend measures for establishment of ILCs.

[1] Information is drawn from own desk research as well as from research of study 2000 and from research work of the German Institute of shipping economics and logistics, Prof. Zachzial and Dr. Nobel.

2.2 Benchmarking of ILC Experiences of selected Countries

2.2.1 Italy

The earliest LCs functioning according to the current Europlatforms definition were founded in Italy and are called Interporti. Interporto Bologna was founded in 1971. An important step further was the first national transport master plan of 1986. It required an interporti network of two levels with macro sites for international transport level in Piemont, Lombardy, Veneto, Emilia Romagna and Campania and national transport level. Main policy goals were concentration of freight traffic with a view on sustainable transport solutions.

The establishment initiative was mainly with public entities such as provincial governments, city administrations or state-owned railway FS.

Establishment and operation of the interporti followed the PPP principle, involving as many stakeholders as possible and run by a management company established already in the planning phases.

In the nineties, the main investments for the interporti were undertaken by state budgets of different levels (municipality, regional and central budget), FS or the intermodal transport operator CEMAT. That is why intermodal terminals exist in almost all interporti.

In 1990, a new law to regulate the public granting scheme for interporti and from then onwards the establishment and management of the logistics nodes were supported by €350 million budget. Based on this law, the state should manage 30% of capital shares, and 20% was requested to be distributed via private stock markets.

The average size of an interporto is 250ha and the average duration between the start of the planning and the first company settled within the LC is 7 years. logistics companies can either buy or lease areas. But there is only a certain part of the overall area to be sold. The main income of the management companies is rent.

2.2.2 France

The first LC appeared in Paris and were aimed to improve supply and return system in the city centre by concentrating logistics services in the periphery. Unlike in Italy, for more then 30 years ILC development was mainly initiated by commercial planning, development and operation companies. Only some exceptions were realised as PPP.

There are 24 LCs in operation or in the construction phase. Main actor is Garonor SA, now belonging to the US investment company ProLogis. The second actor is the Sogaris SA with 90% state and municipal shares. Both companies offer the entire project “establishment and operation of freight villages”. At the beginning, they were financing not only the development of the logistics area but also the internal and external road and rail connection to the main lines and the provision of public utilities. After a consolidation phase nowadays the companies only finance the development of the supra-structures in the LCs. Refinancing of the provision of turn-key logistics facilities including intermodal, storage, office and service facilities works via renting of the logistics facilities, offices, maintaining customs storage facilities, forwarding activities, provision of other services.

The planning phase is coordinated with the responsible public entities that are normally driven by local and regional spatial development goals. However, there is no coordinated central planning of LCs. Furthermore, coordination between the state or the state railway SNCF responsible for the construction of intermodal terminals and the developers is only rarely to be observed. Development time from start of planning until first company is settling is about 2 years. Average size of purely commercially planned LCs is 25 ha, of some exceptional PPP projects average is 140 ha.

2.2.3 Germany

In Germany the development of logistics Centres is heterogenic than in France or Italy. Most LCs were initiated by municipalities and investment promotion entities. The development of LCs started in early 80s and beginning of 90s. Meanwhile, there are more then 1,200 companies located within the areas of 33 LCs. The recently introduced road charging system for trucks tends to use logistics centres, too.

There are public granting schemes established and frequently adapted to latest developments and lessons learnt from different EU, German federal, state and municipal budgets allocation experience. However, most are not specifically designed exclusively for LCs but for promoting intermodal transport or municipal roads in general. Public funds are available in the form of construction cost contributions, interest free loans for intermodal terminals or financial incentives for new companies settling in logistics Centres. Furthermore, the logistics nodes and consequently the granting schemes concentrate not only on the setting up of logistics service providers but also on logistics intensive traders and industrial production companies. Public grants are in-between €6.5 and 250 million per LC or on average €67 million and private investments range from €30 – 500 million which is on average ca. €202 million per LC.

The original trend in Germany was to establish the logistics centres strongly supported by the state. Then the areas within the LC were sold completely to logistics service providers. To achieve the macro-logistic goals of the ILCs a neutral management company coordinating and moderating the settling of companies was in focus. This helped achieve the intended synergy effects and marketing the overall LCs. The state using regional economic promotion funds participated in the management companies and took over part of their operation costs. However, the management companies were frequently under-funded and could not properly fulfil the assigned tasks. Only recently there was a shift towards leasing and renting options in Germany. This together with innovative service provisions such as creation of shared telematics platforms in the LCs strengthens financial basis for a management company's. Other tendency in Germany nowadays are decentralised LCs working in different areas under a combined mediating and coordinating management / administration.

Development time from start of planning until first company is settling is about 2 years. The sizes vary also considerably from e.g. 15 ha for the LC in Göttingen and 847 ha for the LC DUNI (Duisburg/Niederrhein). The total area average is 150 ha with a relatively high percentage for the purely transport and terminal related area of 17% reflecting the political goals of LCs.

2.2.4 Greece

In Greece the development of LCs is mainly based on the initiative of the Hellenic Chambers Transport Association supported by an EC Study financed through the cohesion fund and finalised in January 1997. The study identified 10 macro-locations. For some of them, e.g. Athens micro-locations were identified. On the basis of this study, the first multi-modal ILC was projected in Thriassio Pedio about 10 km north of Athens in 2005. The Thriassio Pedio Freight Terminal is still under construction. The financing for investment costs of about €350 million came mainly from EU funds and national governmental sources. Others are in the planning or construction phase.

2.2.5 Great Britain

Initiator of LCs in Great Britain was mainly the "Rail freight Distribution" (RfD) a subsidiary company of British Rail starting in the 80s. The development of freight villages gained momentum with the implementation of the Channel Tunnel. 10 so-called channel tunnel terminals and freight villages were supposed to be established. They comprise an intermodal terminal surrounded by a transport-related industrial area. The supra-structure was left to RfD's

private sector partners. However, in the framework of privatising British Rail, the concept was almost given up. The new owner EWS was mainly interested in the intermodal terminals.

Since mid 90s, the British Government supported intermodal transportation via a system of rail freight grants. The responsible entity, the Strategic Rail Authority, calculates environmental benefits and compensates the users. There are mainly two public granting schemes:

- freight facility grants helping to offset capital costs of providing rail freight handling facilities. It is also available to help companies re-invest in existing rail freight facilities
- track access grants helping good service operators to meet the charges paid to Railtrack for access to the rail network

Indirectly, the British freight villages as intermodal interfaces profit considerably from this granting system.

However, there is no overall LC policy and planning and no neutral management company. Thus, the British Freight villages resemble more distribution parks than real LCs according to the Europlatforms definition. The reason is that the involved private companies act almost exclusively as property development agents without any additional transport related ambitions. Nevertheless, the commercial success and attractiveness of the freight villages is assigned to the nearby existence of intermodal interfaces. An exception of this general picture from about 12 existing freight villages is the LC in Daventry which has a coordinating and moderating management company.

The sizes of the LCs vary between 25 and 264 ha with an average area of 93 ha.

2.2.6 Netherlands

The Netherlands are entrance gate to Europe and Rotterdam is the logistics Centre of Europe with more than sufficient latest technology and logistics capacity. The outstanding role of the ports of Rotterdam and Amsterdam lead to the fact that LCs according to the Europlatforms definition do not really prevail. In addition, the hinterland distances are rather short. Thus, the ports of Rotterdam and Amsterdam take over the hub-function and the supply functions for the Dutch society and the trade and industry via distribution parks (Distripark) attached to the ports.

