TWINNING PROJECT FICHE

Institutional Support to the Ministry for Infrastructure of Ukraine on Increasing the Operation Performance and the Competitiveness of Rail Transport in Ukraine

UA/12/ENP/TP/36
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BC</td>
<td>Beneficiary Country (receiver of technical and financial support of international funds and organizations)</td>
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<tr>
<td>UZ</td>
<td>UKRZALIZNYTSIA (Ukrainian Railways)</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>ERA</td>
<td>European Railway Agency</td>
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<td>EU</td>
<td>European Union</td>
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<td>IFI</td>
<td>International Financial Institution</td>
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<td>IT</td>
<td>Information Technologies</td>
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<td>MIU</td>
<td>Ministry of Infrastructure of Ukraine</td>
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<td>MS</td>
<td>EU Member-State</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>OSJD</td>
<td>Railway Cooperation Organization (CIS Railways)</td>
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<td>COTIF</td>
<td>Convention concerning International Carriage by Rail</td>
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<td>PAO</td>
<td>Program Administrative Office</td>
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<td>PCA</td>
<td>Partnership and Cooperation Agreement</td>
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<td>PL</td>
<td>Project Leader</td>
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<td>PSC</td>
<td>Project Steering Committee</td>
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<td>RNA</td>
<td>Regulatory Need Analysis</td>
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<td>RTA</td>
<td>Resident Twinning Advisor</td>
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<td>STE</td>
<td>Short Term Experts</td>
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<td>TNA</td>
<td>Training Needs Assessment</td>
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<td>TP</td>
<td>Twinning Partner</td>
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<td>UIC</td>
<td>International Union of Railways</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<tr>
<td>Transport Strategy</td>
<td>Transport Strategy, approved by CMU Ordinance No 2174-r dated October 20th 2010 ‘On approving the Transport Strategy of Ukraine for the period of up to 2020’</td>
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<td>TRACECA</td>
<td>Transport corridor Europe – Caucasus - Asia</td>
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1. BASIC INFORMATION

1.1. Programme: ENPI Action Programme 2010 for Ukraine

1.2. Twinning Number: UA/12/ENP/TP/36

1.3. Title
Institutional Support to the Ministry of Infrastructure of Ukraine on Increasing the Operation Performance and the Competitiveness of Rail Transport in Ukraine

1.4. Sector
Rail Transport

1.5. Beneficiary Country
Ukraine

Ministry of Infrastructure of Ukraine (MIU)
2. OBJECTIVES

2.1 Overall Objectives

The overall objective is to enhance the operation performance and competitiveness of rail transport of Ukraine through improving the rail sector state governance and commercial management structure, providing support in the course of its reforming, promoting the implementation of advanced standards and best international practice, increasing the staff professional training level in the sector of state regulation and commercial management of railways.

2.2 Project Purpose

The purpose of the project is to strengthen the institutional capacity of the Ministry of Infrastructure of Ukraine (Department of State Policy in Rail Transport Sector) to ensure the efficient state regulation of rail transport operations in Ukraine in the framework of rail transport reform, to improve its business and to create proper conditions for

- Developing the competitive environment for individuals and legal entities operating at the rail transport market
- Introducing European quality standards in transport services
- Promoting the attraction of private investment into the sector development.

2.3 Contribution to the National Transport Strategy

The relations between Ukraine and the EU are based on the Partnership and Cooperation Agreement (PCA) that was signed in 1994 and entered into force in 1998, and the European Neighbourhood Policy EU-Ukraine Action Plan replaced by the Association Agenda in November 2009. The Provisions of Article 64 ‘Transport’ of the PCA stated that ”Parties shall develop and strengthen their cooperation in the field of transport” and, in particular, the co-operation shall ‘aim at restructuring and modernising transport systems and networks in Ukraine and developing and ensuring, where appropriate, compatibility of transportation systems in the context of achieving a more global transport system’.

The European Neighbourhood Policy Action Plan for Ukraine, enacted following the finalisation of the PCA, under Transport item 46 (Transport) provided for the elaboration and implementation of a national transport strategy, transport infrastructure development, including the development of an infrastructure policy in order to identify and evaluate the priority infrastructure projects in various sectors and steady participation in the joint development of the Pan-European Corridors and Areas as well as in the EC TRACECA regional programme.

Ukraine is one of the priority partners for the EU and it has been mutually agreed to move from cooperation towards gradual economic integration and deeper political association. In March 2007 negotiations on the new EU-Ukraine Association Agreement were launched to replace the current PCA. To prepare and facilitate the entry into force of the new Agreement, both parties adopted the EU-Ukraine Association Agenda¹. The EU-Ukraine Association Agreement was initialed on March 30 2012.

The integration into the EU is surely to be one of the major priorities of the Ukrainian state policy. The Ukrainian transport system has not met the EU standards and requirements yet. The state bodies are aware of all gaps in terms of infrastructure, equipment and regulations. Having signed international conventions on harmonizing the national standards and regulations with the common

¹ The Association Agenda was adopted by the EU-Ukraine Cooperation Council on 23 November, 2009, and entered into effect on 24 November, 2009.
requirements of the European Union, Ukraine declared its readiness to take all and any action required for modernizing the national transport system.

In addition, “Transport Strategy of Ukraine for the period up to 2020”\(^2\) was adopted and has been implemented in order to support the sustainable and efficient transport sector operation with a view to creating conditions for social and economic development of the country and to improve the competitiveness of the national economy and people’s wellbeing.

