

The European Union's Programme for Ukraine



Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T



Progress Report 3

January 2010



This project is funded by the European Union



Ministry of Transport and communications of Ukraine



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and NACO (NI)

This project is implemented by:



Project Title:		Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T	
Project Number:	EuropeAid /124964/C/SER/UA		
Country:	Ukraine		
	Project Partner	EC Consultant	
Name:	Ministry of Transport and Communications	Corporate Solutions Consulting Ltd	
Address:	14 Peremogy Av. Kiev Ukraine 01135	36 Byron Hill Road Harrow-on-the-Hill, Middlesex HA2 0HY United Kingdom	
Tel. number:	+380 444 616 540	+44 208 423 7711	
Fax number:	+380 442 387 226	+44 208 423 7766	
Contact person:	Mr. G. Legenkiy	Ebby Adhami, Project Director	
Signatures:			
Date of Report:	January 2010		
Reporting period:	1 st August 2009 to 31 st January 2010		
Author of report:	Corporate Solutions Consulting Ltd		
EC M&E team	_____	_____	_____
	[name)	[signature]	[date]
EU Delegation	_____	_____	_____
	[name)	[signature]	[date]
EC Project Manager	_____	_____	_____
	[name)	[signature]	[date]



Table of Contents

1	PROJECT SYNOPSIS	1
2	SUMMARY OF PROJECT PROGRESS	2
2.1	STEERING COMMITTEE AND WORKING GROUPS.....	2
2.2	SECTOR BUDGET SUPPORT (SBS)	2
2.3	WORK PACKAGES.....	3
2.4	RESOURCE UTILISATION	5
3	SUMMARY OF PROJECT STATUS AND PLANNING, UPDATED FOR THE REMAINDER OF THE PROJECT	6
3.1	MILESTONES AND RESULTS TO DATE.....	6
3.2	STRUCTURE OF ACTIVITIES	8
4	DETAILED PROGRESS IN THE CURRENT REPORTING PERIOD	8
4.1	STEERING COMMITTEE AND WORKING GROUPS.....	8
4.2	CONSTRAINTS AND PROBLEMS	9
4.3	WP1: POLICY, REGULATORY INSTITUTIONAL AND INFRASTRUCTURE FINANCING ISSUES	10
4.4	WP2: RAILWAY TRANSPORT	11
4.5	WP3: ROAD INFRASTRUCTURE	14
4.6	WP4: ROAD TRANSPORT	15
4.7	WP5: MARITIME AND INLAND WATER TRANSPORT	16
4.8	WP6: AIRPORTS AND AIR TRANSPORT	18
4.9	WP7: CROSSCUTTING ISSUES.....	20
4.10	WP 8: SECTOR STRATEGY AND PLAN	20
4.11	WP9: HUMAN RESOURCES DEVELOPMENT AND TRAINING	22
5	PLANNED ACTIVITIES FOR THE NEXT REPORTING PERIOD	24
5.1	GENERAL.....	24
5.2	PLANNED DELIVERABLES	24
6	PLANNED ACTIONS IN PERIOD 4	25
6.1	WP 1: TRANSPORT POLICY	25
6.2	WP 2: RAILWAY TRANSPORT	25
6.3	WP 3: ROAD INFRASTRUCTURE	27
6.4	WP 4: ROAD TRANSPORT	28
6.5	WP 5: MARITIME AND INLAND WATER TRANSPORT	28
6.6	WP 6: AIRPORTS AND AIR TRANSPORT	29
6.7	WP 7: MULTIMODAL TRANSPORT.....	30
6.8	WP 8: STRATEGY AND ACTION PLAN	31
6.9	WP 9: TRAINING AND STUDY TOURS	31
7	APPENDIX A: EC PROJECT PLANNING FORMS	32
7.1	FORM 2.2: PROJECT PROGRESS REPORT.....	32
7.2	FORM 2.3: RESOURCES UTILISATION REPORT	33
7.3	FORM 2.4 OUTPUT PERFORMANCE REPORT	34
7.4	FORM 1.6 PLAN OF OPERATIONS FOR THE NEXT REPORTING PERIOD.....	37

Appendices

1. Rail and road approved maps for forecasting and planning
2. Summary of all Interim Reports produced to end January 2010
3. Second Steering Committee Protocol 1 October 2009
4. Training Plan to December 2010.



**The list of all Interim Reports produced in Ukrainian and English
– see separate binders:**

- | | |
|-------------------------------|--|
| 1. Policy | 1.1 Institution and Legislation |
| | 1.2 Transport Statistics |
| | 1.3 Integrated Transport Policy |
| 2. Railways | 2.1 High Speed Rail |
| | 2.2a RAILWAY Competition |
| | 2.2b Railway Interoperability |
| 3. Roads Infrastructure | 3.1 Construction Standards |
| | 3.2 Organisation and Financing Road Infrastructure |
| | 3.3 Road Safety |
| 4. Road Transport | 4.1 Road Transport Market |
| 5. Maritime and Inland Water | 5.1 Maritime Policy Reform and Action Plan |
| | 5.2 Port Administration and Port Policy |
| 6. Airports and air transport | 6.1 Market Access |
| | 6.2 Airports |
| | 6.3 Upgrading SAA safety oversight capacity |
| 7. Cross cutting issues | 7.1 Cross Cutting Issues Multimodal Transport,
Logistics, Border Issues |
| | 7.2 GALILEO GNSS |
| 8. Strategy and action plan | 8.1 Strategy and Action Plan |
| 9. Training and study tours | 9.1 and 9.2 combined, Training Needs Analysis and
Assessment |



Abbreviations

ATM	Air Traffic Management
Aircraft Class C, D or E	ICAO Aircraft Classification system based on wingspan
BSEC	Black Sea Economic Co-operation
CIS	Commonwealth of Independent States
CAT I/II/III	Instrument landing systems for increasingly low visibility
CMU	Cabinet of Ministers of Ukraine
CSP	EC-Ukraine Country Strategy
CSL	Corporate Solutions Limited
DG TREN	Directorate-General for Transport and Energy (European Commission)
DTCSDC	Department of Transport and Communication System Development and Coordination (of MoTC)
EASA	European Aviation Safety Authority
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECIP	European Convergence and Implementation Plan
ECAA	European Common Aviation Area
ECAC	European Civil Aviation Conference
ENP	European Neighbourhood Policy
ENPI	European and Partnership Instrument
EU	European Union
GTZ	German national development assistance programme
GDP	Gross Domestic Product
GoU	Government of Ukraine
GPS	Global Positioning System
GSNS	Galileo Satellite Navigation System
HLG	High Level Working Group
HRD	Human Resource Development
IATA	International Air Transport Association
ILS	Instrument Landing System
ICAO	International Civil Aviation Organisation
ICT	Information and Communication Technologies
IFI	International Financing Institution
IMF	International Monetary Fund
IRU	International Road Transport Union
JAA	Joint Aviation Authorities
LWO/UKLL	ICAO and IATA code for Lviv International Airport
MAP	Million annual passengers
MMT/IMT	Multimodal/Intermodal Transport
MoTC	Ministry of Transport and Communications
MRO	Maintenance Repair and Overhaul



NGO	Non-Governmental Organisation
NIP	National Indicative Programme
OECD	Organisation for Economic Co-operation and Development
PCA	Partnership and Co-operation Agreement
PCN	Pavement Classification Number – airline industry
PPP	Public-Private Partnership
RIS	European River Information System
SAA	State Aviation Administration / (Derzhaviaadministratsia)
SBS	Sector Budget Support
SC	Steering Committee
SES	Single European Sky
SARPS	Standards and Recommended Practices
SME	Small and Medium Enterprise
SMS	Safety Management System
TA	Technical Assistance
TACIS	Technical Assistance for CIS
TEN-T	Trans-European Transport Network
TIP	TEN-T Integration Process
TNA	Training Needs Assessment
ToR	Terms of Reference
TOW	Take off weight
TRACECA	TR Ansport C orridor E urope C aucasus A sia
UAH	Hryvnya
UNECE	United nations Economic Commission for Europe
UNPCC	United Nations Panel on Climate Change
UZ	Ukrzaliznytsia – Ukrainian Railways
WTO	World Trade Organisation

Rate of Exchange: As at 30 January 2010 €1 = 11.45 UAH



1 Project synopsis

Project Title:	Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T
Project Number:	EuropeAid/124964/C/SER/UA
Country:	Ukraine
Overall Objective:	The overall objective of the project is to improve the transport sector through assistance to the MoTC in developing and implementing a Strategy and Action Plan for Transport Integration into the Trans-European transport network. This implies reinforcement of the Ministry's capacity to coordinate and manage cross-sector issues, and resulting identification of priority investment projects, in view of i) improved and sustainable command of the global sector management, including cross-sector and multimodal ability, ii) integration into the TEN-T network, in coherence with the European Commission's White Paper on Transport and iii) harmonisation with EU rules and standards.
Expected Results/Outputs:	The main results/outputs of the project will be: <ul style="list-style-type: none">- Immediate Action Plan published- Transport Sector Planning Scenarios developed- Transport Demand and Traffic Forecasts prepared- Training Needs identified- National Transport Policy defined- National Transport Strategy defined through formulation of:<ul style="list-style-type: none">- Sub-sector strategy and reforms for the rail sector- Sub-sector strategy and reforms for the road infrastructure- Sub-sector strategy and reforms for road transport- Sub-sector strategy and reforms for maritime & inland water transport- Sub-sector strategy and reforms for the aviation sector- Selected Measures and Reforms for Multi-modal Transport- Short and long term action plans for TEN-T integration formulated- List of Priority Investment Projects and Financing Options identified- Training, Capacity Development and coordination events held
Activities:	Work package 1: Policy, regulatory, institutional and infrastructure financing issues Work package 2: Selected measures and reforms for rail sector Work package 3: Selected measures and reforms road infrastructure Work package 4: Selected measures and reforms road transport Work package 5: Selected measures and reforms maritime and inland water transport Work package 6: Selected measures and reforms airports and air transport Work package 7: Crosscutting issues Work package 8: Sector Strategy and Action Plan Work package 9: Human Resources Development and Training



Target Groups:	The target groups are the MoTC, The Department of Transport and Communications Systems Development of Coordination (DTCSDC), State Road Service (Ukravtodor), State Administration for Road Transport (Derzhavtoadministratsia), State Administration of Railway Transport (Ukrzaliznytsia), State Department for Railway Transport; State Administration for Maritime and Inland Water transport (Ukrmorrichflotadministratsia), State Aviation Administration (Derzhaviaadministratsia). More generally, the programme will involve inputs from other stakeholders from the public and private sectors, alternative providers of services as well as the recipient of government services and user of transport services, civil society, academic and research groups.
Starting Date:	4 August 08
Project Duration:	29 Months

2 Summary of Project Progress

This is the third progress report, covering the period 1st August 2009 to 31st January 2010 of the project, "Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T"

The project held regular meetings throughout the period with the EU Delegation, Ministry of Transport and Communications (MoTC), executive bodies responsible for each mode of transport, and international financing institutions (IFIs).

18 EU funded projects, including TRACECA, are currently operating in Ukraine. One coordination meeting of EU funded projects was organised by the EU Delegation in September 2009. In addition, regular meetings (often one or two a week) were held by the project team with representatives of each individual transport subsector, MoTC, Roads Research Institute and EU Delegation concerning the establishment of the Sector Budget Support (SBS) indicators. Furthermore, there were specific sector meetings held with the EU Delegation on the maritime and aviation subsectors to fully brief them on the progress to date.

2.1 Steering Committee and Working Groups

The second meeting of the Steering Committee was held on 1st October 2009. The third meeting was planned for 17th December 2009 to update the members on project progress to date. This was later delayed to mid February 2010 to give the members time to review the summary of the interim reports issued with the Progress Report 3.

Mr G Legenkiy acted as the Chairman of the October Steering Committee meeting in the absence of the acting Minister of Transport. The appointment of the Minister and Vice Minister of Transport is expected after the Presidential election of 7 February 2010.

2.2 Sector Budget Support (SBS)

Support has continued to be provided in Period 3 to help the MoTC reach agreement with each transport subsector representatives on the SBS indicators for the next four years that will meet the objectives of the SBS. In addition to the indicators, it will be necessary to have an approved Transport Strategy document agreed by the Cabinet of Ministers.