Public grants are available promoting intermodal terminals with max. €2.3 million and restricted on 50% of the overall investment. This leads to the promotion respectively the existence of only rather small logistics nodes or distribution centres.

Venlo Trade Port (500 ha, 75% occupied, already) can be regarded as the only logistics centre in the Netherlands established with considerable public support close to the German border. Companies can either purchase or rent the plots. The management company function is taken over by the municipal administration which concentrates on the marketing of the plots and on attraction of additional business but not on the creation of logistics synergy effects.

2.2.7 Poland

Poland has a very ambitious LC planer and has identified 9 macro sites in 2001. Wroclaw is the most advanced and can be treated as some pilot project for the country. The area is 150 ha and the implementation takes place in three phases. The first phase comprises investments of about €200 million on 50 ha developed through a private Development and Business Corporation (WZCL S.A.), including the creation of internal and external infrastructure including an intermodal terminal. The success of the model is yet to be investigated.

2.2.8 Spain

The process of LC establishment in Spain started already in the 60s. It was initiated mainly by the Government with the intention to ease road-based customs processes. The sizes vary

between 10 ha (freight village Gijon) and 100 ha (freight village Madrid-Coslada) which is rather small compared to other European LCs. Presently there are about 23 LCs existing with only 1/3 run via PPP structures and the main part run by regional or municipal management companies. Only in one case (Azuquecade Henares) close to Madrid there is a 100% privately owned operating company to be observed. (Re-) financing of the management companies is generated from rents of the areas and from service provisions within the areas. Public granting schemes mainly relate to the establishment of intermodal terminals with the state railway RENFE and the terminal operator Combiberia as investors but also municipalities did invest in the respective suprastructures.

2.3 Summary of Benchmarking Results

Considering heterogeneous development of LCs in European Countries, and recommendations of Europlatforms, the following conclusions summarize the benchmarking investigations:

- A neutral and adequately staffed management company is a success factor for achieving macro-logistical goals and international cooperation and not competition between centres.
- The direct physical and functional integration of logistics activities and intermodal terminals in the LCs has a proven positive effect on multi-modal transportation.
- Productivity inside an integrated logistics centre is higher than outside, in terms of tons moved per square metre of warehouse space.
- Integrated logistics centres are preferable to non-integrated ones.
- The concentration of transport and logistics activities in larger centres is more efficient than several smaller (de-centralised) logistics related industrial areas.
- Coordinated planning and funding is necessary to develop LCs and intermodality.
- Public support is needed even when the LC is initiated by private commercial operators and developers. This support is justified by positive external benefits to society.
- External connections to the transport network and public utilities need to be financed by “normal” methods, while internal infra- and super-structure is the responsibility of the LC developer.
- Existing funding and public granting schemes should be used rather then specially designed ones requiring new laws.
- The LC management company should have a viable financial basis, which is easiest to achieve through the rent and leasing business of the ILC area.
- In all European countries the intermodal terminals within ILCs are subsidised either indirectly or directly by the respective Governments and/or the EC.
- There have never been major problems to identify companies willing to settle within LCs.
- The more logistics oriented services, such as common usage of dangerous goods storage facilities or security and professional facility management, that are offered by an ILC the more attractive it is for logistics companies and logistics intensive trade and production.
- The effective ILC financing scheme has to be decided case by case with respect to the conditions prevailing at the selected micro-sites.
- Direct stakeholders and potential strategic investors are to be included from the very beginning of the initiating and planning process for each of the selected micro sites.

3 CHANCES AND CHALLENGES FOR THE INVOLVEMENT OF PRIVATE CAPITAL FOR ILCS IN THE DIRECT BENEFICIARY COUNTRIES

3.1 General Approach

Private investors require certain return on investment and interest on equity capital. The rate of return expectation depends on the perceived risks. Risks are closely related to peculiarities of micro-sites for ILCs. There are also country-specific risks a potential investor - whether a local or a foreign - takes into account. They mainly relate to political and economic stability, legal security and business environment.

In phase B, together with selection of micro-sites, the Consultant considered general country risks. There are various commonly used indicators. The most common ones are presented in section 3.2 and benchmarked for all direct beneficiary countries. The legal framework is country-wise outlined in chapter 4.

3.2 Potential for Private Investment – Benchmarking

Table 2 (on the following 3 pages) compares specific macro-economic, political and fiscal indicators for each of the direct beneficiary countries. The information was mainly taken from World Bank, IMF, OECD, CIA Factbook and country sources.

3.3 Summary

It is quite obvious that countries are heterogeneous with respect to their specific strengths and weaknesses, opportunities and threats. In addition, there are also non-measurable components in investment decisions. For example, the tabulated indicators may make Ukraine appear to be the most unattractive place for private investors, but that may be outweighed by its bigger domestic market. Every potential private investor will make his own evaluation and judgement.

It is far beyond the scope of this logistics assignment to recommend improvement measures in the macro-economic framework and fiscal policies. Nevertheless these figures reveal potential to attract private investors and shape rate of return expectations which might prevail. In phase C, for micro site calculations these tendencies will have certain repercussions. For instance the return on equity capital should be no less than the commercial prime lending rate, which in all direct beneficiary countries is among the highest of the world.

Really striking is poor performance of all direct beneficiary countries in “trading across borders” to ease doing business. There are plenty of recommendations from UNECE, EC, World Bank and other international organisations to facilitate trade in the beneficiary countries. The consultant is convinced that establishment of ILCs will give an additional push through the coordinated stakeholders to improve the situation in the medium and long runs.

Table 2: Benchmarking Indicators for Financing and Implementation Potential of New Logistics Nodes in Direct Project Beneficiaries

Criterion \ Country	Armenia	Azerbaijan	Georgia	Moldova	Ukraine
Population / thereof Labour Force	2.97 Mio. / 1.2 Mio.	8.24 Mio. / 5.78 Mio.	4.62 Mio. / 2.02 Mio.	4.32 Mio. / 1.33 Mio.	45.7 Mio. / 21.71 Mio.
GDP per Capita in 2008	6,400 US$	9,000US$	4,700 US$	2,500 US$	6,900 US$
GDP real growth rate (3 year average)	2006 13.2 % 2007 13.8 % 2008 7.6 % Average 11.5 %	2006 30.5 % 2007 23.4 % 2008 11.6 % Average 21.8 %	2006 9.4 % 2007 12.4 % 2008 2.4 % Average 8.0 %	2006 4.8% 2007 3.0% 2008 7.3% Average 5.0%	2006 7.3 % 2007 7.6 % 2008 2.1 % Average 5.7 %
Inflation rate (consumer prices, 2008)	10.2%	21.6%	11.3%	7.5%	25%
Foreign direct investment, % of GDP	14.8%	nn	9.5 %	10.9%	5.4%
Central Bank Discount Rate	7.25%	8%	8%	nn	8%
Commercial bank prime lending rate / Position No. in Country Ranking[2]	17.5% / # 27	19 % / # 19	20.4% / # 15	18.8% / # 22	13.9% / # 56
Public debt in % of GDP in 2008	nn	5.2 %	6%	21.3%	10%
World Bank Scoring: Ease of Doing Business[3] 2009					
a) overall indicator 2008 / 2009	a) 41 / 44 worse -3	a) 97/33 improved +64	a) 21/15 improved +6	a) 92/103 worse -11	a) 144/145 worse -1
b) starting a business	b) 66	b) 13	b) 4	b) 89	b) 128
c) dealing with construction permits	c) 42	c) 155	c) 10	c) 158	c) 179
d) employing workers	d) 54	d) 15	d) 5	d) 119	d) 100
e) registering property	e) 5	e) 9	e) 2	e) 50	e) 140
f) getting credit	f) 28	f) 12	f) 28	f) 84	f) 28
g) protecting investors	g) 88	g) 18	g) 38	g) 104	g) 142
h) paying taxes	h) 150	h) 102	h) 110	h) 123	h) 180
i) trading across borders	i) 143	i) 174	i) 81	i) 135	i) 131

[2] The prime rate is a short-term interest rate quoted by a commercial bank as an indication of the rate being charged on loans to its best commercial customers. Even though banks frequently charge more and sometimes less than the quoted prime rate, it is a benchmark against which other rates are measured and often keyed. For various reasons, a rising prime rate is generally considered detrimental to security prices. In the country ranking the #1 country has the highest prime rate out of 156 countries.