The National Transport Strategy of Ukraine states quite clearly the development plan for the rail transport as it may remain one of the leading freight- and passenger carriers in Ukraine for the next decades. The rail transport development policy is mainly focused on the rail sector governance, including the infrastructure, provision of open access to the rail track national network, creation of competitive conditions for the freight carriers that are crucial factors for rail transport development. Even if the railway remains a public property, its commercial operations and investment attractiveness should be also taken into account as major aspects of the sector development. Having acceded the COTIF (Convention concerning International Carriage by Rail), Ukraine initiated the harmonization/approximation of its national technical standards to the European ones.

The infrastructure development requires substantial investment to be made both by Ukraine and the EU. One of the obstacles to attract the IFI funds to Ukraine unlike the EU MSs is a requirement of sovereign guarantees for international investment into the rail infrastructure development. Lack of efficient procedure to reimburse the losses incurred in the course of the rail infrastructure development constitutes a constraining factor for the private investors.

Pursuant to the State Rail Transport Reforming Programme\(^3\) aimed at creating a new, more efficient institutional, legal, and economic rail transport management model, the first step should be a sector adaptation to the EU standards through qualitative improvement of legal framework and institutional structure. The reform directions are also in line with the tasks of the mid-term state development programme – Economic Reform Programme for 2010-2014 ‘Prosperous Society, Competitive Economy, Effective State’.

Ukraine is now just starting the establishment of an independent regulative body for rail sector. However, the open sector market should become a logical conclusion and a result of reforming process.

\(^2\) Adopted by the Ordinance of the Cabinet of Ministers of Ukraine No 2174-\(r\) dated October 20\(^{th}\), 2010.
\(^3\) Approved by the Resolution of Cabinet of Ministers of Ukraine No 1106 of 26 October 2011.
3. DESCRIPTION OF THE TWINNING PROJECT

3.1 Background and justification

To implement provisions of the Association Agreement between the EU and Ukraine and to follow the strategic targets of Ukraine on developing the rail transport and monitoring the EU standard compliance, it is planned to support, in the framework of the twinning project, the implementation of strategic trends up to 2015 established by the Transport Strategy of Ukraine up to 2020 and the State Rail Transport Reforming Program.

Currently, according to the established objectives for reforming the national railways, new laws are being drafted and the basic laws of Ukraine to regulate their operations are being amended. The legal form of a new governance body and a business entity is defined by Law of Ukraine ‘On Peculiarities of Setting Up a Public Joint Stock Company for Public Rail Transport’\(^4\) that stipulated legal, economic, and institutional peculiarities for setting up a public joint stock company of public rail transport, with 100% stock owned by the state. New property and financial and economic relations in terms of the set-up of the public joint stock company of rail transport are stated by amendments made to the Law of Ukraine ‘On Rail Transport’\(^5\). This Law will come into effect since the day of set-up and state registration of the rail transport public joint stock company.

Reforming is raising new tasks for the state and the sector that should be solved by new approaches introduced. For instance, such issues as separating state regulation and business management functions in the rail sector, developing principles and procedures for non-discriminative access of carriers to the public rail infrastructure and the dedicated pricing policy, establishing legal conditions for promoting the public private partnership for rail track development, funding the social procurement of rail passenger services by the state, are to be addressed even today.

The twinning project would include the support in the following areas:

- Development of Ukrainian railway economic potential through providing recommendations and proposals to reform the rail transport at Phases 2 and 3\(^6\) established in the way so that the railways may compete with other modes of transport. This would allow separating and improving:
  - Functions in the political area (drafting and approving transport policy, development of programmes, legislative activities, improvement of tariff principles, etc.). This refers to the actions taken by the Verkhovna Rada (Parliament) of Ukraine, the Cabinet of Ministers of Ukraine, Ministry for Infrastructure, state representatives in the regions;
  - Functions referring to the regulation or supervision in the rail operation area (enforcement of laws, commercial and technical regulation principles, including the safety rules, tariffing). The main partners at this stage are the Ministry for Infrastructure of Ukraine and UKRZALIZNYTSIA JSC;
  - Functions for managing the infrastructure (infrastructure maintenance and repairs, infrastructure access control). The main partner in this area is UKRZALIZNYTSIA JSC;
  - Functions for operational aspects (goods and passenger services). The main partner in this area is UKRZALIZNYTSIA JSC.

\(^4\) Law of Ukraine ‘On Peculiarities of Setting Up the Public Joint Stock Company of Public Rail Transport’ was adopted on February 23\(^{rd}\) 2012, No 4442-VI.
\(^6\) Stages of rail transport reforming are approved by Resolution of Cabinet of Ministers of Ukraine No1106 of 26 October 2011 (Annex III).
Separation of functions and competences as mentioned above would be in line with the EU Directives. Nevertheless, the interconnections of Ukraine with its neighboring countries should be taken into account. The CIS railways cooperate in administrative, technical, and institutional spheres. As of today, the major share of Ukrainian freight services accounts to the goods from the CIS countries, with these freight services being regulated by economic terms and conditions established within the OSJD (Organisation for Cooperation of Railways). This favourable situation should not undergo revolutionary changes; the fair competition rules according to the EU provisions should be introduced step by step to preserve the economic base of Ukrainian Railways within the reforming period.

3.2 Linked activities

Ukraine has been the recipient of a number of EU assistance projects.

Since 2011 implementation of the EU funded transport sector budget support (SBS) programme has started. The financing agreement concerning the transport sector budget support operation of budget EUR 65 million was signed in December 2010. SBS programme is based on the transport strategy of Ukraine until 2020, adopted in October 2010.