The SBS process is contingent on the acceptance by the Cabinet of Ministers (CoM) of the Transport Strategy document, prepared by the MoTC, with assistance from the TEN-T project and the Twinning Project, "Support to Transport Policy Design and Implementation in Ukraine".

The purpose of the Strategy document remains twofold:



- i) to fulfil the requirement for the implementation of SBS financial support by helping prepare an overall agreed transport strategy, and
- ii) to offer a framework for the TEN-T project to help develop individual subsector plans, as defined in the ToR, where each subsector plan will link all sectors to the agreed overall plan.

In November 2009 the MoTC circulated their final draft Strategy document to other ministries and decision makers for their comments. The TEN-T project was also asked to comment on the content of document so that when all comments are collected a consensus can be reached on amendments to be made to the text before a final translation is produced in English (by the TEN-T project) for despatch to Brussels. As of the end of January 2010 some comments had been received and a definitive document is expected to be produced by MoTC in February 2010.

2.3 Work Packages

Good progress is now being made with the implementation of all 9 Work Packages. The project is also receiving increasing support from the transport sub-sector executives and the MoTC with regular weekly meetings between the MoTC and the project.

Road / Rail Infrastructure development - Data from Ukravtodor continues to be collected and discussions with the working group members have resulted in a better understanding of the main issues.

The road network map, linking major roads in Ukraine to the European TEN-T network as proposed by the project, has been approved by Ukravtodor. In addition, agreement has been reached on the railway map showing the major routes in Ukraine that will link to the European TEN-T network. These maps, shown in Appendix 1, will be used to define the framework for passenger and cargo volume analysis and traffic forecasting in support of the integration of Ukraine in the Trans-European Transport Network.

All work package reports produced to date have been discussed in detail with the Working Groups and/or senior subsector executives and other stakeholders. This has led to the production of the interim reports that are submitted in parallel to this Progress Report. A summary of these reports is included as Appendix 2.

The interim reports are prepared based on numerous early drafts, discussions and correspondence with key stakeholders and constitute a balanced position of the subjects under discussion and will be the basis for recommendations to be made, and strategies to be formulated, in the subsequent reporting periods

These interim reports will also provide the core of the training “manuals” covering the key training subjects for 2010.

Aviation - The aviation work is being coordinated with the Twinning Programme on air transport as well as with the recently started TRACECA programme on air traffic control “Civil aviation safety and security”, and regular contacts are maintained with the two projects to ensure there is no duplication of effort.

The aviation component of TEN-T has completed an evaluation of 4 out of the 7 key airports in Ukraine, highlighting considerable cost savings on planned investments if the recommendations made by the project are implemented. This work has commented on, and built upon, the previous work done by other consultants.

Due to the confidential nature of the work on airports, airport safety and the Single European Sky (SES) policy, the State Aviation Administration (SAA) has requested that reports produced by TEN-T project on the aviation sub-sector must not be circulated beyond the SAA without their specific approval. The project has received a letter from the SAA confirming its satisfaction with the support they are receiving from the TEN-T project.



Railways - The railway team have attended a number of meetings with the MoTC and Ukrzaliznytsia (UZ) to offer input to the discussions on the proposed railway restructuring, rail regulation, railway investment and the opening of the rail network to private operators, in accordance with the EU recommendations.

The railway restructuring has necessarily been delayed waiting for the adoption of the Decree on the State Programme on Railway Transport Reform 2010-2015. The Decree was approved by the Cabinet of Ministers on 16 December 2009 and is pending final approval by the Supreme Rada. The Decree has been subject to much discussion and is likely to be subject to further delays in implementation, over which the project has no influence. Instead, the work of the railway team has concentrated on elaborating the principles of reorganisation and offering practical assistance to UZ and MoTC. The project is confident that once the election is over and the rail sector reform policy is confirmed, UZ will begin detailed work on the restructuring plan, hence enabling the project to offer them significantly more support.

Maritime and River - In the Maritime sector, the relatively high staff turnover within the sector has caused some delays and the difficulties in data collection continue to hinder the efficient progress of activities in line with the planned schedule.

The improved cooperation with the Maritime Department of the MoTC, as reported in Progress Report 2, has not resulted in operational benefits in terms of improved access to information or the facilitation of communication and contacts with other stakeholders in the maritime sector. The draft report proposing a "Maritime and River Sector Strategy" published in June 2009 did not elicit comments until November 2009 despite being regularly chased. However, following a meeting with the Deputy Director of the recently established Maritime and River Administration (also Chief of Shipping Safety Inspectorate of Ukraine), we are hopeful that the cooperation will be much improved.

Notwithstanding the initial setbacks, the project team has continued to develop its own close contacts with the sector professionals, both in the public and private sector, which has enabled the team to gain first-hand knowledge and obtain information concerning the day-to-day functioning of the river and maritime transport. This has been instrumental in allowing the maritime component of the project to make progress.

The work on defining development planning scenarios for the maritime sector and the evaluation of the traffic forecasts, prepared by the EU funded "Ukraine Port Feasibility Study" has been completed. The results are documented in Working Paper 5.1, which forms a part of the "Maritime Policy Reform and Action Plan paper". Work also started on incorporating the results from the earlier suggested maritime policy reforms suggested by the project. The concept of "Landlord Ports" and "Port Clusters" are under discussion.

All of these issues will be compiled into a comprehensive Port Management Plan (to be produced as interim report 5.2) which will be submitted in February 2010, a delay of 1 month from the original plan.

Road Transport – During this period the road transport working group has met three times. In addition to the actions and recommendations given in Interim Report 4.1, there have been ongoing discussions with the members of the group and the project team on the specific issues related to training and legislation.

Cross Cutting - The Interim Report 7.1, which covers all cross cutting issues, has been widely read and favourably commented on by all recipients, as it offers a comprehensive view of a complex subject not previously well understood in Ukraine. The border crossing section will be completed early in 2010 with site visits to the main crossing points to reconfirm the current position and plans for improvements.

Infrastructure Investments – Under work packages 1 and 8, the list of 235 transport investment projects provided by the MoTC, along with many other projects put forward by transport subsectors, has been placed in the database pending their evaluation and prioritisation. In their present form there is insufficient information about individual projects to fully evaluate them and some are thought (by the MoTC) to be too vague to be considered for further evaluation.

It is also clear that many of the projects have not been subjected to a pre-feasibility analysis. The need for creating the skills in the transport sector to undertake such pre-feasibility analysis is now agreed and a pilot training programme, originally proposed by the project in November 2009, has been agreed



to be run in March 2010 for the MoTC's investment team and other selected personnel. This training will continue throughout the project.

Other projects aimed at facilitating trade flows will be added to the database as they are identified by the project, as well as the four strategic transport projects identified as a result of the resolution of the Cabinet of Ministers called: "On investment projects of strategic importance for economic development of the country", (Number 1432-r dated 7 Oct 2009 and rendered to the government of Ukraine on 23 Dec 2009).

Training - The Training Needs Analysis was completed in June 2009 and a matrix was constructed to form the basis for defining and implementing a training programme. Although the plan was agreed with the Human Resources (HR) of MoTC, it was not pursued due to changes in the senior HR personnel. New criteria and a revised training programme has been finalised based mainly on the outcome from the TNA but adding additional elements. This training programme is included as Appendix 4. The project has already provided practical on-the-job training through the Working Group meetings, SAA workshops and conferences and regular meetings with the stakeholders since June 2009.

The **TEN-T website** (www.ten-t.org.ua) is now fully operational and it incorporates the website of the EU project "Accession and Implementation by Ukraine of International Agreements and Conventions on Transport". It is regularly updated with approved files and reports from TEN-T and other related EU funded projects.

In summary, although good progress has been made in the third reporting period, there remains much to be done to meet all the objectives of the project within the remaining time available. It is likely that the project will not be able to utilise its remaining resources by 31st December 2010 unless some of the restrictions in obtaining close cooperation (e.g. railways and maritime) are removed. Progress is also contingent on the finalisation of the Transport Strategy paper and the organisational changes at the MoTC following the Presidential election and the appointment of a new Minister of Transport.

2.4 Resource Utilisation

During the period 2,003 person days were planned of which 1,620 person days were used, representing a utilisation of 81%. The 19% deviation is largely due to the project not being permitted to engage with UZ fully until the Railway Decree is approved.

The project has a balance of 3,838 person days to utilise in the remaining 11 months of the project to 31 December 2010. At the present rate of consumption, it is anticipated to have some human resources available at the end of the project.



3 Summary of project status and planning, updated for the remainder of the project

3.1 Milestones and Results to date

Transport Sector Planning Scenarios Developed

Planning scenarios are important for strategic planning and for traffic forecasting and will offer the foundation for identifying and prioritising investment projects. The present political and economic uncertainties make this goal both more critical and complicated to achieve.

Four broad scenarios are being considered as the basis for sector planning which include: 1) the process of EU Accession; 2) relations with Russia; 3) the world economy; and 4) the Ukraine economy. The next step is to formulate a set of assumptions under each scenario as the basis for traffic forecasting, using the primary traffic database which is now being populated.

The finalisation of the planning scenarios is contingent on the approval of the Transport Strategy document and the reception and compilation of the requested historical traffic data categorised by mode of transport, commodity, destination and origin. All these elements are proving slow and time consuming to progress but it is hoped that with the drafting of the Strategy document in November 2009 and its anticipated approval early in 2010, the MoTC resources can shift to scenario planning and data collection.

Transport Demand and Traffic Forecasts Prepared

Traffic forecasts are required as input to assessing the appropriateness and feasibility of the proposed investment projects and this was planned to be produced in month 18.

This may be delayed given that data collection is proving to be slow. Rail freight data and passenger numbers by main routes was received in December 2009. Some data on road freight has been received but more has been requested and is promised for the next period.

In addition, data for the development of traffic forecasting is being gathered from available sources and the collection process is discussed regularly at working group meetings to agree the manner in which traffic data will be collected, documented and used to ensure a sustainable output.

The tentative signs of world economic recovery in recent months will also help forecast traffic in Ukraine with more confidence and reliability. The database, on which the forecasting will be built, is now available in a pilot form to demonstrate its potential as a management tool for the MoTC.

Training Needs

The Training Needs Analysis, conducted in the first reporting period, was completed and the results were published. It provided the basis for defining the short-term training needs of the MoTC as well as offering a basis for formulating a long term training strategy. The coverage of the TNA was extended to allow the MoTC to get a better picture of the training needs of the entire transport sector, and this action was supported by the Transport Minister.

Although the result of the TNA was used initially for further discussion with the MoTC's HR Department to define and agree the submitted draft training plan, further progress was constrained due changes in senior HR personnel. This eventually resulted in some duplication of the training programme by the Twinning project "Support to Transport Policy Design and Implementation in Ukraine".

There is now a change of emphasis to ensure training is focused on specific needs of the MoTC and concentrates on practical matters. A schedule of training to December 2010 is attached as App. 4.



National Transport Strategy Defined

A number of drafts of the “Strategy Paper” were produced with the assistance of TEN-T and the Twinning project, “Support to Transport Policy Design and Implementation in Ukraine”. A final version was circulated in November 2009 by the MoTC to other stakeholders for comments and approval and some replies have been received. Once all comments have been received and analysed, a definitive version will be issued by the MoTC. The project will continue to help in this process and anticipates the need to provide the final approved English version for submission to Brussels.

Sector Budget Support (SBS) Indicators

This additional task was requested by the EU Delegation and is linked closely to the finalisation of the National Transport Strategy so that Ukraine can benefit from financial assistance over the next 4 years. The requirement is to get each subsector to agree a series of indicators that will be used to measure progress towards improvement in the transport system in Ukraine, reflecting targets to be achieved.

It is therefore necessary for each subsector to agree to specific achievable targets, in a manner that is acceptable to secure funding from the EC.

Naturally this is a difficult task and time consuming for all participants. The agreed schedule is close to completion and will need to be finalised soon and submitted to Brussels with the National Transport Strategy document.

Transport Sector and Sub-Sector Strategies Defined

The TEN-T project continues to work with the existing sub sector strategy plans and to make recommendations for changes through the working groups. The most current activity is the draft maritime policy and strategy that has been prepared by TEN-T, commented on by the working group and will be presented as an interim report in period 4. The project continues to work with the working groups on the development of the other strategies and this work will be helped by the expected approval of the Transport Strategy document by the Cabinet of Ministers.