Criterion \ Country	Armenia	Azerbaijan	Georgia	Moldova	Ukraine
j) enforcing contracts k) closing a business	j) 61 k) 47	j) 26 k) 81	j) 43 k) 92	j) 17 k) 88	j) 49 k) 143
World Bank logistics Performance Index (rank of 150 countries)[4]	131	111	not available	106	73
Taxes a) Total Tax Rate in % of profit b) VAT c) Income Tax d) Corporate Income Tax e) Land tax f) Property Tax g) social security contributions	a) 42.5 % (in 2006) b) 20 % c) nn% d) 20 % on taxable profit e) 1% on cadastre value f) 0.3% on cadastre value g) 23.4% on gross salaries	a) 44.9 % (in 2006) b) 18 % c) 35 % highest rate d) 22 % on taxable profit e) AZN10 on land area per 100m2 f) 1 % on total asset value g) 22% on gross salaries	a) 38,6% (37,8 in 2006) b) 18% c) 20% d) 15% e) 0.24 Lari on m2 f) 1 % on fixed assets minus land g) 20% on gross salaries	a) 48.8 % in 2006 b) 20 % c) 20 % d) 15 % e) MDL 3 per 100 m2 f) 0.1% on book value of immovable property g) 25%	a) 60.3 % in 2006 b) 20 % c) 13% d) 25 % on taxable profit e) UAH 1,175 per m2 f) nn% g) 33.2% pension +5.0% social security & insurance on gross salary
Customs and other import duties in % of tax revenues[5]	4.79 %	11.77%	8.83 %	9.84%	8.2 %
Average time to clear customs	5.51 days	1.74 days	3.43 days	2.61 days	3.89 days
Average monthly wages / Labour Costs	242 US$	370 US$	nn	170 US$	245 US$
Currency regime	Free float again since March 09	pegged to a €/US$ currency basket	stabilised	stabilised	float

[3] Doing Business 2009 published by the World Bank is the sixth in a series of annual reports comparing business regulations in 181 countries. This year's report covers 10 indicator sets in 181 economies. The main goal of the report is to provide an objective basis for understanding and improving the regulatory environment for business.

[4] The LPI is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance – the LPI allow for comparisons across 150 countries.

[5] Sources are nationmaster.com, World Bank ease is doing business - Site and Government publications. No responsibility is taken for correctness of this information.

4 CHANCES AND CHALLENGES FOR THE INVOLVEMENT OF THE PUBLIC SECTOR IN ILCS IN THE DIRECT BENEFICIARY COUNTRIES

4.1 General Approach

Due to severe budgetary constraints in the direct beneficiary countries, public granting schemes will be limited compared to the situation of EU member countries described in Chapter 2. Thus, international financing institutions and donors ought to be requested to overcome those limits. An exception might be Azerbaijan, where the fiscal situation is easier.

In-depth discussions held by the Consultant Team with donors active in the project region revealed that most are in favour of the ILC idea. The concept of ILCs, especially with regard to the promotion of intermodal transportation, is also mainstream focus of DGTREN and other DGs of the European Commission with their respective support instruments. The findings of those discussions and clarifications will be given country by country in the next chapters.

Financing possibilities of the EU, e.g. grant financing out of the Neighbourhood Instruments will not be specifically addressed within this report. This project indicates already the interest of the EU in the logistics sectors in the beneficiary countries. The same applies to EIB co-financing, which is available to the indirect as well as the direct beneficiary countries in support of the European Neighbourhood Policy. Only when having elaborating business plans for the selected micro-sites in phase C of the project EIB support might be considered after official request.

Financing potential via the different Government sources on central, regional and municipal levels and via state-owned companies will be considered. European experience shows that municipal and regional governments are often involved in initiating and co-financing ILCs as an important means of economic promotion and business development in their regions. A similar scheme might apply in the direct beneficiary countries. Other important initiators are the state railways interested in transporting a higher share of the overall freight traffic and improving the utilization of their intermodal terminals.

Last but not least, the adequateness of the legal framework towards PPP approaches combined with the degree of reliance and legal security is another important factor for establishing ILCs successfully. If there are already positive PPP examples in a certain country, in a specific sector and - even better - in the transport sector, this gives a clear indication that the next PPP should not face severe obstacles.

Thus, on a macro-economic and macro-site scale, some potential courses of action for each direct beneficiary country are briefly outlined in the following sections.

4.2 Armenia

Armenia has not yet a specific concession law, but its legal framework is ranked in an EBRD benchmarking assessment study of 2005 as generally conforming to internationally accepted principles of concession laws. The legal framework for such PPP-models is just going to be improved and a PPP concept note is drafted. This is the first step in the legislative process. The document provides general framework but demonstrates that:

- There is an intention to make greater use of PPP for infrastructure development.
- All the usual forms of PPP are acceptable.
- The Ministry of Economy is to take responsibility for making things happen.

Government support and financial securities are defined in the general legislation (Civil Code and Law on Budgetary System) and allow public granting schemes to a certain extent.

Foreign companies are specifically encouraged to invest in Armenia and are entitled by law to the same treatment as local companies. There is a strong government commitment to attracting foreign direct investment (FDI), in relation to which the Government is refining the legislative framework. The Law on Foreign Investment, adopted in July 1994, regulates foreign investments. It provides guarantees to foreign investors and protects investors from changes in business-related laws for 5 years. The law defines foreign investment' and 'foreign investor' broadly.

There are no limitations on the volume and type of foreign ownership, the number of foreign employees and access to financial sources. Although foreigners can only lease land, a company registered by a foreigner as an Armenian business entity does have the right to buy land. Foreigners may obtain permission to use land under long-term leases.

Besides the already established investors and operators of Armenian logistics services in the industrial areas, the municipality of Yerevan ought to take over the role of a strategic investor. Especially local governments have demonstrated important advances in program/performance budgeting and medium-term expenditure planning. In addition, there is an initial interest of national private companies interviewed to invest in Yerevan. According to the Information of the Chamber of Commerce of Armenia, several retail and real estate companies would be also interested.

Concerning the potential interest of international financial institutions (IFIs) and donors, the Consultant contacted the local EBRD, World Bank and ADB offices already. However, no clear commitment was made.