The budget support programme is accompanied by the technical assistance project aimed at support in the implementation of the national transport strategy "Support to the Implementation of the Transport Strategy of Ukraine" started in April 2012. The overall project purpose is to promote the national priorities in the transport sector and to enhance the cooperation between Ukraine and the EU, referring to the priorities of the EU-Ukraine Association Agenda and other agreements between Ukraine and the EU in transport sector.

There are a number of twinning projects, completed and ongoing in transport sector of Ukraine, One of them that may relate to the twinning project on railways is the twinning project "Development and Coordination of Multimodal Transport and Logistic Processes in Ukraine" started in August 2012.

In addition to the national EU-Ukraine action programmes, Ukraine benefits from regional programmes. Currently there are a number of projects ongoing in the framework of TRACECA\(^7\), including such projects as the project on the transport dialogue and interoperability among the beneficiary TRACECA countries (“Protocol on elaboration of common competitive tariffs for railway and maritime shipments” had been elaborated within the project and signed by TRACECA countries) and the project on logistics processes and motorways of the sea.

Taking into consideration mentioned above on-going national and regional TRACECA projects strong coordination efforts should be undertaken under the guidance of DEVCO and the EU Delegation to Ukraine in order to ensure a good cooperation and coordination efforts among the projects and avoid any duplication of actions.

Other donors may include the World Bank, the European Bank for Reconstruction and Development, the UN Development Program, the USA and Canada, the EU member-states: Germany, Sweden, the UK, Denmark, Poland, and Slovakia. The World Bank and the EBRD have been active in the infrastructure development sphere. The European Investment Bank (EIB) has been expanding its operations in Ukraine, too.

\(^7\) Member countries: Armenia, Azerbaijan, Bulgaria, Georgia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan.
As to the rail transport, since 1992 UKRZALIZNYTSIA JSC has been an active member of the International Union of Railways (UIC). Being a member of Railway Cooperation Organisation (OSJD), Ukraine cooperates also with the European Railway Agency (ERA) for issues related to harmonizing the legal and technical standards with the European ones.

3.3 Results

This twinning project is to provide recommendations based on the best European practices for improving the state regulation and commercial management systems for rail sector in the framework of reforming to achieve the improved capacities of state bodies in serving the public interests and introducing fair competition principles at the national and international levels.

The proposed twinning project is aimed at achieving the further results by each its component:

**Component A**: Improvement of the institutional and functional structure of the central executive bodies in the rail sector.

*Result*: Drawbacks are assessed and the performance of relevant duties and functions imposed on the executive bodies in rail sector as well as activities of each structure is improved.

To achieve this result it is planned to carry out actions aimed at specifying and improving the performance of relevant duties and functions of the state bodies operating in the rail sector, including their responsibility and operation spheres.

**Component B**: Support to the efficient development of rail transport sector in Ukraine.

*Result*: The operations of UKRZALIZNYTSIA JSC, as national rail operator, are rationalized in line with the EU Directives.

To achieve this result it is planned to carry out actions aimed at elaborating a long-term strategy for opening the rail service market and introducing a competition among its players as well as improving the technical policy management in the rail transport sector.

**Component C**: Personnel training.

*Result*: The personnel whose functionalities referred to Components A and B are trained accordingly. To achieve this result it is planned to carry out actions aimed at improving the staff institutional capacity in rail sector state governance and commercial management, including study tours to the EU member states, delivery of trainings, workshops, and conferences.

3.4 Activities

The project includes the technical assistance and the institutional support to the state partner organisations involved into the rail transport reforming. In particular, this refers to supporting and coordinating the current process of rail sector management development, improvement of its performance and profitability. This support would be based on provisions of the European and international standards as well as the best world practices.

In order to achieve the results indicated in Section 3.3, a series of activities will need to be undertaken. These may be undertaken sequentially or concurrently, dependent on agreement between the TP and the partners.
3.4.1 Activities for Component A: Improvement of the institutional and functional structure of the central executive bodies in the rail sector

Activity A1: to provide a comparative analysis of legal and regulative documents on state governance and business management in rail transport sector, involvement of the European practices in order to prepare respective recommendations

The analysis performed would help to specify current duties and responsibility spheres of the Ministry for Infrastructure, other state bodies operating in the rail sector, and UKRZALIZYTSIA JSC in the framework of the general policy of Ukraine for rail transport sector. This analysis would result into identifying the level of current structure performance and developing recommendations on its improvement and better balance of duty distribution among the partners.

In the framework of the project in terms of rail sector reforming, drafts of regulative and legal documents aimed at developing the competitive environment at the rail services market and implementing the EU directives for rail sector will be developed (implementation may be considered depending upon scope and time schedules). It is planned to pay a particular attention to the study of certain previously identified areas so that the benefits of suggested changes may be demonstrated and the provisions of EU Directives can be met:

- Rail sector control and supervision (a new edition of Law of Ukraine ‘On Rail Transport’);
- Regulation of relations of rail service market players (Rail Transport Code);
- Safety control at railways regarding the entry of new operators (legal and regulative documents on licensing, certifying, supervision of license terms and conditions compliance);
- Railway environmental impact monitoring;
- Equal access to the public infrastructure supervision - establishment of procedures, functions, liabilities and authorities of rail regulator (Rules and procedure for equal access to the public rail infrastructure).

This activity should be carried out by high level experts in coordination with the top management of Ministry for Infrastructure and UKRZALIZNYTSIA JSC.