The strategy will set out in a greater detail the steps needed to implement the policy and achieve the results expected. An important consideration for the MoTC is to ensure that there is sufficient capacity to coordinate and monitor the implementation of the various reform programmes.

The institutional capacity of the MoTC will need significant strengthening and some reorganisation is likely to be necessary. This will be elaborated in the Interim Report 1.1 due for publication in February 2010. The TEN-T project will continue to work closely with the Policy Twinning Programme on capacity development.

Short and Long Term Action Plans for TEN-T Integration

The action plans are aimed at providing a route map for TEN-T integration by enumerating the steps necessary in the short and long term. The MoTC will also need to put in place processes that ensure plans are regularly reviewed and adjusted and this will be closely coordinated with the Policy Twinning Project.

This short and long term action planning process is progressing well in the aviation and maritime transport sectors and will be developed in all sectors in the future reporting periods.

In addition, the earlier gap analysis produced by the recently completed “Accession and Implementation by Ukraine of International Agreements and Conventions on Transport” project will be updated to highlight the steps necessary to close the gaps between Ukrainian and EU legislation in the transport sector. This work will also be coordinated with that of UPLAC to prevent duplication.

The MoTC will also need to put in place processes that ensure plans are regularly reviewed and adjusted and this will be closely coordinated with the Twinning Project “Support to Transport Policy Design and Implementation in Ukraine”.



List of Priority Investment Projects and Financing Options

The outline of the programme to evaluate and assess investment projects as the basis for selecting a list of priority investments, using multi criteria analysis, is now available. The MoTC will be expected to play an important role in defining and agreeing criteria that will be used for the prioritisation of projects.

The framework of a management “tool” has been developed and is being populated with projects as the detail of each project is made available. At present the evaluation process within the MoTC is not sufficient to enable projects to be fully evaluated and the team will be addressing this issue through training in period 4.

This management tool will be available to the MoTC and its personnel will be trained to use it to help select priority investments based on a number of factors including: (a) meeting the future needs of Ukraine for an effective transport infrastructure, and (b) facilitating the integration of Ukrainian transport network with those of the European Union. Although these are similar objectives, the timing and focus may require the establishment of more than one set of criteria. The MoTC and the Steering Committee will play an important role in refining and agreeing criteria for the prioritisation following the project’s recommendations.

3.2 Structure of Activities

The framework for project planning remains essentially the same as that described in detail in all earlier reports, with the exception of minor changes and amalgamations as are shown in the forward planning section of this report.

4 Detailed Progress in the Current Reporting Period

The current reporting period covers the period 1st August 2009 to 31st January 2010. Detailed reporting is presented for each work package in sections 4.3 to 4.11.

4.1 Steering Committee and Working Groups

The Steering Committee (SC) held its second meeting on 1st October 2009. The results of the meeting are contained in a protocol as attached in Appendix 3 which a) approved the work of the project as a whole as detailed in Progress Report 2 approved on 11th September 2009, b) agreed the work plan for September 2009 to December 2009 but agreed that the Steering Committee members had to finalise the training programme to ensure that there were practical training seminars in EU countries on relevant topics, c) to ensure that the proposed key routes shown on the railway and road maps were approved by UZ and Ukravtodor for submission to the next Steering Committee meeting d) to strengthen the cooperation with the MoTC for the development of the SBS indicators and e) to approve the training programme by February 2010 with the need to stress a practical programme and to avoid duplication with the Twinning programme.

The Steering Committee members also noted that in Ukraine there is a prohibition on demand of information that is not envisaged by active state statistics reporting from enterprises and advised the project to take that into consideration in its further work.

The third meeting of SC was planned for 17th December 2009 but postponed until mid February 2010 in order for the members to be able to read and discuss summary of the interim reports attached to Progress Report 3.



4.2 Constraints and problems

In this period personnel resource utilisation is 81% of the planned utilisation. This is mostly due to the lack of contact with UZ pending the politically problematic outcome of the elections and the decision on implementation of the Decree on railway restructuring. The project has now caught up with the overall plan for the TEN-T project as noted in the ToR, with the exception of the planned work with the railway sector.

In Period 3 we reported issues over access to people and information but these have now eased, particularly in the Aviation and Road Infrastructure sectors, but some stakeholders in the public sector continue to be reluctant to fully engage with the project (particularly Railway and to a lesser extent now, Maritime) to the level of detail required for the project to be as helpful as it can be for the benefit of Ukraine. A formal explanation of this was given in the second Steering Committee meeting as “that in Ukraine there is a prohibition on demand of information that is not envisaged by active state statistics reporting from enterprises and advised the project to take that into consideration for further work”.

In some cases the statistics do not provide the level of detail needed for planning and if this situation is not rectified it will remain a permanent problem for the successful conclusion of this and other future technical assistance projects and for the development of a comprehensive sub sector strategy for the benefit of Ukraine.

To minimise the problem, the project signed a number of confidentiality agreements with the SAA and one confidential agreement with Ukravtodor, to allay their concerns over providing the team with what they considered to be confidential information.

This action facilitated our work but may in future make the dissemination of information more difficult within Ukraine, as the information we have is now considered to be confidential to individual transport subsectors and defeats the objective of the coordination of all transport modes to achieve the most cost effective solution for the benefit of Ukraine.

It is clear that there is not a standard mechanism by which information about the transport system can be systematically collected and made available to the project without special arrangements being made.

The severe economic crisis, and its impact on the Ukrainian economy, has also shifted attention of senior people to dealing with its immediate effects on the transport sector. The sudden departure of the Transport Minister and his Deputy in June 2009 left a gap in strategic decision making as well as introduced uncertainty at the operational level. The appointment of an Acting Minister did not resolve these problems.

The staff of the MoTC Department of Transport and Communication System Development and Coordination (DTCSDC), have continued to be very supportive, but they are also overloaded with additional responsibilities which are in contrast to the limited resources available to the Department. This may act as a potential constraint to further progress in all components of the project and it remains a critical success factor to the sustainability of the project, yet to be fully addressed.

There was also high staff turnover (reportedly as much as 50%) at the MoTC in 2008 due, it is understood, to trained staff having a better opportunity to seek higher paid work in the private sector that was quite busy at the time, and the “ripple effect” following the appointment of the new Transport Minister that year where many jobs were changed. In 2009 turnover of staff was reportedly lower at 5%, as the private economy gave fewer opportunities for better paid work and although the Minister and Vice Minister left their posts they were not formally replaced. With the pending appointment of a new Transport Minister and a slowly improving private sector economy, staff turnover in 2010 at MoTC is expected to be high. This will have an effect on training, which we hope may be beneficial.

As previously reported, there is an identified need to increase the academic and vocational qualifications of MoTC staff and this can only be partly addressed by the TEN-T planned training programme.

The project has also provided significant support to all the transport subsectors to help them to identify Sector Budget Support (SBS) indicators. Although this activity was not originally planned in the ToR it has helped to focus the attention of the transport subsectors and the Transport Ministry on the need for change and progress in implementing agreed legislation. The task of helping to identify the SBS



Indicators has taken valuable time from other mainstream activities of the project in this period but it is anticipated that this work will soon be completed, providing all subsectors can reach satisfactory agreements with EC on acceptable indicators.

4.3 WP1: Policy, Regulatory Institutional and Infrastructure Financing Issues

This work package continues to be coordinated closely with the Twinning project “Support to Transport Policy Design and Implementation in Ukraine” to help the MoTC prepare a Transport Strategy Paper, support the preparation of the SBS indicators and strengthen its capacity in policy and strategic planning.

Stage 1: Transport Strategy and Sector Budget Support (SBS)

The lack of a clear policy (leading to a clear strategy) was highlighted in the ToR as a risk to achieving the results of the project and is a potential barrier to the effective introduction of SBS assistance.

During this period the project provided further advice and support to the MoTC that resulted in an agreed draft report being circulated by the MoTC in November 2009 to all other relative ministries that was referred to as a Strategy Paper.

Replies have been received and a final strategy document, approved by the Cabinet of Ministers, is expected shortly which the project will then translate to English.

The Sector Budget Support indicator's work continues to establish agreements from each subsector on progress of implementation of agreed parameters of change, during the next 4 years. The concept of SBS is difficult to convince some subsectors but the recognition of financial support to be provided once agreed indicators are established is an attractive incentive for them and most subsectors have agreed a set of criteria.

Stage 2: Strengthening the Transport Sector Management

In Period 3 there were some 18 EU funded projects in Ukraine related to transport, including TRACECA, which needed to be coordinated to minimise overlap and ensure consistency of advice being offered to the MoTC. The TEN-T project remains in close contact with related EU funded projects and achieves what coordination it can, without a remit or authority, but there needs to be a focus of activity within the MoTC as well.

Recommendations were made within the SBS process and during the process of developing the strategy document to establish, within the MoTC, a transport planning unit (TPU), generated initially without extra cost by selection of existing staff members. At present this concept is at an early concept where such a team of up to 7 people would be in a strong position to influence change in the subsectors; manage the project prioritisation process being developed by the project; provide advice to the Transport Minister based on the collected and categorised database also being generated by the project; and coordinate work between the various ministries involved in transport. This will be evaluated in detail during the development of Interim Report 1.1, which is now in preparation.

Meetings were held with the new head of the legal department to establish their planning for 2010 and the work that was completed to close the gaps between EU legislation and Ukrainian law in 2009. The 2009 gap analysis is being reviewed by the project and by EUPLAC and an action plan developed.

Stage 3: Strengthening strategic planning and Information Management

During this period progress was made in establishing the framework for an Excel model designed to be populated with data to analyse and assess the existing traffic flows, where known. The location of nodes and their associated links has been determined and traffic activity between them is being collected with the support of all local experts. This is described in more detail in interim report 8.1, a summary of which is attached to this report.

In addition, a further database is being populated with the existing project data where available. At present the MoTC has identified 235 transport projects and it is understood that Ukravtodor, UZ and



the maritime and river authorities have additional proposed projects. It is further understood that the CoM, with the assistance of the National Agency for Foreign Investment and Development, has some 366 additional projects of which 55 are in Kiev, 30 in Odessa covering many sectors from Tourism to Utilities. All the transport related projects are being collected into a single database for later multi-criteria analysis.

The project databases require accurate data which necessitates the active participation of staff of MoTC and sub-sectors in data collection.

It is also planned to make a comparative analysis of the compliance of transport statistics compiled in Ukraine with those of Eurostat. Meetings have been held with a representative of the State Statistics Committee and an outline gap analysis has been produced to determine how best to close the gap between the Ukrainian system and that of Eurostat. The detail will be presented in Interim Report 1.2 in February 2010.

Discussions continue with Ukradiprodor (who are contractors to Ukravtodor) concerning initiatives to link the data collection to the forecasting requirement of Ukraine using GIS systems such as MapInfo and ArcView. MapInfo is a mapping and geographic analysis application that is in common use in the region and supported by some TRACECA initiatives.

This would include data on road, rail as well as information such as GDP and socio-economic information that would lead to the inclusion of combined transport and intermodal considerations in the last period. At present there are several evaluation options open and a decision on which is the most effective will be taken soon.

Stage 4: Provision of financial mechanisms for development of maintenance and management of infrastructure

A working paper on road funding was presented to the road working group for further debate in the period along with a technical note in June 2009. The project was also requested by the Ministry of Economy to provide information on the establishment of a PPP unit that could coordinate the sub-sector activities involved in this potential source of funding, but although help was offered, this was not followed up by them.

The work done to date is detailed in interim report 3.2.

4.4 WP2: Railway Transport

In summary, the priorities for the rail team can be defined as follows within the ToR, subject to closer cooperation with UZ:

1. Acting as the catalyst to facilitate decisions to be made regarding the future "vision" for the railway reforms with clear objectives, timescale and milestones for its implementation;
2. Assisting UZ with unbundling its accounting systems system to facilitate segmental financial reporting (i.e. freight, infrastructure and passenger) in line with the requirements of International Financial Reporting Standards (IFRS);
3. Contributing towards the preparation of plans to separate rail infrastructure (track and signalling) from train operations in preparation for offering access to private operators to the infrastructure in order to encourage private financing of train service provision.
4. Assisting the MoTC in separating the state regulating functions from the railway commercial operating functions. This is critical if private operators are to be allowed to use the infrastructure in a fair and transparent fashion.