- In ADB's project pipeline there is a regional transport project envisaged which possibly could accommodate components to improve ILC access.
- With a view to counter potential effects of the economic crisis on the sector, the EBRD will continue to finance MSME's, primarily through credit lines to local partner banks, but also directly through its Direct Investment Facility (DIF), Direct Lending Facility (DLF) and through co-financing and risk-sharing with local banks under the Medium-sized Co-Financing Facility (MCFF). The Bank will selectively finance creditworthy large enterprises, especially where this would support FDI. Furthermore, EBRD will provide financing to private operators and concessionaires of public utilities and transport infrastructure companies. Where justified by the potential transition impact, the EBRD would pursue sovereign-backed projects, particularly those with a significant component of grant co-financing.
- The present World Bank Assistance Strategy is not specifically geared to ILC establishment. However, they strongly support the PPP framework improvement.
- MCC was not specifically approached but the programming of the Compact is already allocated for rural roads and irrigation infrastructure.

With a view to the fast and viable establishment of an ILC in the macro-site Yerevan, the following can be recommended:

- The legal framework appears to be sufficient. Efforts for establishing a specific PPP-law are positive and are to be further advanced.
- The establishment of a neutral non-discriminatory coordinating management body is of utmost importance.
- A decentralised logistics area might be envisaged with land-ownership by the logistics service providers.

- In the next medium term budgetary plan, include public financial incentives to establish small and medium logistics service providers and logistics intensive trade and production companies in the ILC area.
- Include the Business Support Council with its body Armenian Development Agency and the municipality of Yerevan to take an active initiating and mediating role.
- Include IFIs officially to the initiating and planning phase of ILC through relevant Armenian Government Entities and interested private companies. ILCs would fit in IFIs respective country strategies and thus there are chances to obtain support.

4.3 Azerbaijan

Azerbaijan has achieved gradual improvement in the overall legal framework for investment activities in the country in the last years, with a number of practical regulations liberalizing business and reducing bureaucracy. The more transparent system for local and foreign businesses is offered by a new Tax Code, Civil and Civil Procedure Codes, Land Code, Labour Code, Customs Code, Foreign Exchange Law and Law on International Arbitration. Up-to-now there is no general concession law, but the civil code and the law on protection of foreign investment recognise concessions. Furthermore, management contracts are allowed by law in the privatisation process.

Foreign investments are specifically encouraged and protected by certain guarantees provided by the government and by legislation, including:

I. Guarantee against deterioration of legislation;
II. Guarantee against nationalization and requisition
III. Guarantee of compensation of damages in cases of unlawful acts of state authorities;
IV. Guarantee of repatriation of profits

The new Foreign Investment Bill that is being discussed in the Parliament is expected to reinforce the above guarantees and introduce new legal instruments to protect foreign businesses.

FDI is welcome in each sector where local investors are allowed to invest; i.e. only a few sectors are restricted for FDI due to national security reasons. There are no special permissions or specific registration requirements for foreign investment and the privatization process is open for foreign investors as well.

The official marketing for FDI advertises Azerbaijan as “the logistics hub for the Caspian region.” This demonstrates the interest of the Azerbaijani Government in logistical issues. A foreign investor is particularly welcome to enter the market with a Greenfield project.

Pursuant to the 1992 Foreign Investment Law, foreign investment may take any of the following forms:

- Participation in enterprises and organizations established with legal entities and citizens of the Republic of Azerbaijan on a shared basis;
- Establishment of enterprises wholly-owned by foreign investors;
- Purchase of enterprises, property, buildings, structures, shares in enterprises, other shares, bonds, securities, and certain other property, which, under the law of the Republic of Azerbaijan, may be owned by foreign investors;
- Acquisition of rights to use land and other natural resources, and also other proprietary rights; and
- Conclusion of agreements with legal entities and citizens of the Republic of Azerbaijan providing for other forms of foreign investments.

- Enterprises with foreign investment include joint ventures, enterprises wholly-owned by foreign investors, and representations (offices and branches) of foreign legal entities.

The Government has introduced a number of initiatives recently aimed at the improvement of the dialogue with and the support of the business community with a focus on the non-oil sector:

- Through presidential decree in March 2006 on extra actions upon promotion of investment activity in accordance with the law of the republic of Azerbaijan on 2006 state budget and the long-term strategy for oil and gas revenue management, the Azerbaijan Investment Company (AIC) was established with initial authorized capital coming out of the State Oil Fund. AIC aims to implement termed investment by purchasing capital shares of joint stock companies and other commercial organisations operating in non-oil field of the country's economy. Investments are made based on the analysis of business plans. The Company is managed through the Ministry of Economic Development and its shares are fully owned by the State. Commercial real estate and logistics are two of four sectors in which AIC is supposed to invest.
- Azpromo is another important partner in the process of establishing an ILC, but also possibly supporting potential logistics service providers willing to relocate, extend or establish their business in the ILC area. AZPROMO (Azerbaijani Export & Investment Promotion Foundation) is a joint public private initiative established by the Government of Azerbaijan in 2003, under the auspices of the Ministry of Economic Development and empowered to play a key role in public-private dialogue serving as a bridge between investors, local producers and the Government. It is an independent organization with the key objective to contribute to achieving balanced development of the economy and to implement measures necessary for the attraction and promotion of inflow of investments for creation of new jobs, particularly in its rural regions within the poverty reduction strategy framework. In August 2005 the Foundation, originally only tasked to attract FDI to the country, was also empowered to promote export of non-oil products.

Contacts with the IFIs active in Azerbaijan revealed the following:

- In principle a logistics centre project in Azerbaijan is in line with EBRD policy and could be supported after thorough feasibility and environmental investigations.
- IFC, the private financing arm of the World Bank, according to their statute could possibly co-finance the private sector or significant parts taken over by the private sector in a PPP approach. The co-financing could be up to 25% of project costs with a minimum US$2 million. The project should support direct and indirect job creation, local industry, regional and cross-border development, competition, increased efficiency and service. All of these are normally the case with ILCs.
- The World Bank has within its current country partnership strategy no funds foreseen for LCs. At the end of this year new budgets will be discussed with the government of Azerbaijan, and LC financing could be included into the official request.
- The project scope fits ADB financing activities. The Bank prefers to be on board from the very beginning and are in principle ready to finance logistics centres infrastructure.

Concerning the operational concepts for the new ILC, both private and state-owned development and management companies have been discussed with the MoT. As the project is at a very early stage these could not be defined at the moment.

From the above and with a view to the fast and viable establishment of an ILC in the macro sites Baku and Alyat, the following legal, financial and institutional recommendations can be made:

- There should be one neutral LC management and coordination entity for both, as the Europlatforms study revealed an efficiency preference for centralised solutions.

- The overall legal and budgetary framework conditions appear to be adequate to establish the challenging multi-faceted ILC PPP structure. However, despite positive elements there is room to improve the general legal framework for private sector participation; and to strengthen capacity in proper application, enforcement and auditing of the provisions of the legal and budgetary framework.
- Via AIC a viable Governmental public support scheme is in place and should be specifically involved in the process.
- Based on international experience and Azerbaijani conditions it is advised to create suitable road and rail access and public utility infrastructure to the ILC sites via Governmental and maybe IFI financing, and to develop the ILC land and superstructures as PPP via a private management and operating company.
- There is a clearly expressed interest of IFIs in (co-)financing a logistics centre which should be used by different ILC stakeholder groups; see Figure 1 in this annex.

4.4 Georgia

The results achieved in Georgia in of economic liberalisation have been encouraging. A new tax code reduced the number of taxes collected and their percentage rates, simplified the process for registering a business and eliminated close to 90% of previous licensing requirements. Nowadays, the legislation provides clear and strictly defined mechanisms for the protection of property and investments, which, on the whole, ensure a liberal legislative environment for conducting business and making investments in Georgia. Consequently Georgia ranks among the top 15 in the World Bank scoring “ease of doing business”, after ranking 115 in 2005.