Activity A2: to prepare recommendations on improving the tariff policy in rail transport sector (domestic and international)

The following actions would be undertaken:

- Analysis of different levels of tariffing system regulation and identification of existing tools for regulation centralization;
- Assessment of current tariff systems in terms of their profitability for rail operators and the state (cost-benefit analysis) and affordability (by price parameters) for users (passengers and forwarding agencies);
- Preparation of recommendations and proposals on adjusting the tariffing policy to the European level, taking into account the rail service structure in Ukraine.

This activity should be carried out by high level experts in coordination with the Ministry for Infrastructure and UKRZALIZNYTSIA JSC.

Activity A3: to analyze the inter-relations between the State and UKRZALIZYTSIA JSC a and to prepare recommendations on their establishment (improvement)

The following actions would be undertaken:

- Review of current regulative documents on inter-relations between the State and UKRZALIZYTSIA JSC regarding:
Public order for social passengers services by rail;
Public order for special purpose freight services by rail;
Compensation of the difference between the infrastructure service tariff and the economically justified price for these services.

- Preparation of recommendations aimed at improving the inter-relations between the state and UKRZALIZYTSIA JSC on the abovementioned issues, taken into consideration the EU countries’ experience.
- Preparation of recommendations on establishing and functioning self-regulated transport entities based on the EU member-states experience.

This activity should be carried out by high level experts in coordination with the Ministry for Infrastructure and UKRZALIZNYTSIA JSC.

3.4.2 Activities for Component B: Support to the efficient development of rail transport sector in Ukraine

**Activity B1: to manage infrastructure and to open rail service market**

The following actions would be undertaken:

- Analysis of currently existing functions, objectives and responsibility of UKRZALIZYTSIA JSC (for maintenance and repairs, and funding) in terms of infrastructure, and legal tools for opening the rail service marker;
- Preparation of proposals and recommendations on improving the infrastructure management, taking into account the current laws of Ukraine (infrastructure at the level of economic control) and based on the relevant experience of EU member states;
- Development of a long-term strategy for gradual introduction of competition among the rail service market players in Ukraine according to EU Directive provisions;
- Preparation of recommendations for improving the efficiency of freight wagon operation, including the international traffic.

**Activity B2: to control transport and environmental safety, to provide interoperability of Ukrainian railways and railways of EU member-states**

The following actions would be undertaken:

- Study of standards and rules for controlling the transport safety and environmental protection actions in the rail transport sector, preparation of recommendations on mitigating the transport and environmental safety threats that may occur due to the opening of rail service market, given the experience of EU member-states;
- Study on functioning of the dedicated units for transport and environmental safety in the rail transport structure, and preparation of recommendations;
- Analysis of possible obstacles for interoperability in the international traffic (borders with EU states) and delivery of recommendations on possible technical solutions to eliminate them.

**Activity B3: to improve the technical policy management in rail transport sector**

The following actions would be undertaken:

- Study on functioning of the dedicated technical policy management unit in the rail transport structure, according to its reform stages and by business types, and delivery of recommendations;
• Delivery of recommendations on establishing the technical audit system (including a proper organizational structure) at rail transport;
• Assistance in developing principles for justification and selection of technical projects;
• Submission of proposals on the procedure for certifying the UZ test basis in EU member-states.

This activity should be carried out by high level experts in coordination with the Ministry for Infrastructure and UKRZALIZNYTSIA JSC.

3.4.3 Activities for Component C: Provision of the personnel training

Activity C1: to deliver study tours

The training of staff to be placed at the positions and to be assigned the functionalities determined by Components A and B makes an integral part of the support for establishing the institutional capacities for the Ministry of Infrastructure of Ukraine and UKRZALIZNYTSIA JSC. It is planned to have 4 study tours to the EU states, each for 10 participants maximum, to build up the capacity in line with Component A and B actions. Establishment of study tour participation should be based on a joint selection of participants, together with EU twinning partner according to the developed Project Work Plan. Upon the completion of each study tour the Ukrainian participants shall deliver a one-day workshop to disseminate the information received during the study tour among other twinning project participants.

Activity C2: to deliver workshops and trainings

Within Activity C2 it is planned to deliver two workshops of two day’s duration and two trainings of one-day duration. The workshop and training participants should be, first of all, members of the Work Group created during the project implementation.

Activity C3: to deliver the Conferences

Within Activity C3 it is planned to deliver two conferences aimed at disseminating the information on the twinning project activities results among all rail service marker players.

3.5 Means/ Input from the MS Partner Administration

This twinning project provides for exchanging the experience and advanced methods with the administration (administrations) of EU Member States for 21 months (the project’s implementation period). Standard twinning procedures are to be used. RTA and STEs mobilised under this contract must be proficient in English, preferably also be proficient in Ukrainian or Russian, have excellent communication and analytical skills, be proficient in report drafting and have excellent team working abilities.

3.5.1. Profile and Tasks of the Project Leader

The Project Leader (PL) from the EU Member State (MS) will be responsible for collaboration with the beneficiary country (BC) and for the overall steering and coordination of the project, ensuring good cooperation and information exchange between the MS he/she represents and Ukrainian side.
The PL would be expected to devote a minimum 3 days per month to the project in his home administration. In addition, he will coordinate the work of the project steering committee (PSC), which will meet in Ukraine on a quarterly basis.

The PL shall:
• be a long-term senior civil servant from the Ministry of Transport of the Member State – Project partner;
• have experience in working with institutional information networking;
• have experience on international co-operation issues;
• have good organisational, communication and information submission/presentation skills;
• have a good command of written and spoken English
• proficiency in Ukrainian and/or Russian would be an asset;

The main tasks of the PL are to ensure:
• overall coordination of the project;
• the leading of activities of the project;
• the achievement of the mandatory results;

3.5.2 Profile and tasks for the Resident Twinning Advisor (RTA)

The relevant institution of MS will appoint a long-term Resident Twinning Advisor (RTA).