The above requirements are in line with the covenants of the loan agreement entered between the EBRD and Railways and are likely to be conditions for any further investment in the railways by the International Financing Institutions (IFIs).

During Period 3 considerable effort was made to build on the earlier contacts made with the MoTC and UZ to enable progress to be made on the overall objectives. An additional international rail expert



was approved and is now providing further assistance with the reform process, while the local experts continue to provide analysis of the current rail performance.

Progress has been slow, principally because of the delay in adopting the Decree on the State Program on Railway transport and this has halted development of the restructuring strategy. This has led to the reluctance on the part of MoTC and UZ to enter into detailed discussions with the project in advance of the overall strategy being formally agreed.

The CMU resolution was approved on 16th December 2009, and planning for implementation is underway. We anticipate that progress will be made in February 2010, after the presidential elections and the appointment of a Minister of Transport.

Stage 1: Definition of development scenarios

A key part of the process for defining the future strategy for the railway is to understand the context in which it is operating, including its relative market share, financial performance and key strengths and weaknesses. Part of this process is being undertaken using the intermodal transport model to examine the possible impact of some of the reforms now being proposed. The model being prepared by the Project will consider the possible development scenarios for Ukraine (demography, regional economic development, industries and services development,) and will produce transport forecasts.

To support this, the rail team has been securing data from UZ, MoTC and other sources, which provides the basic raw traffic information in terms of passenger ticket data (origin and destination pairings), freight traffic data and the percentage of route capacity currently used.

This data from UZ is good and more detail is being secured to allow the construction of the model to continue. We are now adding to the historical data some current traffic data which reflects the impact of the recession on overall passenger and freight volumes.

We are also constructing a system map showing key routes and traffic patterns, together with network information such as electrification, higher speed corridors and freight corridors. This will help demonstrate the areas where European integration will produce the most benefits, and the alignment with TEN-T corridors.

The rail experts continue to meet with the industry representatives, including freight forwarders involved in the development of intermodal transport. They have also spoken with the Scientific Centre for Railway Research which has produced rail Passenger and Freight transport forecasts by section of line and has identified some bottlenecks. Contacts have been made with the Director of the Centre, to exchange results and discuss the conclusions reached from data analysis.

The Project also met with DG TREN representatives in Brussels to understand the possible evolution of the TEN-T network and its links with the neighbouring countries. The integration of Ukraine to the TEN-T network is planned through the development of the Central Axis linking pan-European Corridors III, V to the Ukrainian rail network (as defined by the agreed railway map).

The Project considers that the progress made by the Central Axis working group is complementary to the project work.

Stage 2 Strategy of European Integration

Interoperability is a key part of the EU strategy to provide seamless transport from origin to destination, and to open markets up to competition by providing free access to new entrants without the need for specific equipment or working practices specific to one country. In this respect Ukraine presents a difficulty, in that the track is the CIS 1,520mm gauge rather than the European standard 1,435mm, which restricts opportunities for through working of locomotives and rolling stock to Europe.

While there have been experiments with rolling stock equipped with the Polish SUW 2000 gauge changing technology between Katowice and Lviv, to date the trials have not proved successful and through working has been suspended temporarily, in favour of cross platform interchange at the Ukraine border. Freight traffic is almost exclusively interchanged between the systems by physical transshipment or bogie swaps.



Adoption of the reform programme does however present an opportunity to revisit the issues of interoperability, particularly as Ukraine is also rationalising its trunk routes to provide the opportunities to implement higher speed passenger corridors, with freight trains moved to alternative routes.

To help prepare MoTC and UZ for this challenge, the Project has prepared reports on High Speed Rail, the interoperability concept and a report on EU competition policy. By giving focus to these specific topics the subject of restructuring is also covered, if not yet as specifically as we would wish, pending closer cooperation.

Reference is made in these papers to the requirements imposed on EU states under the Technical Standards for Interoperability (TSIs), and which would apply to any rail investment funded from EU sources. The reports are intended to function as sources of information, and to demonstrate some of the basic standards which would have to be achieved to bring the Ukrainian network into conformance with EU policy objectives, including implementation and proposed actions.

Stage 3: Identification of projects

The project has examined the current UZ investment programme to identify current projects which improve the viability of the TEN-T corridors. We have also raised this issue with UZ and received some useful feedback via our local experts. Given UZ's current financial difficulties, and its focus on restructuring, there is currently little progress in project identification. However, the forecasting tool being developed by the project will help UZ and MoTC to analyse the raw data they are providing into traffic flows and volume predictions.

Of the many transport investment projects that were previously identified by the MoTC (at an estimated cost of €36bn), 64 proposals with a total value of €4.8bn are for the railways. However many of these schemes have now been identified as consisting of straightforward background renewals rather than infrastructure enhancement. The recently issued document "On investment projects of strategic importance for economic development of the country" (№ 1432-r of 07.10.2009) specifies 2 rail investment projects: creation of a new 1,435mm gauge line from the Polish border to Lviv and provision of a rail connection to Kiev Boryspil airport.

Stage 4: Assistance to restructuring and economic regulation

During Period 3, the rail experts made further efforts to convince both UZ and the MoTC Railway Department that a consensus should be built to make the first steps to reform the rail sector. However, so far, the project has met with considerable reluctance to discuss the restructuring strategy pending the approval of the Decree for railway reform. It is hoped that now that the decree has been proposed, progress can be made on the detail of restructuring. The team has offered both UZ and MoTC assistance in developing the detailed plans required to deliver the objectives of the policy.

In September 2009, the rail experts of the project were invited to a seminar held in Crimea and organised by the railway unions. UZ and Ministry representatives were also invited. The rail experts were asked to describe the restructuring processes in Germany, France and UK to show how and why they were different in individual countries while still remaining in compliance with the *acquis communautaire*. In addition, the seminar also had the objective of trying to convince the participants about the necessity to begin the restructuring process in Ukraine. As a result some useful comments were made and additional contacts established.

Specifically focusing the problems related to change of gauge between the EU and the CIS systems for freight traffic, the rail experts were invited to make a presentation on the EU interoperability concept. This took place as part of a one day seminar held in Kiev in August 2009 on the question of intermodal transport development, focusing on whether intermodal transport could be a solution for the change of gauge at the borders between Ukraine and the EU. The seminar was attended by the main Ukrainian intermodal market players, as well as representatives of Polish, Hungarian, and Baltic States freight forwarders and rail freight companies.

The interim report on the introduction of competition in the rail sector in Ukraine deals both with compliance with the competition principles in the rail sector as detailed in EU Directives and on the future introduction of competition between train operators, using the same track and signalling infrastructure network.



The report explains what the first steps in the reform process should aim to achieve, principally covering the separation between the current railway administrative and business functions, which at the moment are all controlled by UZ. The rail experts continue to seek comments on this report from both the Ministry and UZ.

4.5 WP3: Road Infrastructure

During the reporting period considerable progress has been made in the area of road infrastructure thanks to the good working relationship with Ukravtodor. The Working Group on road infrastructure has met 3 times.

Interim reports 3.1 on construction standards, 3.2 on organisation and funding of road infrastructure and 3.3 on road safety have been produced and executive summaries of them are attached to this report.

Stage 1: (TEN-T) Road extension and forecast

The strategic network has been defined and the map further developed. Data on the dimensions, capacity and traffic flows has been received and work has commenced on the modelling of the network.

The Terms of Reference call for recommendations for harmonisation of building standards to EU principles and the project has undertaken an examination of the standards for road construction materials and methods with the European norms. This has been partly covered in interim report 3.1. In addition, further assistance has been requested on construction costs and material specification by Ukravtodor and some interim advice was provided in this period that will continue through later periods with the introduction of additional international experts.

Stage 2: Organisation and funding mechanisms

The organisation and funding of the road sector has been considered in depth in interim report 3.2. The proposals were considered and approved by the Working Group prior to completion of the report. This report identifies how sufficient funding can be obtained for the road infrastructure sector, and proposes how the major road network has the potential to be brought up to a decent standard within 5 years.

The ToR call for the project to assist national authorities to establish appropriate funding mechanisms. Extensive efforts have been made by the project team to assist the national authorities, in particular the Ministry of Economy, Ukravtodor, the Supreme Rada and the State Committee of Ukraine for Regulatory Policy and Entrepreneurship with preparing the ground for possible future Public Private Partnerships. The project offered to assist in the refining of the draft law on PPPs, but this offer was not taken up.

The project team has assisted Ukravtodor with ad hoc advice and capacity building on funding and PPPs in response to specific requests.

Stage 3: Road Safety

Members of the project team have carried out detailed studies on the road safety situation in Ukraine and several hundred kilometres of road have been recorded on video and photographs as a first step to demonstrating the impact of road safety auditing. The analysis of the videos is continuing. On the basis of this material and other research the project team has produced interim report 3.3 on road safety.

A detailed plan for a road safety pilot project in the Lviv City and Oblast was prepared and agreed with the authorities in Lviv and the EU Twinning Project on Road Safety. Partly as a result of the "swine flu outbreak" and partly because of other difficulties in Lviv, progress on this has been disappointing, but the road safety pilot project in Lviv has now a revised timetable and it is expected that a campaign on speeding will take place in May 2010 and on seat belts in July 2010.



The project has also been working on the development of an emergency rescue service for the victims of road crashes. Subsequently the Ministry of Health announced that it is taking action to improve the care to road accident victims by upgrading the fleet of emergency vehicles with 700 category C vehicles (for intensive care) and 3,000 category B vehicles (for regular emergency care). A rapid emergency medical service is already working in the Kharkiv region, where the emergency vehicles arrive at traffic accidents within 10 minutes. The project team has been pleased to assist in these important improvements which could save 10% of the lives lost on Ukraine's roads.

Members of the project team participated in the First Global Ministerial Meeting on Road Safety in November 2009 alongside the Deputy Minister of Health.

Stage 4: Identification of the list infrastructure projects

The project team has started to model and analyse the proposed infrastructure projects with the collaboration of Ukravtodor and Ukrdiprodor.

4.6 WP4: Road Transport

Regular contact was made with the acting chairman of the Working Group and a number of meetings held to discuss the development of temperature controlled vehicle testing to ATP (perishable food transport) standards.

It was agreed that under the training programme, selected candidates would be sent to Germany to receive accreditation status to enable the testing facilities to be established in Ukraine. Contact was established with a German company to provide this training as they had previously been involved on another project to provide ATP advice in Ukraine. The project is waiting for confirmation of the course to be delivered and its cost before submitting a formal request to MoTC to select the candidates and to EU Delegation for their approval.

The Working Group met in October 2009 and the list of issues allocated to each member was discussed in detail that would lead to the production of interim report 4.1.

This was followed by a Working Group meeting in December 2009 when the interim report 4.1 was presented in Ukrainian, verbally translated to English and discussed. As this work is completed by the group who are representing all road transport sectors, it was accepted for full translation into English (the translation has yet to be finalised) and for discussion by a wider range of stakeholders during the next period.

A further meeting was then held with AsMAP at their International Road Transport Union (IRU) accredited training centre where a draft copy of the Ukrainian version of 4.1 was delivered for their further comment for although AsMAP are fully represented on the Working Group this was the first time the complete report would have been seen by them.

AsMAP are considered to be in the best position to ensure complete accuracy of the report and to help the project in using the content for additional training throughout Ukraine.

AsMAP are keen to extend their training to domestic drivers and managers and to link the Certificate of Professional Competence (CPC) they offer (accredited by the IRU) to the establishment of an Operator licence ('O' Licence, in Europe) that conforms to the EU transport acquis regulations. At present the law in Ukraine is vague and although training is required, its level and scope is not specified.

There remains the issue, yet to be resolved, to ensure that the legislators in Ukraine realise the need to introduce an operator licensing system for all transport vehicles (passenger and freight) where the person responsible for the management of the transport company operation holds a CPC (National or International or both) before applying for a licence to operate that is referred to as an operator's licence, or 'O' licence.



4.7 WP5: Maritime and Inland Water Transport

The focus during the third working period was on the maritime sector, with a dual objective. The first objective was to translate the comments on the report on regulatory and administrative reforms (WP 5.1) into a concrete set of recommendations for the maritime sector.