The Georgian Law “On procedure for Granting Concessions to Foreign Countries and Companies” was adopted in 1994. But according to the EBRD benchmarking concession assessment study of 2005 the law shows a very low compliance with international best practice. Thus, there is a need for a revision retaining the numerous positive elements such as the protection of rights and security guarantees.

By law, the Georgian National Investment Agency (GNIA) was founded. It has to act as a "one stop shop" for all investors, to represent them in their relations with government agencies during licensing and permit issuing procedures. Several laws specifically encourage local and foreign investors. These include the law on investment promotion and guarantees of investment related activities, the law on state property privatisation and the law on grants. For instance investors may request the purchase of state property necessary for their business activities and initiate accelerated privatization procedures through auction or direct sale. However, there appears to be no specific public grant support for business development.

Free Industrial Zones (FIZs) are enabled by a specific law which aims to provide a favourable environment for business and to promote FDI and the inflow of technologies to Georgia. FIZs, as defined by the Customs Code, are where tax preferences apply. They might be set up on any territory exceeding 10ha, except legally protected territories. For establishing a free economic zone on request, a resolution by the Government is necessary.

Concerning the potential interest of IFIs and donors, there was no clear commitment.

- The World Bank is presently elaborating a new Country Partnership Strategy and the Government has the chance to explicitly include the logistics sector.
- Georgia has been a member of ADB since 2007. An interim partnership strategy 2008-09 is presently effective. The same applies as with the renewal of the World Bank Partnership Strategy.

- Almost 80% of EBRD financing in Georgia has been in the private sector focusing on the infrastructure, enterprise and financial sectors. EBRD expects to continue to focus primarily on private sector financing and expressed already its interest in an ILC development.
- MCC was not specifically approached but the programming of the Compact is already allocated for roads, regional infrastructure development and energy rehabilitation projects.

For the macro-sites around Tbilisi, the following legal, financial and institutional recommendations can be made:

- Ensure close coordination between Poti and the future ILC in Tbilisi in order to achieve bundling and synergy effects. This applies whether the Free Industrial Zone in Poti stays as a transport-related industrial area and distribution park, or whether it will be transformed or attached to a real logistics centre.
- Revise the law on concession with a view to best practice and possibly with a view to the new EC Green paper on PPP and concessions.
- Take the chance of the present renewal of IFI partnership agreements to include ILC development in the partnership discussions.
- Identify a strong private partner to undertake a substantial part of the necessary investment against property development revenues. There is a good chance to attract private capital in view of the favourable business environment and after the military conflict settlement.

4.5 Moldova

The legal framework is evolving slowly in response to the needs of a modernising transport sector and the demands of private investors.

The Moldovan Concession Law was adopted in 1995 and completed by regulations in 1996. It describes clearly the concession process and includes a compulsory model concession agreement. The EBRD benchmarking concession assessment study 2005 valuates that Moldova has a relatively solid legal framework for the development of private sector participation. However, certain amendments may be required to allow a clearer legal environment. For instance financing options are restricted because the law prohibits any transfer of concession assets or rights by a concessionaire. Another concern is that the concession granting authority can unilaterally change the terms of the concession agreement on specific grounds. In addition, the absence of laws on freight forwarding and land privatization are directly relevant to the present project.

There are two other laws relevant to ILC establishment:

- The Law on Industrial Parks N164-XVI dated July 13, 2007 regulates the creation of industrial parks in Moldova. It was adopted according to the necessities defined in the “Action Plan of Investment Attraction and Export Promotion Strategy Implementation for 2006-2015”. According to the law, industrial parks may be created on the territory of separate state enterprises and also as Greenfield investments. The law also stipulates the terms of industrial parks’ creation and their functioning. The industrial parks will be developed for a period of no less than 15 years and no more than 50 years. The main principles are:
    - Non-discrimination towards the residents of the industrial parks, regardless of their investment amount and country of origin;
    - Non-interfering in the production activity and offering of services to the residents of the industrial parks.

- Development of types of activities, scheduled according to the goals of industrial park creation.

- The "Law on the Free Economic Zones N. 440-XV of July 27, 2001" was enacted in order to achieve such objectives as attracting local and foreign investments, stimulating exports and creating new jobs in the Republic of Moldova. Since then the following FEZs have been established in Moldova: Expo-Business-Chisinau, Ungheni-Business, Otaci-Business, Valkanes, Taraclia, Tvardita. A further two industrial zones for business development were created within the GIFP and the Free International Airport "Marculesti" (FIAM). In 2008 total investments in the afore-mentioned the FEZs amounted up to US$118 million. The largest share of it has been invested in "Expo-Business-Chisinau" Zone (40%). Altogether a total of 147 companies were registered within the zones by the end of 2008.

Implementation of the EU-Moldova Action Plan signed in 2005 and focussing on the legal framework, combined with efforts of other bi- and multilateral donors, is expected to further advance the approximation of Moldovan legislation, norms and standards to those of the EU.

Moldova has the "Moldovan Investment and Export Promotion Organization (MIEPO)". It is a Government organization directly reporting to the Ministry of Economy and Trade. Its mission is to support business development and partnership in Moldova through involvement, communication and promotion.

The ability of the Government to assume further financial liabilities remains very limited. However, there are tax incentives for companies investing in excess of US$250,000. Those companies can get a reduction in corporate income tax for up to five years. Furthermore, Moldova's existing free trade agreements with its traditional CIS markets combined with better access to EU markets should make it more attractive for FDI.

Contacts with the IFIs active in Moldova revealed the following:

- EBRD would be interested to invest in a Moldova Logistics Centre, provided there is a strong private operator identified in a transparent procurement process as a precondition. Logistics is explicitly mentioned in the EBRD Strategy for Moldova 2007.
- The World Bank requires prior official request of the Government of Moldova before considering an involvement into an ILC.
- MCC has started a threshold programme in 2007 aimed at reducing government corruption and preparing the Compact. Successful implementation of the threshold programme along with continued government support for reforms could lead to much larger MCC Compact award for Moldova to be used for the road and the agriculture sector.

The following legal, financial and institutional recommendations can be made:

- Start the process for revision of the concession law possibly with a view to the EC Green paper on PPP and concessions.
- There is room for improvement concerning the effectiveness of law application in all major business related laws.
- Identify a strong private partner to undertake a substantial part of the necessary investment against property development revenues. There is a good chance to attract private capital in view of the favourable geographical location and advantageous international trade relations.
- Further evaluate whether the law on industrial parks and/or the law on free economic zones would be a viable legal basis for the establishment of the ILC in the Chisinau region.

- Resume official Governmental contacts with the relevant IFIs as soon as the micro-sites are decided upon, aiming to support the necessary access and intermodal facilities of the site.

4.6 Ukraine

There are important gaps and inconsistencies in the commercial law sector combined with weak judiciary entities constraining the development of capital markets. The discouraging “ease of doing business” rank of Ukraine indicates as well that there are severe weaknesses in the legal framework for business related laws. Those obstacles cannot realistically be addressed within the context of this project.

Nevertheless, the optimism for further economic development is nourished by the WTO accession supported by the Organization in early February this year and by the EURO-2012 hosting which is supposed to attract billions of dollars in infrastructure investments. Furthermore, Ukraine tries to attract FDI with the argument of having the biggest Eastern European market with 45 million consumers.