The RTA should have the following profile:

• education at least up to University degree (where university degree has been awarded on completion after three / four years study in an internationally recognised university or equivalent institution) in law, public administration, transport economics or equivalent;
• minimum 10 years of general professional experience in public administration, project managing, monitoring or coordination in public institutions context, and minimum 5 years of experience in rail transport sector;
• experience in training and mentoring in the fields relevant to the project;
• be fully conversant with the relevant EU legislation and best practices in the area of rail transport reform;
• have strong written, verbal and inter-personal communication skills in English;
• proficiency in Ukrainian and/or Russian would be an asset.

The RTA will be based in the premises of the Ministry of Infrastructure of Ukraine (Kyiv) and will direct the project in coordination with the Ukrainian partner from the Ministry for Infrastructure of Ukraine (Department of State Policy at Rail Transport), as a key partner of the project. The Ministry of Infrastructure (Department of State Policy at Rail Transport) will ensure the coordination of the project activities with UKRZALIZNYTSIA JSC.

The RTA will be responsible for the daily management of the project in Ukraine. The RTA shall:
• coordinate and supervise the activities of all experts;
• establish and maintain links with all the beneficiaries, and all the players involved in the implementation of the project, and with other related projects (ensuring the avoidance of overlapping), in close co-ordination with the Project Leader;
• ensure overall co-ordination of works within the project;
• organise the project implementation, especially steering the assignments of the experts, training measures, conferences, internships, etc;
• ensure timely and effective implementation of the project in accordance with the time schedule including the timely mobilisation of short-term experts;
In addition to the above, an assistant and a full time translator-interpreter shall be appointed to assist the RTA. Allowance for this must be made within the project budget. Furthermore, the assistant and translator will facilitate the training activities. Where necessary (for example during training activities, translation of project documents/reports and materials, organizational activities) the project will hire an additional translator with costs covered by the project.

3.5.3 Profile and tasks of short term experts (STE)

To achieve the mandatory results and to carry out the activities as per section 3.4 (activities) the following assistance of 15 short-term experts is needed distributed according to 10 main fields of activity.

The STEs will have the following profile:

- at least University degree education (where university degree has been awarded on completion of three / four years study in an internationally recognised university) in law, public administration, transport economics or equivalent field, or at least 7 years of general professional experience referred to below;
- minimum of 4, preferably 6 years of professional experience in the fields of railway management or drafting of legislation, harmonisation of external legislation with EU transport acquis in a public institutional context;
- experience in training and mentoring in the fields relevant to the project;
- preferably a comparative knowledge of other Member States and candidate countries’ systems of rail transport networks and relevant legislation;
- strong written, verbal and inter-personal communication skills in English;
- proficiency in Ukrainian and/or Russian languages would be an asset.

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<th>Short experts</th>
<th>term</th>
<th>Assignment</th>
<th>Profile</th>
<th>Indicative resources</th>
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<tr>
<td>STE 1</td>
<td></td>
<td>Analysis of legal and regulative documents on state governance and business management in rail transport sector, involvement of the European practices</td>
<td>Highly qualified experts on legal issues with significant experience in developing proposals within the EU acquis</td>
<td>90 days (3 experts)</td>
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<td>STE 2</td>
<td></td>
<td>Recommendations on tariff policy improvement</td>
<td>Highly qualified experts on tariffs with substantial competence in tariff policies of the EU, OSZhD, and CIS</td>
<td>40 days (2 experts)</td>
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<td>STE 4</td>
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<td>Assessment of inter-relations between the State and the Ukrzaliznytsia</td>
<td>Highly qualified experts with an institutional experience in managing a railway company in line with the EU provisions</td>
<td>40 days (2 experts)</td>
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<td>STE 5</td>
<td></td>
<td>Recommendations on opening the market of rail infrastructure and services, introducing the competition</td>
<td>Highly qualified experts with international experience and competence in implementing competition ‘models’ at rail transport</td>
<td>60 days (2 experts)</td>
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<td>STE 6</td>
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<td>Assessment of safety at rail transport and environmental standard compliance</td>
<td>Expert on rail safety issues and environmental standard compliance, with international experience</td>
<td>20 days (1 expert)</td>
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<td>STE 7</td>
<td></td>
<td>Introduction</td>
<td>Expert on interoperability of</td>
<td>20 days (1</td>
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<td>STE 8</td>
<td>Advancement of UZ technical policy on rail infrastructure</td>
<td>Technical expert for rail infrastructure management</td>
<td>20 days (1 expert)</td>
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<td>STE 9</td>
<td>Advancement of UZ technical policy on rail systems</td>
<td>Technical expert for railway system management</td>
<td>20 days (1 expert)</td>
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<td>STE 10</td>
<td>Advancement of UZ technical and operational policy</td>
<td>Technical expert for railway operations</td>
<td>20 days (1 expert)</td>
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<td>STE 11</td>
<td>Development of efficient railway training programs</td>
<td>Expert with international experience on delivering the rail transport trainings</td>
<td>20 days (1 expert)</td>
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STEs will provide specialized know-how for the individual tasks in this project; therefore, the team of experts should have expertise in their specific rail transport management areas. As a general approach, the STEs will take the responsibility for the implementation of the Project and the achievement of the results, each for his/her individual mission tasks. They will also prepare the required reports and the output described. They can provide long-standing experience in all relevant fields.