The second objective was to produce a first draft of the Maritime Action Plan and identify the related priority investments. Due to the delay in response from MoTC, the two objectives were only partly achieved in the period and the completion of the work is expected by February 2010, a delay of 2 months.

Progress was in particular hindered by differences of opinion between the project team and several representatives from the Administration for Maritime and River Transport concerning the direction of proposed reforms. This conflict was notable when the MoTC submitted their comments on the specific content. The comments received suggested that the proposals are too extreme because the suggested changes are not in line with "how things are done in Ukraine". The large majority of specific comments did not relate to the proposals but concentrated on specific unrelated details. The comments gave no suggestions as to how to adjust the proposals to meet the overall objectives of the MoTC.

The investigations during this third period confirmed that maritime sector is in need of substantial change and that the consequences of the present economic crisis are more severe than were initially thought.

Although this does not affect the work at hand, it complicated the evaluation of the development potential of the maritime sector because a higher level of uncertainty and risk needed to be incorporated into the evaluation.

In this respect the recent traffic forecasts prepared by the "Port Feasibility Development Study" was reviewed in more detail than was initially planned and adapted forecasts were prepared using risk management techniques to take into account possible direct and indirect effects of the crisis on future volumes and types of cargo.

In spite of the weak response from the maritime section of the MoTC, the focus remains on the long-term transformation of the way the sector is governed and the opinion of the Study Team has not changed, in that short-term (financial) problems should not be allowed to be a reason to maintain status-quo in the sector and avoid the necessary overhaul of the administrative and regulatory framework.

WP5a: Maritime and Seaport Sector

5a.1 Appraisal of current port performance and hinterland transport facilities

Data collection and analysis was completed during this period as was the revised final version of the Working Paper titled "The EU Maritime Policy and Sector Analysis of the Ukraine Maritime Sector and Seaports". This report was revised and the comments received from Working Group members were, as far as possible, incorporated into the revisions.

5a.2: Prepare Port Policy and Port Strategy

The work for the Maritime Sector (WP5a) continued to focus on the administrative and regulatory framework.

Due to the important delay in the submission of the comments and the poor quality of these comments, the revision of what is considered an optimal framework for a new and revised maritime and seaport policy could not be completed by the end of the third period. This effort will be continued during the first two months of the next reporting period, parallel to starting similar work for the river transport sector.

In spite of the delay in response to the overall policy and strategy report, the team continued to develop a comprehensive long-term maritime sector and port development strategy. A delay of



approximately 2 months is expected for submitting the Action Plan and a first list of investment projects.

During that same period of two months, a revised version of the policy report will be written on the basis of the comments received from MoTC. However, it is stressed again here that the quality and relevance of the comments were disappointing and that they will only be considered in so far as they are relevant to the principal objective of achieving administrative and regulatory reforms in line with EU guiding principles.

WP5b: River Transport Sector

5.b1 .1 - 5: Appraisal of Inland Waterways Performance

As was agreed and reported in Progress 2 report, the focus in the third period was fully on the maritime sector while activities related to river transport were organized on a more ad-hoc basis.

This does not mean that there was no progress or that success was not achieved. It should be stressed that the progress and success was in particular due to the commitment of the River Port Administration and the increasingly close contacts with representatives from the private sector, in particular the commercial company Aquarelle.

During this period, the local experts have undertaken, under guidance of the WP5 coordinator, detailed technical investigations on the conditions of the rivers in Ukraine. This resulted in a set of internal reports on:

- River transport freight carriage market
- Sea-river transport market
- Analysis of the deep water ship way (DWSW)
- Technical information on the Danube and Dniro Rivers
- Classification of inland waterways of Ukraine
- The potential of river transport for grain transport

The individual results will be incorporated into the next report on river transport planned for the next reporting period. The next report will deal with the administrative and regulatory reforms and the action plan for sector development that will be drafted under the title “WP5.3: River Transport Efficiency Report”.

A detailed study of RIS applications and their potential was also completed and the internal report with the results of the study is close to being finalised. These results will also be integrated into the next report as they are important elements for the identification of investment projects for the sector that aim at increasing safety and efficiency of river transport.

5b.1 .6 Recommend measures to improve organisation and management

The most important effort for river transport during this period was the assistance provided for the development of the Law on River Transport. A detailed paper, named “Comments on the Draft Law on Inland Water Transport” was submitted in July 2009, an effort that was highly appreciated.

During a meeting with the River Port Administration in November 2009, it was agreed that this cooperation would be uphold and that the experts of the Study Team would assist Mr A. Davydenko, MP the People’s Deputy of Ukraine and author of the draft law on inland river transport, in adapting the law in line with the recommendations after first reading of the law in parliament.

The evaluation of the European River Information Services EU (RIS) standards with the existing and / or planned RIS applications in Ukraine, planned for this period, has been completed and the results will be integrated in forthcoming reports.



4.8 WP6: Airports and Air Transport

The positive momentum that the aviation subsector gained after April 2009, due to the much improved relationship with SAA, was sustained in Period 3.

Contacts were established with DG TREN in Brussels and through them support was expressed for the aviation Stage 2 Certification Harmonization and Safety Management Systems (SMS) training initiatives taken by the project. Stage 3 of the aviation work package primarily focused on the implementation of regulations and common practices in aviation safety oversight and airport certification.

The aviation team agreed with SAA to identify 7 airports as TEN-T relevant airports for further review. In Period 3, the team reviewed 4 out of the 7 airport's long term development plans and an additional regional airport (owned by the Government) at the request of the SAA. The airports reviewed to date are: Lviv, Odessa, Simferopol, Dnipropetrovsk and the regional airport Zaporozhye.

Stage 1: Single European Sky (SES)

Aviation Market Access review of the current position

A compliance checklist has been established regarding the Single European Sky (SES) regulations that will be applicable to the Air Navigation service provision and to the National Supervisory Authorities of Ukraine (SAA). Arrangements were made to review the current Ukraine Air Code and regulations in these fields on its completeness in close cooperation with the SAA and the Ukraine Air Traffic Service providers.

Stage 2: Airport Developments

The airport development plans that have been reviewed by the project have in general been found to have been over dimensioned and would appear to reflect a rather ambitious level of potential activity that is not justified by a realistic assessment of the likely traffic development. Runway lengths have been generally over dimensioned; the traffic forecasts are rather over optimistic and seem likely to have been driven to justify the investment planned. It is the project view that the required investment should follow on from a more realistic forecast. The financial studies seen so far do not make the necessary distinctions between economic impact analysis, project feasibility and financing and this can lead to unnecessary expenditure to achieve an optimal result.

The planning seen so far also does not provide a general layout for the airport development that should include the building footprints and aircraft movement areas that are based on an ultimate potential development for an airport site. Such a plan would also earmark strategic land reservations for future expansions and become a planning input in any given regional development plan¹. Such a study would also consider and weight the option of alternate new terminal development areas and consider a phasing program. Currently the development plans seen are incremental on the existing layout and this can lead to unnecessary long taxiways and cramped terminal development areas. It would be better to take a more pragmatic view of the airport developments based on realistic expectations of traffic volumes and the efficiency of aircraft handling

It seems that insufficient funds have been allocated to allow for a comprehensive master plan to be established for the development of bankable investment proposals. Airports currently look towards their local private sector champions to secure their future as for example in the cases of: Dnipropetrovsk, Kharkiv and Donetsk, or the State Government to finance their developments. There have been only very limited initiatives to tap directly into the financing capabilities of IFI's. It would

¹ Such a strategic outlook or master plan document should also consider the airport development within a much larger municipal zoning (spatial) plan that would reflect such areas as "no-build zones", noise restrictions and mandatory height restrictions on all constructions that would ensure an approved flight path approach under all circumstances. There is also a need to integrate and consider the airport within the urban public transportation hub system and a road network and utilities that include the location of existing housing close to the airport perimeter and the relocation of inactive air force bases.



appear that the lack of understanding by the airport management of the IFI finance sector requirements is a major hurdle and as a result the IFI's tend to rely at present on government guarantees. With a better overall strategic plan and greater understanding of the IFI requirements a more structured approach could be developed.

The review of the long term development plan of Lviv Airport was completed in Period 2. In November 2009 a U.S. company IMTC MEI LLC won a tender for the construction of a new passenger terminal for Lviv international airport. The company proposed to pay UAH 4.9 million for the right to build the terminal. According to investment obligations approved by the government, the investor is to invest over UAH 1 billion in the construction of the terminal by September 2011. Meanwhile the government in Cabinet Resolution No. 1500 of December 8, 2009, ordered the design of a temporary passenger terminal at Lviv airport by February 15, 2010 and by March 15, 2010 and develop and approve tender documents to select a general contractor for the existing terminal's reconstruction. The centralised decision making and potentially conflicting initiatives and directives reflect the poor planning and project execution capabilities within the public sector at the present time.

The review of the long term development of **Odessa Airport** revealed that a number of important aspects of airport development have not been fully appreciated or understood. Firstly, there seems to be limited understanding of the economic impact an airport may have on the overall economy². Secondly there seems to be no noticeable appreciation of the need for an airline to fly certain ranges with specific airplanes types with specific frequencies in order to be profitable. This lack of understanding of the basic aviation economics (among the municipal decision makers we have spoken to) will lead to the wrong development priorities. In Odessa the municipality (owner of the airport) is putting the development emphasis on the construction of a new terminal building despite the existing severe runway weight restrictions, frequency constraints and high runway and taxiway maintenance. Yet by lifting the significant airside restrictions and creating more liberal bilateral arrangements, it could enhance the airline route profitability and drive more peak traffic, therefore demanding a different terminal configuration. During this initial visit the TEN-T project facilitated the interface between the airport management and the World Bank.

The review of the long term development of **Simferopol Airport** revealed that the key airside bottleneck is caused by a single 2 km runway/taxiway linking the main runway to the apron. The deteriorating airside infrastructure is already nine years beyond the designed maximum lifespan of 20 years and it seems clear that the aerodrome airside infrastructure will certainly not last a further five years without significant financial investment.

Removal of this bottleneck and renovation of airside facilities is a priority but the proposed solution (a dual taxiway system to address the bottleneck) is a major investment that does not address the current inefficient layout of the airport. An initiative that has been proposed to move away from the current congested terminal area seems logical given the significant airside investments required. However, not having a thought through master plan may well result in the consequence that visual sight lines from a new control tower now under construction may be blocked.

The review of the **Dnipropetrovsk Airport** long term development revealed that the airport was privatised in September 2009 through an "open auction". Dniproavia (the home carrier) was the single bidder and has incorporated the international airport as a division in its corporate structure. Dniproavia is also responsible for aircraft handling. While it is understandable that Dniproavia is now pursuing a highly integrated business model, countervailing powers (including close supervision by the SAA) will be required to ensure that the airports continues to provide a level playing field to all current and potential users and ensure that formal or informal schedule coordination and continues to provide non-discriminatory airport access opportunities to existing and new entrants.

It is recommended for the SAA to monitor the development, taking into account the EU transport acquis perspectives. However, to be very positive, the dramatic upgrading and expansion of the Dniproavia fleet and the renovation of the airside (reconstruction of the runway, taxiways and aprons scheduled to start in April 2010) will further consolidate the position of Dnipropetrovsk as the major national and international gateway to the region. Again, with regard to planning we notice an

² A rule of thumb is that every million passengers create a thousand jobs in employment.



incremental approach to expansion plans. The lack of a long term vision driving the development of a new taxiway and further terminal development could result in an inefficient configuration.

The review of the long term development of **Zaporozhye Airport** revealed that this airport situated only 80 KM from Dnipropetrovsk Airport cannot be considered as a strategic airport even from a national perspective. The idea that Zaporozhye Airport could develop into a logistics centre is not realistic as air cargo based logistics companies will settle at those airports with a reliable air lift capacity from reliable passenger services and a road transport service to enable cargo to be trucked to their final destination. Therefore cargo volumes at Zaporozhye would remain small.

Stage 3: Upgrading the SAA safety oversight capacity

A review has been carried out on the current Ukraine Air Code and Aviation regulations with regard to the Certification of Aerodromes in Ukraine and the introduction of safety management systems by the Aerodrome operators. As a result two proposals for amendment were presented by the TEN-T project to the Deputy Director of the SAA for acceptance and further processing by the regulatory departments of the Ministry of Transport responsible for aviation legislation.