Ukraine’s concession law is evaluated by the EBRD benchmarking concession assessment study 2005 as a law with medium compliance compared with best practices: it is a solid legal basis for the development of private sector participation in infrastructure and utilities. The law was adopted in 1999 and gives relatively clear guidance on the main issues while remaining flexible enough to allow the parties to freely negotiate its terms. However, tender rules and responsibilities for implementation remain quite unclear. On the positive side there is a possibility of obtaining government support for the concessionaire “of disadvantageous and low-profit concession objects”. The Economic Code of Ukraine 2003 provides also some provisions on concessions.

There is a law on forwarding activities of 2004 in order to define and regulate the forwarding sector. A first amendment is envisaged this year in order to strengthen the state control of transport and forwarding companies and decrease the number of low qualified forwarders the MoTC drafted the Law “On amendments to some Laws of Ukraine with regard to licensing of enterprises providing transport and forwarding activities”.

InvestUkraine (IU) was founded to promote foreign direct investment and providing a ‘one stop shop’ interface with government agencies and Ukrainian business partners. Its mission is to help the Ukrainian economy to become more productive and globally competitive by increasing the inflow of strategic foreign direct investments. The IU management reports to an external Supervisory Board composed of members from the public and private sectors. InvestUkraine has been working with the Ukrainian Logistics Platform for 2 years to attract foreign investment to the logistics sector.

Also, there is initial interest shown by interviewed international freight forwarding companies (Kuehne & Nagel, Willy Betz, M&M Militzer & Muench, Panalpina) to invest in the Kiev region in a future logistics centre.

The Government itself is constrained, because it cannot hold shares in joint stock companies. The most it can do is guarantee credit. Nor can the National Government give land to a private organisation; there might just be a leasing option available. But community governments can give land and often do so in order to promote local development. They can also provide infrastructure free of charge. Customs and other government services can be theoretically located on private land. However, there is no experience yet existing.

Contacts with the IFIs active in Ukraine revealed the following:

- In the transport sector, the World Bank is presently engaged in a roads and safety improvement project and in a railway modernisation project.

- EBRD is prepared to offer support to foreign direct investors, local companies and joint ventures which help diversify Ukraine's economy and promote new technologies, and has already made loans to logistics projects in Kiev and Odessa.
- Ukraine became MCC Compact eligible in 2006 and the threshold programme with a strong anticorruption focus is on-going.

From the above, the following legal, financial and institutional recommendations can be made:

- There is an urgent need to revise the business related legal framework in order to achieve economic growth and prosperity. This goes beyond the scope of this assignment.
- The municipalities are the natural partner for ILC developers as they are the only ones to decide on land acquisition.
- There is a clearly expressed interest of private stakeholders for participating, investing and settling in ILCs which will be addressed in-depth in the next project stages.

5 BRIEF REVIEW OF FINANCING ILCS IN THE INDIRECT BENEFICIARY COUNTRIES

The situation in the indirect beneficiary countries is different from the direct beneficiary countries. Romania and Bulgaria as EU member countries have access to the full range of public granting schemes provided through the EC and EIB/EIF. Turkey with its EU candidate status can also rely on extensive EU support, e.g. via IPA (Instrument for Pre-accession Assistance) for projects in line with EU transport and regional policy.

Bulgaria has a general policy framework for improving the legal environment and promoting private sector participation. Two laws govern the granting of concessions in Bulgaria which are of high compliance with international best practice according to the EBRD benchmarking concession assessment study. In the ease of doing business evaluation Bulgaria ranks 44.

Romania regulates private sector participation by two laws: the concession law of 1998 and the government ordinance on PPP Agreements of 2002. The EBRD concession law assessment evaluates the legal framework as medium compliant with international best practice. This is because the existence of both laws with several amendments creates some legal uncertainty in various cases. In the ease of doing business evaluation, Romania ranks 47.

Turkey was ranked the 15th most attractive country in the world in terms of FDI in 2006. Nevertheless, Turkey's trade law, passed Jan. 1, 1957, is expected to be the most extensive reform within the EU harmonization process, a development that is particularly pleasing to foreign investors. The new trade bill, under preparation for the last five years, is expected to save foreign investors from double taxation, carry the fight against unfair competition to a global platform and secure the compliance of the financial reporting system with EU standards. The bill, which will tighten audits, is also expected to bring legal status to holdings and ease the procedures to found a company. In the ease of doing business evaluation, Turkey ranks presently only 59.

It is advised that the three countries

- Further advance the selection process for the ILC micro sites before approaching potential public and private investors.
- Involve already existing logistics nodes and key players to the utmost extent.
- Make maximum use of EU granting schemes available for intermodal transportation and regional development promotion in order to achieve a viable financing.

- Relate to the Italian or German experience and lessons learnt in initiating and establishing the ILCs.

6 SUMMARY OF RECOMMENDED MEASURES FOR OPTIMISING FINANCING MEASURES FOR INTERNATIONAL LOGISTICS CENTRES

The concept of international logistics nodes has proven successful in terms of efficiency gains, cost reductions and additional turn-over. But it has proven successful also for the overall society which profits via improved, cheaper and faster supply of goods; less environmental and safety hazards caused by freight transport; and enhanced employment opportunities.

Thus, almost all logistics Nodes / freight villages / dry ports are realised as public private partnerships. However, the involvement of the state varies considerably: from just being involved in the identification of the micro-sites up to complete establishment and management of the ILC together with private sector stakeholders via different contract forms. The selected form of PPP has repercussions for financing and long term re-financing.

This report considered some macro-economic parameters and presuppositions necessary for the successful establishment of ILCs in the direct beneficiary countries. Findings and recommendations were listed throughout this annex. The main overall and common-to-all-countries recommendations are listed again below:

- There is no need for a specifically LC designed public granting scheme if there are funding and support instruments for general economic promotion or transport-related schemes for linking LCs to the national transport network and to public utilities. They may take the form of tax exemptions, provision of land, special grant and loan arrangements, public securities and guarantees or others.
- Revisions of the legal framework for commercial laws, public support schemes and concessions is a lengthy process beyond the scope of this logistics nodes project. The business and financing planning will design the ILCs according to the existing conditions in each of the countries with a view to existing ILC models and lessons learnt in European countries.
- In any case there is a strong need for a neutral development and management company which should be able to guarantee discrimination free access to the transport and intermodal facilities and areas within the LC. This management company should be able to market the areas and receive regular revenues from the users.
- Besides logistics service providers ILCs should also strive to attract the settlement of logistics intensive trade and production companies within the area.

And last but not least: in order to achieve the full scale benefits through the establishment of International logistics Centres in the TRACECA region, there should be a regular overall coordinating and moderating platform aiming to establish communication between the residing companies of the logistics centres in the beneficiary countries along the whole TRACECA-corridor (i.e. including Central Asia) and not to leave it to informal and incidental contacts. There are various ways to do so. The Europlatforms model is one possibility, but eventually the TRACECA PS could establish a respective working group or initiate this development within the EC-TRACECA infrastructure working group..

International Logistics Centres

for Western NIS and the Caucasus

in Armenia, Azerbaijan, Georgia, Moldova, Ukraine

Progress Report 1

Additional materials

July 2009

This project is funded by
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STUDY TOUR AND STAKEHOLDER SEMINAR
GERMANY
2009

УЧЕБНЫЙ ТУР И СЕМИНАР
ГЕРМАНИЯ
2009 г.