The MS should consider their possibilities to mobilize short-term experts from different EU Member States with relevant experience.

### 3.5.4 Reporting and monitoring

The Delegation of the European Union to Ukraine will manage the procurement, tendering, quality control, reporting and coordination with other donors, the financial and technical cooperation related to the actions described in this project fiche, taking remedial actions if and when needed.

PL primary responsibility shall be to ensure that the project produces the required outputs, to the required standards of quality and within the specified constraints of time and cost. PL and other project staff will also address cross-cutting issues. A detailed description of the works and duties of RTAs and other experts will be elaborated in the twinning contract (work programme), in line with this twinning project fiche. Following the inception report, the relevant reports will be issued by the MS Project Leader and BC Project Leader on the quarter basis.

The Delegation of the European Union to Ukraine together with the Twinning Programme Administration Office (PAO) will control the quality of all twinning documentation, check that the good financial management of the twinning project is in compliance with EC rules, receive and examine all twinning project reports, support all twinning stakeholders, including beneficiary administration and Member States.

Project’s Steering Committee (PSC) will be responsible for the overall direction of the project and comprise of the representatives from the Beneficiary Administration, MS Administration, EU Delegation and PAO. At quarterly intervals the Project Leaders, the PSC will assess the project progress, verify the achievements of the outputs and mandatory results and define any actions required.

Monitoring will be performed by the EU Delegation to Ukraine. The project may be subject to the audit of the Accounts Chamber according to the standard procedures of the EU Representative Office to Ukraine.
The official language of the project will be English. All formal communication regarding the project, including all reports will be produced in English and Ukrainian.

4 INSTITUTIONAL FRAMEWORK

The Ministry for Infrastructure of Ukraine (a legal successor of the former Ministry for Transport and Communication) that incorporates the Department for State Policy at Railway Transport has not finalized the restructuring yet, and acts within the structure approved for 2012 (Annex 2).

UKRZALIZNYTSIA JSC (State Administration for Railway Transport of Ukraine) is a public rail transport administration body that exercises a centralized control over the domestic and international services and regulates the production and commercial operations of the railways.

UKRZALIZNYTSIA JSC includes Donetsk, Lviv, Odessa, Southern, South-Western and Prydniprovska railways as well as other enterprises and institutions of the integrated production and technology complex that provides carriage of goods and passengers. The rail transport of Ukraine is a leading sector of transport and road complex of the country that carries 82% of goods and almost 50% of passengers served by all modes of transport.

The rail transport is one of primary sectors of economy in Ukraine. Currently the railways meet largely the needs of public production and population in transportation. Nevertheless, the condition of industrial and technical base of railways and the technological level of services by many parameters do not comply with the increasing society needs and European standards of transport service quality that may hinder soon the further social and economic development of the state.

The issues of concern to be addressed for the further development of rail transport include also:

- Imperfection of regulative and legal framework that govern the rail transport operations, and the incompliance of the rail transport institutional structure with the conditions of the market economy development in the country
- Cross subsidizing of loss making passenger services out of freight services revenues
- Insufficient transparency of the sector financial activities
- Low level of competition at the rail services market

It is also necessary to overcome the lagging in the development of Ukrainian Railways network comparing to the railways of EU states and Russia that though being at different stages of reforms, are substantially ahead of the Ukrainian Railways.

Today the rail transport of Ukraine is under reforming, with basic actions and objectives of this process having been presented in the State Target Program for Rail Transport Reform for 2010-2019 approved by the resolution of Cabinet of Ministers of Ukraine No 1390 of 13 December 2009 (as amended by the CMU Resolution No 1106 dated 26 October 2011).

The market transformations at rail transport would promote accelerating the European integration rates, establishing a closer international economic cooperation and increasing the competitiveness of Ukrainian railways at the transport service market, allow for using efficiently a profitable geopolitical location of Ukraine as well as balancing interests of railways and their services consumers.
5 BUDGET

Maximum budget foreseen for the project implementation will be EUR 1,800,000.

6 IMPLEMENTATION ARRANGEMENTS

A Project Steering Committee (PSC) will be established for the control and supervision of production of the mandatory results and implementation of the activities. The Steering Committee will meet at regular intervals and will submit by the end of each meeting (as recorded in the minutes of meeting) an acceptance / non acceptance of the Project reports. Official minutes of the PSC meetings will be kept in English and Ukrainian and distributed to all parties within 15 days after the PSC meeting. The Steering Committee should be held every three months. The first Project report should be issued at month 4 and the following ones should follow at the same months as Steering Committee meetings. Project closure by the Delegation should be foreseen for the 24th month, after the approval of the Project’s Final Report”.

6.1 Implementing Agency

The Implementing Agency responsible for tendering, contracting and accounting is the European Commission represented by the Delegation of the European Union to Ukraine. The person in charge of this project at the Delegation of the European Union to Ukraine is:

Svitlana Didkivska
Project Manager
Delegation of the European Union to Ukraine
10 Kruhlouniversytetska Street, Kyiv, 01024, Ukraine
Tel.: +380 (44) 390 80 10
Fax: +380 (44) 253 45 47
E-mail Svitlana.DIDKIVSKA@eeas.europa.eu

6.2 Counterparts in the Beneficiary Country (BC)

The main counterpart in Ukraine will be the Department of State Policy at Rail Transport, and the internal institutional coordination would be imposed on the Department for tourism and infrastructure development policy coordination, the Ministry for Infrastructure of Ukraine. This kind of arrangement is also meant to contribute to the coordination of the EU funded project which the Department for tourism and infrastructure development policy coordination is responsible for.