An Aviation training programme has been established to upgrade the skills and knowledge of SAA staff and inspectors on the certification of aerodromes and air navigation service providers including the implementation of safety management systems. The first training courses on safety management and the (Aviation) English language training to SAA staff members was carried out in November and December 2009. Initiatives have been taken to implement the remainder of the training program in 2010.

In addition, an initial flow diagram has been developed by the project that will form the basic structure for the Aerodrome Certification Procedure Manual in support of the SAA certification staff to be completed early 2010.

Based on interviews by the project in the Netherlands with the National Aviation Authorities for safety oversight and with the Amsterdam airport safety management, a document has been developed on the institutional and organisational requirements regarding responsibilities in safety management at the airside of the airport and platform management during aircraft turn-around between arrival and departure.

As this subject is currently under review in Europe, this initiative means that Ukraine will have the latest decisions introduced into safety management for ratification by those responsible for aviation legislation.

4.9 WP7: Crosscutting Issues

The issues covered as part of this work package are: multimodal transport, logistics technology, cross border issues, ICT in transport and transport sector environmental strategy and action plan.

Work on these components has started as a part of the main sector issues and following the data collection and dissemination phase, it will be strengthened with the additional support from senior short-term experts in the next period.

Although work package 7 started later than was originally planned, the team is already generating data and formulating ideas that will be essential for the specialist to be mobilised in the next period who has wealth of knowledge about the situation in Ukraine.

Interim report 7.1 covers all the issues to date in some detail and is summarised in the appendix. This will be used as the basis from which to develop sound recommendations for future development.

4.10 WP 8: Sector Strategy and Plan

The current financial crisis and its immediate impact on revenues from the transport sector prompted the Transport Minister to request the project to prepare recommendations for action that can be taken. There has been no further request for follow up but a further request is expected to be made to the project when the new Minister of Transport is appointed.



Stage 1: Prepare an Immediate Action Plan

The previous Minister of Transport issued a letter to the project requesting it to draw up recommendations for mitigating the immediate effects of the financial crisis and to assist with immediate reforms. The project responded quickly and a working paper was produced. It is understood that this paper enabled the Minister to implement some reforms, although no direct follow up was requested of the project to the action plan.

It is likely that such requests will become more frequent along with the need to understand more fully the legal implications of the ever changing legislation in Ukraine. We therefore recruited a local junior legal expert to the project team in Kiev.

Stage 2: Forecast and transport balance

The action plan of proposed investments – to be prepared by the project in future planning periods – will depend largely on three factors:

- The present condition and capacity of the network
- The predicted amount of future traffic
- The amount of financing likely to become available

Only the first of the above is known. The other two depend on socio-economic development, and the nature and location of this development will depend on events outside the control of the project.

In addition, a list of projects of strategic importance was given “On investment projects of strategic importance for economic development of the country” (No.1432-r 7 Oct 2009). This was a list of 12 identified projects of which 4 related to transport that were not included on earlier lists and are not recognised by MoTC as of significance to them. Although these projects were said to be selected based on clear criteria to international standards, this proved not to be the case.

However, this is of no real concern of the project at this time as they will be included for evaluation within the “long list of projects” being evaluated by the project that is being collected from all transport sub-sectors.

Traffic and economic forecasting is an inexact science and is particularly uncertain during the period of financial and economic turbulence that is affecting Ukraine and the world.

Future transport policies may affect the share of each different transport mode, while different financial policies may affect the amount of funding available for maintenance and for new projects. These factors, however, can be influenced by actions of the MoTC and the Government policies. The greatest uncertainties are those which are outside Ukraine’s control.

The approach is to consider alternative planning scenarios that would result in a different distribution of traffic around the network. Projects considered for the action plan will need to be tested under each of these possible future transport distributions. A project which scores favourably under all or most scenarios may be regarded as less risky than a project that only scores well under one or two scenarios. In this way the most robust projects can be identified, and also the ones that carry greater risk of failure.

Four broad scenarios are being considered as the basis for sector planning. The different pattern of traffic distribution under each scenario will be identified as part of the traffic modelling process. The following scenarios will be developed further in period 4:

1. EU Accession: an assumption will be needed on the traffic effect of Ukraine’s possible membership of the EU.
2. Russian policy towards the use of Ukrainian ports: it is known that Russia is implementing new ports projects to reduce its dependence on other countries, including Ukraine. Alternative assumptions on future Russian policy will result in different forecasts for Russian transit traffic through Ukraine.



3. World economy: the speed of recovery will be important but also the nature of the recovery. World growth may shift more to Asian markets, and the demand for Ukrainian products may not be the same as it was before.
4. Ukraine economy: the speed of the recovery will be important but also the location and characteristics of future growth of the domestic economy.

A set of assumptions under each scenario will be formulated as the basis for traffic forecasting. This is contingent on the finalisation of the transport policy and compilation of detailed information on historical traffic by mode of transport, commodity, destination and origin. Specific development scenarios are being developed within each subsector.

Particularly, in-depth analysis will be needed of the cross-border traffic between Ukraine/Russia, Ukraine/Belarus and Ukraine/EU.

The longer term aim is to produce an analytical model for all transport modes in Ukraine to prioritise projects against the same standards, using multiple criteria. This will help to identify the most important projects for the economic recovery and trade development of Ukraine and enable the project to focus the attention of the IFIs on the projects that will have the most benefit for economic development and social progress. The project has formed close working relationships with private and public sector stakeholders and with the full support and endorsement of the MoTC, the basis for conducting the multi-criteria analysis is being established.

The forecasts to be prepared will be established based on traffic generators such as population, income and employment in each area of Ukraine. In Period 2 a compilation of the database was initiated and this was completed in Period 3. The 27 main administrative entities of the country (oblasts, cities and the Autonomous Republic of Crimea) will be the basis of this database, together with the details of the infrastructure and traffic on the study network. The border crossings and ports will also be included as part of this network.

When completed, the model will allow assumptions on inputs such as future transport costs by mode to be varied to reflect the results of alternative policy choices. The process will allow analysis of policy options and lead to new projects being identified that will then need to be further prioritised across transport modes to ensure that they are compatible, one with another. This is to ensure, for example, that port development is linked to the development of access to rail and road infrastructure, at the right time. All this is for subsequent work, for which the foundations were laid in Period 2.

Although the MoTC has some appreciation of the importance of the links to the TEN-T corridors, it lacks full access to available information, and in this respect the project is seeking to reinforce the information available to the MoTC to help it take more informed decisions in the future.

The information system being prepared could be used for forecasting and defining modal balance and should be taken over by the MoTC after the completion of the project. The additional manpower requirements on MoTC and/or its agencies must also met to enhance the sustainability of the project.

Stage 3: Transport sector strategy

The Concept on Transport Policy approved on 14 May 2007 by the MoTC has been discussed with the MoTC and the Twinning project and various versions of a draft transport policy document were produced. This work is now consolidated in WP 1 as previously described.

4.11 WP9: Human Resources Development and Training

Stage 1: Preparation and Set up

It was originally agreed that the project would work closely with the head of the HR Department of the MoTC and she was supported by TEN-T in her initiatives to improve the management control and development of all staff in all subsections of the MoTC, before her suspension that started in early



August 2009. After a period of uncertainty we had to assume that she would not return and in late September 2009 Mr Yuriy Laguta was appointed as the deputy head.

He has been briefed on the progress of the TNA but has yet to undertake the agreed coordination role of all training provided by all projects for the benefit of the MoTC

Stage 2: Training Needs Analysis and Training Strategy

The initial stages of the Training Needs Analysis (TNA) were completed in August 2009 and based on this a programme of training was developed in July 2009. Unfortunately there was no coordination by MoTC so it clashed with training provided by the Twinning Project "Support to Transport Policy Design and Implementation in Ukraine".

The Twinning project established their own training programme and they have delivered a short version of most of the subjects TEN-T agreed to teach. Within the TEN-T planned training programme now confirmed, some of the subjects will be repeated for those people unable to attend the earlier training.

Aviation sector

Once clear understanding was reached with SAA in April 2009 rapid progress was made in providing training assistance at all levels. In order for them to achieve closer ties with Europe a range of certified training courses were quickly identified and implementation started in Period 3.

Support was provided to the SAA by the project at all times and they have expressed their satisfaction in writing with the support that has been given at every level. This input is therefore to be considered as part of the high level training programme in this mode and started in June 2009.

The aviation work package would primarily focus on the implementation of regulations, organisational reforms, and common practices in aviation safety oversight. A draft working paper on SAA Safety Oversight was prepared and submitted to the SAA for review and discussion.

The SAA confirmed that the first priority was to be given to the airport certification according to the ICAO safety regulations and safety management requirements as laid down by the GASR group of safety regulators. This resulted in training being given to 4 selected personnel who had received basic English aviation language training by the TEN-T prior to attending an airport safety certification course in Holland from 23 to 27 November 2009. This is a train-the-trainer course and will be followed by a structured training programme, supported by the TEN-T, to train others to achieve airport certification to international standards in the 7 key Ukrainian airports in 2010.

Other training

The MoTC requested that a number of people be trained in project preparation to international standards that meets the requirements of the IFIs in Ukraine. This was agreed and planned in November 2009 and candidates have now been identified for a pilot programme to start in the next period.

In addition, specific training in perishable goods has been requested to be organised by the MoTC through the Roads Research Institute and a proposal for this training is being progressed.

All other training is now agreed and a training programme attached as Appendix 4.

Other issues

It was agreed initially that the MoTC's HR Department would take the lead in the TNA coordination and implementation of all training programmes.

In addition discussions on creating a database provided by the project for use by the MoTC HR Department have now stalled although proposals and costs were produced by the project and submitted to the MoTC HR department in November 2009.



It was understood that an order was drafted requiring all training to be coordinated through the HR function as the first step towards bringing externally funded training programmes under the control of the MoTC but this action has not yet happened.

Stage 3: Implement training programme

The results of the TNA have been used to design an additional training programme starting in the next period. This process has already started with focus on the aviation, railway and maritime sections.

5 Planned Activities for the Next Reporting Period

5.1 General

Interim reports have now been produced on all areas of the project and they will form the basis for further debate in Period 4 leading to precise training being delivered and subsector strategies being formulated before the project end.

Each interim report provides a comprehensive view of the specific subjects identified in the ToR and offers clarity to the issues raised within each transport subsector. They are produced as a result of discussions between the project and the working groups as well as a wide range of stakeholders and therefore represent a comprehensive understanding of the current position that will lead to recommendations being made during the next periods based on a sound understanding of the issues.

5.2 Planned Deliverables

Appendix 2 summarises the interim reports produced in Period 3 and where there have been deviations from the original plan, explanations are given.

As the project is now moving into its final phases there are many issues being raised that are common to more than one subsector such as the need to amend laws and strengthen the investment climate in Ukraine by providing incentives and guarantees of security in partnership ventures. In addition there is a need to ensure that transport subsectors are part of a clearly defined transport plan and have decision making authority for future planning, within the agreed plan.

This lack of authority and sense of direction towards accepting international “best practice” has been most evident when trying to help the subsectors during the previous two periods, to establish the Sector Budget Support Indicators (SBS) for the next 4 years.

Some subsectors such as aviation embrace change towards European “best practice” as they seek to meet the EU requirements whereas maritime have so far been reluctant to accept that any changes are required to the way in which they operate now.

For railways the need to change is accepted by UZ and MoTC and the resolution on restructuring has now been agreed by CMU.

For international road transport the industry has made changes to meet the European requirements as they could not have continued to operate throughout Europe without accepting European common practices. But, for domestic transport (both passenger and freight), the concept of adopting EU standards is not seen to be attractive and will be met with strong resistance from the many small private operators. However, some small incremental steps have been made in the domestic transport operational control, limiting some commercial bus and freight drivers' hours to (international standards) AETR rules and introducing better control of hazardous cargo movements, and these are to be applauded.



The interim reports produced that have been circulated since January 2010 to MoTC, as they have become available in Ukrainian and later will be circulated to all interested stakeholders. As each report is very comprehensive a summary of each is provided as an attachment to this report.