DRAFT PROGRAMME

Participants:

Permanent Representatives of the PS;

Regional Development Specialists;

LC promoting stakeholder experts

– 3 persons per direct (including National Secretary) and 2 persons per indirect beneficiary country (including National Secretary)

Representatives of the EC; International Freight Forwarding and Logistics Companies Consultants ILC project

Mass media at certain events

Purpose of the Study Tour and Stakeholder Seminar:

Promotion and dissemination of TRACECA activities

Increase awareness of the TRACECA corridor capabilities

Promotion of the network of international logistics centres along the TRACECA corridor

Bridging European networks of the Logistics centers to the TRACECA

Promotion of the EC external cooperation in the framework of TRACECA

Introduction and presentation of ILC concepts, purposes and functioning principles for involved stakeholders for the TRACECA region

Demonstration of approach to ILC networks in Europe

Experience sharing with International Freight Forwarding and Logistics Companies

Visit to the relevant logistics centres in order to familiarize the stakeholders with operation concepts, investment appraisal and techniques of similar European logistics projects, and financing schemes appropriate for TRACECA region

European know-how transfer in terms of international logistics projects

Interactive sessions

Schedule: to be agreed

STUDY TOUR AND STAKEHOLDER SEMINAR
GERMANY
2009

УЧЕБНЫЙ ТУР И СЕМИНАР
ГЕРМАНИЯ
2009 г.

ARRIVAL DAY
SUNDAY

Location: Berlin, Germany

Venue: to be determined

Arrival of participants to Berlin and transfer to hotel by minibus

19:00 Welcome event hosted by the EU Project (start as per flight schedules)

Transfer of the participants to the hotel – cab transfers

FIRST DAY
MONDAY

LOCATION: Berlin, Germany

Venue: HOTEL "X" Conference Room

STAKEHOLDER SEMINAR OPENNING

9:00 – 11.00 First morning session

9:00 – 9:30 Opening speeches:

Welcome speech of the EC Representatives and Consortium

Europlatforms

9:30 – 9:45

Discussion of the Agenda

9:45 – 10:15

Europlatforms – European networks of logistics centres

10:15-10:30

Interactive discussion of experience

10:30 – 10:45 Coffee break

10:45 – 13.00 Second morning session

10:45 – 11:15

Presentations of project results at MCA micro level in direct beneficiary countries and reference networks in indirect beneficiary countries – Dornier Consulting

11:15 – 11:45

STUDY TOUR AND STAKEHOLDER SEMINAR GERMANY 2009

УЧЕБНЫЙ ТУР И СЕМИНАР ГЕРМАНИЯ 2009 г.

Stakeholder feedback and discussion of open points

11:45-12:30

Presentation of financial schemes applied for the development of international logistics centres in Europe, peculiarities and models - NTU

12:30 – 13:00

Presentation of DUSS – German Rail – Road Transshipment and Multimodal Terminal Management Company (Wolfgang Mueller) – terminal management, (logistics operations and financing)

Discussions

13:00 – 14.30 Lunch

14:30 – 18.00 Afternoon session

Location: Berlin

14.30-15:00

Presentation of the DB Schenker – DB logistics operator

Discussions

15.00-16:00

Brain-storming session on PPP instruments, operation and financing aspects relevant experience in Western TRACECA Part – answers to the questions sent by the beneficiary countries to the project - all the participants to be split in groups according to the assignment

16:00 – 16.30 Coffee break

16:30 – 17:30

Continuation of a brain-storming session on PPP instruments, operation and financing aspects relevant experience in Western TRACECA Part – answers to the questions sent by the beneficiary countries to the project - - all the participants to be split in groups according to the assignment

17.30-18:30

Presentation of the results achieved in groups

Wrap-up of the results of the day 1

From 19:30

Project event and free time

STUDY TOUR AND STAKEHOLDER SEMINAR
GERMANY
2009

УЧЕБНЫЙ ТУР И СЕМИНАР
ГЕРМАНИЯ
2009 г.

SECOND DAY

TUESDAY

LOCATION: Berlin

Venue: HOTEL

8:30 – 10:00

Round table discussions and presentations of the global logistics players on experiences with logistics centre in the region (M&M, Panalpina, etc) – list to be arranged

(Catering available in rooms)

10:00 – 11:00

Transfer to Grossbeeren Logistics Centre in Berlin

11:00 – 11:30

Welcome and Company's Introduction

11:30 – 12:30

Site visit, operation concepts, interactive discussion

12:30 – 14:00

Lunch and departure to Wustermark Logistics Centre

15:00 -15:30

Welcome and Company's Introduction

15:30 – 16:30

Site visit, operation concepts, interactive discussion

16:30 – 17:30

Transfer to the hotel

19:00

Free time

STUDY TOUR AND STAKEHOLDER SEMINAR GERMANY 2009

УЧЕБНЫЙ ТУР И СЕМИНАР ГЕРМАНИЯ 2009 г.

THIRD DAY

WEDNESDAY

8:00

Pick up at the hotel and travelling by bus to Bremen

Short refreshment break

13:00

Arrival to Bremen

13:00 – 15:00

Hotel accommodation, lunch at the hotel and presentation of the programme in Bremen

15:00

Transfer by bus to Bremen GVZ (Logistics Centre)

15:30 -16:30

Welcome in Bremen GVZ and Introduction

16:30 – 18:30

Site visit, operation and management concepts, interactive discussion

18:30

Transfer to the hotel

19:30

Dinner at the hotel (Buffet) and free time

FOURTH DAY

THURSDAY

8:00

Pick up at the hotel and travelling by bus to Hamburg

Snack in the bus

11:30 – 12:30

Welcome by the Senate of Economic Affairs of the City of Hamburg

Venue: Hamburger Rathaus (Hamburg City Hall)

12:00 – 14:00

Buffet Lunch and excursion in the Port of Hamburg by boat

14:00

Transfer to Altenwerder Container Terminal and Logistics Center

14:30

Arrival to Altenwerder Container Terminal and Logistics Centre

14:30 -16:00

Welcome by Altenwerder Container Terminal and Logistics Centre and Introduction

Site visit, operation and management concepts, interactive discussion

16:30 – 18:00

Transfer to Airbus Industries, EADS – presentation and concepts of A 380 oversized cargo logistics and production – site visit