6.2.1 Contact Person:

Ms Svitlana Zabolotska
Chief Expert, Department of State Policy at Rail Transport, Ministry for Infrastructure of Ukraine
Peremogy Ave., 14
Kyiv – 135, 01135 Ukraine
Tel: +380 44 351 49 98

Ms Oksana Babiy
Head of Unit for Perspective Development of Priority Transport Networks, Department for tourism and infrastructure development policy coordination, Ministry for Infrastructure of Ukraine
Peremogy Ave., 14
Kyiv – 135, 01135 Ukraine
Tel: +380 44 351 41 75
6.2.2 Project Leader:

Mr Konstantin Yefimenko  
First Deputy Minister of Infrastructure of Ukraine  
Peremogy Ave., 14  
Kyiv – 135, 01135 Ukraine  
Tel: +380 44 351 48 09

6.2.3 RTA Counterpart:

Mr Serhiy Sieroshtan  
Director, Department of State Policy at Rail Transport, the Ministry for Infrastructure of Ukraine:  
Peremogy Ave., 14  
Kyiv – 135, 01135 Ukraine  
Tel: +380 44 351 4878

The Twinning Programme Administration Office (PAO) under the National Agency of Ukraine on Civil Service is an administration responsible for coordination of the preparation of twinning projects in Ukraine and support for their implementation, provision of advisory and methodological support to public authorities in preparing and implementation of twinning projects. The person in charge at PAO in Ukraine is:

Mr Vyacheslav Tolkovanov  
Head of the National Agency of Ukraine on Civil Service, Director of the Twinning Programme Administration Office in Ukraine  
15, Prorizna str., Kyiv, 01601, Ukraine  
Tel: +380 (44) 279 29 26  
Fax: +380 (44) 278 36 44  
E-mail: pao@center.gov.ua

Responsible person:

Ms Iryna Luchynska  
Project manager on Twinning,  
Twinning Programme Administration Office  
15, Prorizna str., Kyiv, 01601, Ukraine  
Tel: +380 (44) 279 29 45  
Fax: +380 (44) 278 36 44  
E-mail: iryna.luchynska@center.gov.ua  
Website address: www.twinning.com.ua

6.3 Contracts

Only one twinning contract is foreseen for this project.
## IMPLEMENTATION SCHEDULE (INDICATIVE)

<table>
<thead>
<tr>
<th>Contracts</th>
<th>Launching of the call proposal (date)</th>
<th>Start of project activities (date)</th>
<th>Project Completion (date)</th>
<th>Duration of the execution period (number of month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Support to the Ministry for Infrastructure of Ukraine on Increasing the Operation Performance and the Competitiveness of Rail Transport in Ukraine</td>
<td>December 2012</td>
<td>August 2013</td>
<td>July 2015</td>
<td>24 months</td>
</tr>
</tbody>
</table>

**Duration of the implementation period: 21 months**
8 SUSTAINABILITY

The twinning partners will undertake to provide the basic infrastructure necessary for the sustainability of their joint twinning achievements. The sustainability of the results is likely to be achieved if the twinning partners commit themselves to the following:

1. Absorb efficiently the contents and understanding of the training materials by the Beneficiary personnel being measured and monitored after each training session that is provided by simple tests.

2. Make maximum use of the skills and abilities of the beneficiary country administration personnel previously trained by [other] Member States; apply “train the trainers approach” for sustainable capacity building of the beneficiary administration;

3. Allow for confirmation of the effect of the twinning project for the beneficiary administration by organising a final seminar that presents achieved results of the twinning activities at the end of the twinning project;

4. Provide assurance that manuals and procedures developed within the twinning project will be used by the beneficiary beyond the primary contract period.

The success of the project will be based on achieving practical results and the sustainability of the results will be an important measure of success.

The twinning partners will also seek additional and alternative ways in which the project can be seen to be sustainable.

When considering the importance of the Transport sector in any country, there are two dominant aspects: (1) quality of life and (2) overall economic development. Transport has a direct influence on people's life, in the sense of individual mobility and the accessibility of closer and distant areas, but also, with its significant influence on the rational use of time, it concerns the quality of life in a wider sense. Transport has strong effects on quality of life and economy (import, export, tourism), for individuals as well as for the global sustainable organization society as a whole. The increase in transport demand closely follows economic development, and on the other hand good transport services stimulate economic growth.
9 CROSSCUTTING ISSUES

Each twinning partner is required to comply with the equal opportunities requirements of the EU. Whilst environmental requirements are not immediately applicable to the implementation of the project, if any such situation does arise both partners are required to comply with the environmental requirements of the EU.

9.1 Equal Opportunity (gender mainstreaming)

Participation in the project is open on equal terms to all natural and legal persons of the Member States. Gender balance will be promoted.

The project will promote participation of women in beneficiary organisations and will identify the effects/impacts/opportunities on and for women. The team of experts involved in the project must possess relevant skills to ensure effective mainstreaming of gender equality and minorities inclusion /participation.

9.2 Environment

The project is beneficial to the environment since the development of a modern efficient balanced, environment-friendly, sustainable rail transport system in Ukraine has an impact on many issues of key importance to the environment. An improvement in the efficiency of the transport network may be expected to have significant positive environmental impact, as Ukraine currently suffers from heavy pollution as a result of outdated policies and legislation.

9.3 Minorities

With the improvement of transport organisation in Ukraine, public transport will be better and accessible to all passengers, minority and vulnerable groups. Since the poor are disproportionately large users of public transport, they will benefit accordingly.