6 Planned actions in Period 4

6.1 WP 1: Transport Policy

Interim Report 1.1 Institutions and Legislation in the Transport Sector

Recommendations stemming from this report will need to take into account the soon to be **approved** transport strategy and the structural and legal changes required for the successful implementation of the policy. The draft recommendations will be discussed with the MoTC and the working groups with conclusions based on a consensus view over all stakeholders. This process may take time and certain aspects may need further study throughout the remaining period.

Interim Report 1.2 Transport Statistics

For those statistics that can, and should be made available to the public, their sources will be examined with the MOTC and the State Statistical Committee and their coverage and reliability established. It is noted that much progress has already been made in aligning the statistical reporting to current best practice in Europe and the discussions will therefore focus on the speed of further integration and the help the project can provide.

Interim Report 1.3 Integrated Transport Policy

Once the strategy has been approved by the Cabinet of Ministers and proposals agreed for its implementation, the project will use the resultant paper as the basis for integrating it with the transport subsector strategies.

6.2 WP 2: Railway Transport

In Period 4 the project will attempt to identify specific capacity constraints in the Ukraine's trunk rail network that require improvement and would assist the build up of international traffic between Europe and Ukraine and transit traffic between Europe and other Black Sea countries. This will be done through a modelling and forecast exercise which will highlight possible bottlenecks on the rail network. This will lead to a list of projects, including intermodal projects, which will be analysed and ranked according to a specific methodology developed by the Project.

Interim Report 2.1 Proposals for High-Speed Passenger Services

UZ is anxious to develop its high-speed passenger services but the current definition of such a service is different from that understood in EU.

Interim Report 2.2 EU Integration Strategy

Interoperability is detailed in the interim report and will be discussed in greater detail once a closer contact has been established with UZ. **Border crossing technologies** will be linked to the activities of WP7 which was delayed due to problems in the border area before the Christmas holidays and will be activated in March 2010.



In Ukraine there is a good understanding of what is possible and the critical factor is selecting the most economic solutions, taking in to account the volume of traffic and a long term perspective. This report attempts to bring clarity to these issues and includes recommendations for consideration by the working group. The working group's views will be reflected in the interim report to be revised in Period 4.

Harmonisation of rules and standards – the concept of 'interoperability' has been developed by the EU and the European Railway Agency to allow international seamless and cost effective rail transport. The chosen technical solutions should comply with the EU's Technical Specifications for Interoperability (TSIs). Information on the TSIs that could be relevant to Ukraine has been prepared for discussion with the rail working group and other stakeholders. Ukraine's situation is such that conformity with the GOST specifications (compatibility with the CIS countries) must be maintained. From this starting point the interim report on improving interoperability with the Trans-European railway network has been prepared as a firm base upon which further discussion within the working group can take place.

Logistics centres and cargo handling – the present UZ policy on the provision of logistics centres and on providing for intermodal transport will be investigated and explained, together with the locations of the centres, the traffic throughput and plans for further development. This will be an input into the overall studies on multimodal transport which are included in Work package 7.

Energy saving – most of the principal lines on the UZ network are already electrified or are in process of being so, leading to improved environmental practice. Modern locomotive technology, both electric and diesel, offers considerable scope in reducing fuel consumption. The use of distributed power in multiple-units for passenger trains offers further potential energy saving, as does more lightweight construction of modern trains. The problem is finding the necessary financing for investment so that these opportunities can be exploited. Proposals that could have the most immediate and significant impact will be explored in Period 4 to see if a strong case for external funding can be made.

Interim Report 2.3 Railway Restructuring

Existing organisation – a review of the existing structure and the proposed restructuring started in Period 2, continued through period 3 and will continue with the working group during the next reporting period. A working paper will be produced for further debate and to ensure correct mutual understanding of the present situation, the objectives of reform and the proposals that are on the table.

Discussions are therefore planned to determine how best the project can assist UZ once the reform process starts. This is a difficult time for UZ and the MoTC rail section and the Department of Transport and Communications Systems Development of Coordination (DTCSDC), within MoTC, is doing its best to facilitate meetings and help the project establish high level contacts in UZ. In the meantime we develop plans to help MoTC rail to establish an Independent Regulator in the future, as will be required if EU policy is to be adopted.

Restructuring Proposals – Greater competition in the rail market is an objective of the EU policy and is widely regarded, by both the MoTC and UZ, as being of potential benefit to Ukraine. The first step must be to separate the state functions of railway regulation and safety from the commercial functions of UZ. Then measures are needed to improve UZ's marketing and commercial performance so that it is able to strengthen its ability to maintain market share and compete in a competitive environment. The project has produced an interim report that shows how these tasks and functions were transferred from the incumbent monopoly railways to the state in the EU countries. The steps needed, how long it has taken, and the results achieved will be examined and explained. A review of the Ukrainian situation and possible solutions has been prepared for discussion.

Recommendations for a new organisational structure, with tasks, responsibilities and procedures, will be prepared based on the progress already made in Ukraine and views of the most appropriate new structure. This will be discussed with the working group.



The pace in which Ukraine wishes to adopt European legislation will be relevant, as there are many steps to be taken in the harmonisation process. The conclusions reached by the end of Period 3 will be included in a further report in Period 4.

Corporatisation and financial freedom – UZ is presently an arm of Government which supervises six regional railways. There is a need for a more commercial approach throughout the railway business so that rail is able to compete vigorously in the changing transport market. The restructuring proposals are likely to require greater financial freedom in tariff setting. A working paper detailing the key issues was produced in Period 3 for discussion with the working group, and the results will be reviewed in Period 4.

Cross-subsidising of passenger services – this issue has long been debated and will again be reviewed and updated in Period 4, assuming that the railways have the will to change. There is a need not only for more commercial passenger operations but also for support for socially-required but loss-making services. The need to review the accountancy practices and the costs of service provision will form a part of this debate, once the project has been given access to the detail.

Our intention is that these interim reports, which are being provided to UZ and MoTC, will provide the basis for wider discussions on the alignment with the EU policy which the railway will achieve during the restructuring process. We intend to seek to use them to generate debate with both UZ and MoTC and to develop areas for further discussion between us where we can influence the development of policy during Period 4.

For Period 4 the project experts will seek the opportunity to work with UZ on accounting and financial reporting reform at a global level, by business unit, and by service. This will be necessary if the MoTC is to fulfil its objective of replacing internal business cross subsidisation with explicit revenue support for socially necessary services which operate at a loss.

The EU directive requires that clear and open accounting systems and separation of railway sector accounts takes place.

The project experts believe this is a key issue for the future development of Ukrainian Railways as a commercial entity inviting competition on its network in accordance with the European model.

This question has been identified by the participants to the Rail Working Group as a key priority. Moreover, the IFIs continue to push changes in accounting to introduce more transparency and be compliant with EU standards, while many sources of funding for capital investment will make their offers conditional on such reform.

It is planned to arrange a seminar in early 2010 with the participation of the European Railway Agency (ERA) in charge of the preparation of the TSIs. This would cover the current situation, the solutions envisaged to solve the problems, especially those related to the 1520 mm network, and to discuss the opportunities for Ukraine.

In Period 4 we will work on the development of gauge changing options at the borders to see how the current through traffic obstacles can be alleviated. While technology may provide some answers, it is more likely that a focus will be on some of the process issues.

Gauge changing technology remains an unfulfilled ambition for the rail industry, and technical solutions fall beyond the remit of the project. Instead we will focus on whether there are procedural improvements that could assist in developing the marketability of international rail freight.

6.3 WP 3: ROAD INFRASTRUCTURE

Interim Report 3.1 Construction Standards

This is the first interim report on the subject and will be strengthened by additional work subsequently requested from Ukravtodor on “standards and costs”, during period 4.



Interim Report 3.2 Road Management

Maintenance practices and standards, outsourcing possibilities – maintenance is still largely performed by the public sector and for some maintenance activities there is a need to enhance the private sector capabilities and introduce more competition to ensure best practice and value-for-money. The funding requirements and options available also need to be discussed. These may include increasing road user charges and the development of public-private partnerships for maintenance. This is a continuing process to advise Ukravtodor and MoTC, during the project duration.

Decentralisation and Reorganisation Proposals – various proposals have been tabled in recent years but no final decisions have been taken. The issues are financial (the flow of funds between institutions) as well as technical (ensuring good asset management and enhancing safety). Alternative proposals will be further explored in Period 4 and appropriate recommendations included in a later report.

The project has also established collaboration between the Ukrainian Government and the United Nations Economic Commission for Europe (UN/ECE) Team of Specialists on Public Private Partnerships (ToS PPP) and it is expected that a team from ToS PPP will carry out training in Ukraine in late April 2010.

Road safety - The project team is working with the Ukrainian Road Safety Association (URSA) to form a non-profit institute of excellence of road safety. The proposed institute will carry out research on best practices available worldwide for implementation suited to the needs of Ukraine, and facilitate best practice on driver training and assessment, traffic engineering including road safety audits, road safety education and post-accident management and care. In subsequent times, the Institute could start working in the area of accident investigation and traffic enforcement.

6.4 WP 4: Road Transport

Interim Report 4.1 Road Transport Market

The domestic market remains unstructured and poorly controlled and this is well recognised within the industry. Road user charges are a subject for debate as road transport, including private transport, is expected to contribute to the general tax revenue but should also compensate for the cost imposed on society (such as road maintenance costs).

Another issue is that of unequal tax treatment for the different classes of road transport operator, which may cause distortions in the market and hence potential inefficiency. Identification of the many issues is contained in the interim report and will be subject to vigorous debate in Period 4.

6.5 WP 5: Maritime and Inland Water Transport

Interim Report 5.1 Maritime Policy Reform and Action Plan

Competitiveness and performance of key sea ports –a study has been produced to identify the parameters and compare them to similar port operations elsewhere and this will be further elaborated in Period 4.

Performance of inland transport links – this will form part of the intermodal analysis to establish the present position and propose a plan for Period 4. It is known that for several ports there is a mismatch between the port capacity and the inland transport system and these areas will be identified and recommendations made.



Traffic demand including transit – this work has started with the establishment of a data base now being populated with all available data. The transit data will be sought in this period to add to the model. The first draft of the model will be produced in Period 4 under WP8.

Policy and reform plan – this process is well underway from the previous periods and two draft papers have been produced and feedback received from the working group. The final version of these papers was submitted during Period 3. A revised working document of the policy paper will be presented in Period 4 for discussion with the working group.

Interim Report 5.2 Port Management

Recommendations on legislation – a detailed review of maritime legislation was made and a gap analysis determined the regulatory and legal needs to align the sector with the EU and international level. Concrete recommendations on how best to transpose the most relevant EU maritime legislation into Ukrainian law and a recommended timeframe will be developed from this report.

Recommendations on port services – following the identification of current services available and an assessment of the competitiveness / productivity of the key seaports, recommendations will be formulated on how efficiency and productivity can be improved.

Assessment of port administration – This is one of the most difficult and controversial elements in the maritime strategy. It will be the aim of the project to propose the necessary changes in the port administration structure, in line with the EU and international practices, without totally disrupting the continuity of expertise in seaport management. However, the present port administration, even as recommended in the seaport strategy till 2015, is outdated and a prime reason for the inefficiency of the Ukrainian ports. This issue will be debated starting with a review of the policy at a working group meeting 10 March 2010.

Harmonisation with EU/WTO - is an important element for the integration of the Ukrainian transport system into the international and European traffic and trade flows. Although increasing effort is being made to “upgrade” the existing system, most initiatives are targeting specific (short-term) problems without looking at the total picture of port management and operations. A comprehensive overhaul of the Ukrainian port managerial and operational system in line with the EU and WTO rules and regulations, as well as international practices, will be reviewed in the period.

The inland waterway analysis, river traffic forecasts, and needs assessment of inland waterways, as well as the development of a comprehensive policy and development strategy for the inland waterway sector, will be developed in Period 4.

Close contacts with key public and private stakeholders in the river transport sector have now been established and a first needs assessment and sector performance scan was made during Period 2. A draft of the proposed new inland waterway sector policy with a detailed sector management model for Ukrainian river transport will be developed during this period. The team is also in close contact with the author of a new maritime river transport law and a draft working paper on changes to the draft law will be prepared in this period for discussion with the author of the law.