18:00 – transfer to the hotel

20:00

Project event

FIFTH DAY

FRIDAY

Location: Hamburg

9:00

Pick up at the hotel and transfer to “17111” – Logistics Company

10:00-11:30

Operation concepts and know how on logistics processes

11:30 – 17:00

Site visit to the port of Kiel and ferry connected logistics centres

17:00 – 19:00

Transfer back to Hamburg

SIXTH DAY

SATURDAY

Departure of participants based on the schedule

MCA – Micro Level Assessment: Overview – Scoring Results

Bene-ficiary Country	Macro Region	Site	1 Site attributes						Score II	2 Site centrality				Score II	3 Network connectivity			Score II	4 Site and surroundings				Score II	5 Planning reliability					Score II	Overall Score
			Score I							Score I					Score I				Score I					Score I						
		Weight	25%	20%	10%	15%	15%	15%	0,25	30%	30%	10%	30%	0,15	40%	40%	20%	0,20	30%	30%	20%	20%	0,20	30%	20%	20%	15%	15%	0,20	
		Assessment function	1.1	1.2	1.3	1.4	1.5	1.6	1	2.1	2.2	2.3	2.4	2	3.1	3.2	3.3	3	4.1	4.2	4.3	4.4	4	5.1	5.2	5.3	5.4	5.5	5	
Armenia	Yerevan	Apaven CT	0	3	4	5	4	4		3	5	4	4		3	5	3		3	4	3	4		4	3	4	4	4		
			0	0,6	0,4	0,75	0,6	0,6	*0,74*	0,9	1,5	0,4	1,2	*0,60*	1,2	2	0,6	*0,76*	0,9	1,2	0,6	0,8	*0,70*	1,2	0,6	0,8	0,6	0,6	*0,76*	0,71
		Yerevan-Airport	2	4	4	5	4	2		2	4	5	4		3	3	3		3	4	3	3		4	3	3	3	3		
			0,5	0,8	0,4	0,75	0,6	0,3	*0,84*	0,6	1,2	0,5	1,2	*0,53*	1,2	1,2	0,6	*0,60*	0,9	1,2	0,6	0,6	*0,66*	1,2	0,6	0,6	0,45	0,45	*0,66*	0,66
Azerbaijan	Baku	BISTP - Alyat	5	5	3	5	5	5		3	3	5	1		5	5	3		5	5	5	3		5	5	5	5	5		
			1,25	1	0,3	0,75	0,75	0,75	*1,20*	0,9	0,9	0,5	0,3	*0,39*	2	2	0,6	*0,92*	1,5	1,5	1	0,6	*0,92*	1,5	1	1	0,75	0,75	*1,00*	0,89
Georgia	Tbilisi	TAM Tbilisi	5	5	5	5	5	4		5	5	5	5		5	3	5		5	5	5	5		4	5	5	4	3		
			1,25	1	0,5	0,75	0,75	0,6	*1,21*	1,5	1,5	0,5	1,5	*0,75*	2	1,2	1	*0,84*	1,5	1,5	1	1	*1,00*	1,2	1	1	0,6	0,45	*0,85*	0,93
		GRDC	1	1	3	3	3	3		5	5	5	5		5	1	4		5	5	5	4		4	5	5	5	3		
			0,25	0,2	0,3	0,45	0,45	0,45	*0,53*	1,5	1,5	0,5	1,5	*0,75*	2	0,4	0,8	*0,64*	1,5	1,5	1	0,8	*0,96*	1,2	1	1	0,75	0,45	*0,88*	0,75
		Railway CT-Veli	0	0	3	4	3	2		1	5	5	5		3	5	1		3	3	3	3		4	3	5	3	3		
			0	0	0,3	0,6	0,45	0,3	*0,41*	0,3	1,5	0,5	1,5	*0,57*	1,2	2	0,2	*0,68*	0,9	0,9	0,6	0,6	*0,60*	1,2	0,6	1	0,45	0,45	*0,74*	0,60
Moldova	Chisinau	Railway CT Chisinau	0	3	3	4	5	4		4	5	3	4		5	5	5		3	3	4	5		4	4	4	4	5		
			0	0,6	0,3	0,6	0,75	0,6	*0,71*	1,2	1,5	0,3	1,2	*0,63*	2	2	1	*1,00*	0,9	0,9	0,8	1	*0,72*	1,2	0,8	0,8	0,6	0,75	*0,83*	0,78
	Giurgiulesti	GIFP	5	2	2	1	5	3		1	1	1	1		4	5	5		4	3	3	4		4	5	5	5	5		
			1,25	0,4	0,2	0,15	0,75	0,45	*0,80*	0,3	0,3	0,1	0,3	*0,15*	1,6	2	1	*0,92*	1,2	0,9	0,6	0,8	*0,70*	1,2	1	1	0,75	0,75	*0,94*	0,70
Ukraine	Kiev	LISKI-Kiev Terminal	1	5	3	1	4	3		2	5	1	4		4	4	3		4	4	3	4		5	5	5	5	5		
			0,25	1	0,3	0,15	0,6	0,45	*0,69*	0,6	1,5	0,1	1,2	*0,51*	1,6	1,6	0,6	*0,76*	1,2	1,2	0,6	0,8	*0,76*	1,5	1	1	0,75	0,75	*1,00*	0,74
	Kiev	BACP	5	5	5	5	4	3		2	2	5	4		5	1	4		5	3	3	5		4	4	5	4	5		
			1,25	1	0,5	0,75	0,6	0,45	*1,14*	0,6	0,6	0,5	1,2	*0,44*	2	0,4	0,8	*0,64*	1,5	0,9	0,6	1	*0,80*	1,2	0,8	1	0,6	0,75	*0,87*	0,78
	Kiev	Krushinka Logistics Park	1	2	5	2	3	2		1	3	1	4		5	2	5		5	5	5	5		5	5	5	3	4		
			0,25	0,4	0,5	0,3	0,45	0,3	*0,55*	0,3	0,9	0,1	1,2	*0,38*	2	0,8	1	*0,76*	1,5	1,5	1	1	*1,00*	1,5	1	1	0,45	0,6	*0,91*	0,72
	Kiev	Fossy-UVK Brovary	2	2	5	4	2	2		3	3	1	4		3	1	4		3	4	3	4		4	4	5	4	5		
			0,5	0,4	0,5	0,6	0,3	0,3	*0,65*	0,9	0,9	0,1	1,2	*0,47*	1,2	0,4	0,8	*0,48*	0,9	1,2	0,6	0,8	*0,70*	1,2	0,8	1	0,6	0,75	*0,87*	0,63
	Odessa	Dry Port Euroterminal	3	5	4	5	4	4		5	5	4	5		4	4	5		5	5	4	3		5	5	5	4	5		
			0,75	1	0,4	0,75	0,6	0,6	*1,03*	1,5	1,5	0,4	1,5	*0,74*	1,6	1,6	1	*0,84*	1,5	1,5	0,8	0,6	*0,88*	1,5	1	1	0,6	0,75	*0,97*	0,89
	Odessa	LISKI-Odessa Terminal	2	3	5	4	5	4		2	4	4	4		5	5	5		4	4	4	5		5	4	4	3	4		
			0,5	0,6	0,5	0,6	0,75	0,6	*0,89*	0,6	1,2	0,4	1,2	*0,51*	2	2	1	*1,00*	1,2	1,2	0,8	1	*0,84*	1,5	0,8	0,8	0,45	0,6	*0,83*	0,81
	Ilyichevsk	IlyichevskVneshTrans	2	3	4	2	4	4		1	5	5	5		3	4	5		5	3	4	5		5	4	5	1	4		
			0,5	0,6	0,4	0,3	0,6	0,6	*0,75*	0,3	1,5	0,5	1,5	*0,57*	1,2	1,6	1	*0,76*	1,5	0,9	0,8	1	*0,84*	1,5	0,8	1	0,15	0,6	*0,81*	0,75
	Ilyichevsk	Ilyichevsk "Dry Port"	4	5	5	3	3	3		4	1	1	3		3	4	4		2	3	2	3		2	3	4	1	3		
			1	1	0,5	0,45	0,45	0,45	*0,96*	1,2	0,3	0,1	0,9	*0,38*	1,2	1,6	0,8	*0,72*	0,6	0,9	0,4	0,6	*0,50*	0,6	0,6	0,8	0,15	0,45	*0,52*	0,62
	Odessa	Ilichovka	4	3	5	1	4	2		1	1	1	3		4	3	4		3	1	4	2		1	3	2	1	1		
			1	0,6	0,5	0,15	0,6	0,3	*0,79*	0,3	0,3	0,1	0,9	*0,24*	1,6	1,2	0,8	*0,72*	0,9	0,3	0,8	0,4	*0,48*	0,3	0,6	0,4	0,15	0,15	*0,32*	0,51