6.6 WP 6: Airports and Air Transport

Interim Report 6.1 Market Access

Air traffic management and Single European Sky – the project is working closely with all stakeholders to progress towards EU standards and reports and recommendations will be continuous during this process. On the SES, the project is acting as a catalyst between the SAA and the EU with regular meetings in Brussels and Ukraine during the last and next period. A study tour is also proposed in Period 4.



Interim Report 6.2 Airports

Review of Airport Rehabilitation Plans – the airport plans for the remaining 4 airports will be evaluated following visits in the next two periods. The reports to date have been well received by SAA and will be incorporated in their planning.

Interim Report 6.3 Upgrading SAA Oversight Capacity

Aerodromes certification and safety management systems – the project will review the present draft of Air Code chapter on aerodromes certification and Safety Management System in comparison with EU regulations and common practices (GAR) and recommendations will be made to update current Regulations in the area of aerodrome operations in comparison with EU regulations (GAR, UK, Irl, NL).

In addition the project will develop an SAA Aerodromes Certification Manual to support SAA in its activities taking into account present SAA procedures and common practices by NSA's in selected EU States and will draft a framework Aerodrome Manual blueprint in cooperation with Borispol Airport focusing on its SMS Chapter.

ANSP certification harmonisation will also start in Period 4.

The team will continue to develop initiatives to expand the focus of the aviation work on the implementation of regulations and common practices in aviation safety oversight and airport certification. This work will also include the air navigation service provider. Initial talks were held with the support of the SAA, to gain the commitment of the Ukrainian State Air Traffic Service Enterprise (UkSATSE) who has now agreed to cooperate in this effort.

The project will also provide documentation on fuelling provider's requirements in EU.

The aviation training programme started in June 2009 and the next stage is approved by MoTC and is shown as a part of the total training programme in Appendix 4.

6.7 WP 7: Multimodal Transport

Interim Report 7.1 Multimodal Transport

Multimodal transport policy: standardisation; containerisation; transit improvements – A comprehensive interim report has been produced and will be followed by border site visits and further evaluation. Contributions to conferences have been made by the project and these will continue in Period 4.

Logistics technology: regional issues; performance; modernisation – this is an extension of the work described above and will review the facilities – available and lacking – in the main economic regions and hubs in the country. It requires extensive site visits and discussions with state and private stakeholders to reach a consensus view, planned for the next 2 periods.

Cross-border issues: unify procedures with EU; improve multimodal transport near borders – a further extension of the studies above will establish the present situation, plans and progress and make recommendations for the future during Period 4.

Regional logistics centres – recommendations for project development, and these will be linked with the TRACECA logistics centre project now operating in Ukraine, which, on an interim basis, is understood to be recommending the development of centres at sites at Boryspil (by Kiev's main airport) and Odessa (by the port). Their work only covers the TRACECA corridor, however, and the report to be produced by the end of Period 4 will review the position to date within the whole of Ukraine.



6.8 WP 8: Strategy and Action Plan

Interim Report 8.1 Strategic Planning

Study network –maps now agreed and certified by Ukravtodor and UZ that identify the road and rail network for inclusion in the proposals for TEN-T integration have been produced and circulated. The forecasting will be based on this agreed network.

Road and rail database – the data base for the road and rail network has been established and is being populated to build a basis on which strategic planning can be developed in later periods. It includes the technical parameters of the infrastructure and the traffic being carried on the infrastructure.

Preliminary project long list – the database is being established into which the known proposed projects will be loaded. Additional potential projects from all transport sub-sectors will be added as they are identified. It seems that little work has been done on developing pre-feasibility studies and this will therefore be the subject of further training to be developed over the next periods

Transport sector planning scenarios – scenarios will be developed and tabled for discussion as part of the forecasting process, the first stage of which will be completed in Period 4.

6.9 WP 9: Training and Study Tours

Interim Report 9.1 and 9.2 combined: Training Needs Analysis and Training

Training needs analysis – this has been completed and the results circulated by attachment to this report and on earlier occasions to all interested parties

Proposed training – based on the training needs assessment and additional information a training plan has now been agreed with the MoTC for an early start of the additional specific training courses in Period 4. The initial training that has already been delivered will be evaluated to ensure that further training is appropriate in scope and depth. The preliminary proposals have now been finalised,

Proposed study tours – plans for study tours for the MoTC staff that will have had primary training are being planned to be conducted in Period 4. The detail is included in the training programme.



7 Appendix A: EC Project Planning Forms

7.1 FORM 2.2: Project Progress Report

Project title : Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T						Project number: EuropeAid /124964/C/SER/UA						Country: Ukraine		Page: 1/1	
Planning period : August 2009 to January 2010						Prepared on: 13/01/10						EC Consultant: Corporate Solutions Limited			
Project objective : To improve the transport sector through helping MoTC in developing and implementing a strategy and an action plan for transport integration into TEN-T															
		TIMEFRAME										INPUTS			
		August 2009 to January 2010										Personnel EC Consultants		Equipment and Materials	Other
No	ACTIVITIES	August	September	October	November	December	January	Planned	Utilised	Planned Utilised	Planned Utilised				
WP1	Policy, regulatory, institutional & infrastructure financing	X	X	X	X	X	X	258	210			Visits to locations outside Kiev			
WP2	Selected measures and reforms for rail sector	X	X	X	X	X	X	287	186,5						
WP3	Selected measures and reforms road infrastructure	X	X	X	X	X	X	225	232						
WP4	Selected measures and reforms road transport	X	X	X	X	X	X	150	139						
WP5	Selected measures and reforms maritime transport	X	X	X	X	X	X	320	291						
WP6	Selected measure and reforms airports and air transport	X	X	X	X	X	X	140	152						
WP7	Crosscutting issues	X	X	X	X	X	X	230	144						
WP8	Sector Strategy and Action Plan	X	X	X	X	X	X	204	60						
WP9	Human Resources Development & Training	X	X	X	X	X	X	189	204						
								2003	1620,5						



7.2 FORM 2.3: Resources Utilisation Report

Project title: Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T		Project number: EuropeAid/124964/C/SER/UA		Country: Ukraine	Page: 1/1
Planning period: August 2009 to January 2010		Prepared on: 13/01/10		EC Consultant: Corporate Solutions Limited	
Project objective: To improve the transport sector through helping MoTC in developing and implementing a strategy and an action plan for transport integration into TEN-T					
Resources/Inputs	Total Planned	Period Planned	Period Realised	Total Realised	Available for Remainder
PERSONNEL					
Team Leader	560	130	113	340	220
Road Key Expert	240	70	74	181,5	58,5
Rail Key Expert	440	50	37,5	167	273
Maritime Key Expert	460	70	34	154	306
STE - Senior Expert	2 300	390	373	879	821
LTE junior experts	2 000	520	463	1246	754
STE Junior Expert	1 500	773	526	694	806
Sub-total	7 500	2 003	1 620,5	3 661, 5	3 838,5
EQUIPMENT AND MATERIAL					
		None	None	None	
Sub-total					
OTHER INPUTS					
Steering Committee	350,000	35,000	23,131	43,466	306,534
Travel costs outside Kiev	25,000	2,000	1,905	4,572	20,428
Per diems	175,000	15,000	11,892	39,113	135,887
Sub-total	550,000	52,000	36,928	87,151	462,849



7.3 FORM 2.4 Output Performance Report

Project title: Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T		Project number: EuropeAid /124964/C/SER/UA	Country: Ukraine	Page: 1 / 3
Prepared on : 6 Feb 2010		EC Consultant : Corporate Solutions Ltd		
Output results	Deviation original plan + or - %	Reason for deviation	Comment on constrains & assumptions	
Inception Report	-100%	On 11 September 2008 it was agreed to postpone the submission of the IR to the end of November 2008. The first draft was submitted in December 2008. The IR was restructured and resubmitted on 23 February 2009.	It was assumed that the project ToR could be revised but on 16 January 2008 it was agreed to include the changes in the project' work plan.	
Immediate Action Plan published	None		No comments received from the MoTC in writing but the project was advised that actions were taken on the advice given	
SBS Strategic Indicators	None		Working closely with MoTC to agree with each transport subsector on which indicators they will accept for submission with the National Transport Strategy plan to achieve the financial support from the SBS system. Process near completion end Jan 2010	
Progress Report I	10%	Change of Team Leader in April 2009	Early draft reports were revised at the request of the MoTC and later accepted	
Transport Demand and Traffic Forecasts prepared	None		The process to collect data is agreed and a database is being populated with information from all transport subsectors	
Training Needs identified	None		Training started in Period 3 and will intensify in Period 4.	



Project title: Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T		Project number: EuropeAid /124964/C/SER/UA	Country: Ukraine	Page: 1 / 3
Prepared on : 6 Feb 2010		EC Consultant : Corporate Solutions Ltd		
Output results	Deviation original plan + or - %	Reason for deviation	Comment on constrains & assumptions	
National Transport Policy/Strategy defined	None		With support from the TEN-T project and the Policy Twinning Project a strategy paper was circulated by MoTC in Nov 2009. Replies are being received Jan 2010 for final drafting by MoTC.	
National Transport Strategy defined through formulation of sub-sector and multimodal strategies.	None		Reform plans have been defined by various bodies for maritime, road and railways and are under preparation for the aviation sector. Once an overall policy is defined, these may need to be revised to ensure compliance with the policy.	
Short and long term action plans for TEN-T Integration defined	None		This output is dependent on the successful achievement of other milestones.	
List of Priority Investment Projects and Financing Options formulated	None		Agreements will need to be reached with the MoTC on criteria for prioritising investment projects. Financing options will be influenced by financial crisis as well as whether the transport policy, sector reform programmes and PPP law are enacted. In preparation, a database is being populated with all known sector projects.	



Project title: Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T		Project number: EuropeAid /124964/C/SER/UA		Country: Ukraine		Page: 1 / 3	
Prepared on : 6 Feb 2010				EC Consultant : Corporate Solutions Ltd			
Output results		Deviation original plan + or - %		Reason for deviation		Comment on constrains & assumptions	
Training, Capacity Development and Training Events held		None				The TNA analysis was completed in Period 2 and approved by the working group and MoTC HR department Following personnel changes at MoTC HR the programme was modified. Training started in Period 3 (particularly in aviation) and will be intensified in Period 4.	
Progress Report 2		None				Delivered on time and accepted	
Progress Report 3		None				Delivered on time with summary of Interim Reports attached	



7.4 Form 1.6 Plan of Operations for the next reporting period

Project title : Support to the Integration of Ukraine in the Trans-European Transport Network TEN-T			Project number: EuropeAid /124964/C/SER/UA						Country: Ukraine		Page : 1/1	
Planning period : 1st February 2010 to 1 August 2010			Prepared on: 13/01/10						EC Consultant: Corporate Solutions Limited			
Project objective: To improve the transport sector through helping MoTC in developing and implementing a strategy and an action plan for transport integration into TEN-T												
		TIMEFRAME							INPUTS			
		1 February – 31 July 2010							Personal		Equipment and Material	Other
No	Activity		2	3	4	5	6	7	Senior Experts	Junior Experts		
1	Sector policy and management	Senior	X	X	X	X	X	X	180		Computer Software and hardware Materials for Working Group Meetings HRD Data Base Software	Steering Committee Meeting Travel and Per diems for travel outside Kiev Financing of various Events
		Junior	X	X	X	X	X	X		50		
2	Rail transport	Senior	X	X	X	X	X	X	70,5			
		Junior	X	X	X	X	X	X		130		
3	Road infrastructure	Senior	X	X	X	X	X	X	90			
		Junior	X	X	X	X	X	X		150		
4	Road transport	Senior	X	X	X	X	X	X	50			
		Junior	X	X	X	X	X	X		110		
5	Maritime transport	Senior	X	X	X	X	X	X	60			
		Junior	X	X	X	X	X	X		150		
6	Airports and air transport	Senior	X	X	X	X	X	X	70			
		Junior	X	X	c	X	X	X		100		
7	Crosscutting issues	Senior	X	X	X	X	X	X	120			
		Junior	X	X	X	X	X	X		50		
8	Sector strategy and plan	Senior	X	X	X	X	X	X	50			
		Junior	X	X	X	X	X	X		50		
9	Human Resources Development	Senior	X	X	X	X	X	X	30			
		Junior	X	X	X	X	X	X		90		
TOTAL:									720,5	880		



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