As minorities and vulnerable groups are usually the most affected by environmental degradation, improvements resulting from this project will also be of particular benefit to them. This also applies to greater transport efficiency, whose resulting cost-reductions will especially favour the poor in society.
The underlying assumption for this project is the Ukrainian political will to create efficient balanced, environment-friendly and open access to the rail transport system in the country that will facilitate its integration with that of the European Union to enhance regional trade and to coordinate actions globally. So far there has been no reason to doubt this assumption.

Projects to be implemented through Twinning require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the Twinning partner with adequate resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies required to deliver the desirable results.
ANNEXES TO PROJECT FICHE:

1. Logical framework matrix in standard format
2. Structure of Ministry of Infrastructure of Ukraine for 2012
4. State Target Program for Rail Transport Reforming for 2010-2019 (extract)
### ANNEX I: Logical Framework Matrix

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall Objective</strong></td>
<td>To enhance the operation performance and competitiveness of rail transport of Ukraine through improving the rail sector state governance and commercial management structure, providing support in the course of its reforming, promoting the implementation of advanced standards and best international practice, increasing the staff professional training level in the sector of state regulation and commercial management of railways.</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
| **Purpose** | To strengthen the institutional capacity of the Ministry of Infrastructure of Ukraine (Department of State Policy in Rail Transport Sector) to ensure the efficient state regulation of rail transport operations in Ukraine in the framework of rail transport reform, to improve its business and to create proper conditions for:  
  - Developing the competitive environment for individuals and legal entities operating at the rail transport market  
  - Introducing European quality standards in transport services  
  - Promoting the attraction of private investment into the sector development. | - To analyze the legal and regulative documents on state governance and business management in rail transport sector – to prepare recommendations  
- To support reforming the rail sector based on the advanced standards and best world practices  
- To assess training needs and to provide training | - Relevant project reports | - Continued political stability in Ukraine and the region  
- Continued support of the Ukrainian Government for the development and modernization of the transport sector  
- Sufficient political support from high ranking officials in the sector for conducting reforms  
- Efficient implementation of rail sector reforms |
| **Results** | | | |
| Component A: Improve the institutional and functional structure of the central executive bodies in the rail sector  
**Result:** To assess drawbacks and to improve the performance of relevant duties and functions imposed on the executive bodies in rail sector as well as activities of each structure | Analysis of legal and regulative documents on state governance and business management in rail transport sector, involvement of the European practices  
Analysis of different levels of tariff system regulation and identification of existing tools for regulation centralization  
Assessment of current tariff systems in terms of | - Relevant project reports and recommendations for the further actions (Action Plan)  
- Project assessment  
- Elaborated draft amendments to the legal and regulative documents | Sufficient political support from high ranking officials in the sector for conducting reforms |

MIU and Ukrzaliznytsia are ready to administrative changes, re-assignment of functions and responsibilities
To achieve this result it is planned to carry out actions aimed at specifying and improving the performance of relevant duties and functions of the state bodies operating in the rail sector, including their responsibility and operation spheres.

**Component B:** Support to the efficient development of rail transport sector in Ukraine

**Result:** to rationalize the Ukrzaliznytsia operations as national rail operator in line with the EU Directives.

To achieve this result it is planned to carry out actions aimed at elaborating a long-term strategy for opening the rail service market and introducing a competition among its players as well as improving the technical policy management in the rail transport sector.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Result</th>
<th>Relevant project reports and recommendations for the further actions (Action Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of currently existing functions, objectives and responsibility of Ukrzaliznytsia, proposals for restructuring and improving the performance of structural units</td>
<td>- Draft Strategy for Competition Implementation - Project Assessment</td>
<td></td>
</tr>
<tr>
<td>Long-term strategy for introduction of competition among the rail service market players in Ukraine according to EU Directive provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvement of interoperability in the international traffic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposals on the procedure for certifying the Ukrzaliznytsia test basis in EU member-states.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Component C: Personnel training**

**Result:** Training the personnel whose functionalities referred to Components A and B.

To achieve this result it is planned to carry out actions aimed at improving the staff institutional capacity in rail sector state governance and commercial management, including study tours to the EU member states, delivery of trainings, workshops, and conferences.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Result</th>
<th>Relevant project reports and recommendations for the further actions (Action Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrangement of study tours, trainings, conferences and workshops referred to Components A and B.</td>
<td>- Training Needs Analysis - Relevant project reports and recommendations - Training support materials and Training Result Evaluation - Project Assessment</td>
<td></td>
</tr>
<tr>
<td>Activities</td>
<td>Means</td>
<td>Costs</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td><strong>Component A: Improvement of the institutional and functional structure of the central executive bodies in the rail sector</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity A1: to provide a comparative analysis of legal and regulative documents on state governance and business management in rail transport sector, involvement of the European practices – to prepare recommendations</td>
<td>- Project Leader (PL); - Resident Twinning Advisor (RTA); - Short Term Experts (STEs)</td>
<td>-</td>
</tr>
<tr>
<td>Activity A2: to prepare recommendations on improving the tariff policy in rail transport sector (domestic and international)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity A3: to analyze the inter-relations between the State and the Ukrzaliznytsia and to prepare recommendations on their establishment (improvement)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component B: Support to the efficient development of rail transport sector in Ukraine</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity B1: to manage infrastructure and to open rail service market</td>
<td>- Project Leader (PL); - Resident Twinning Advisor (RTA); - Short Term Experts (STEs)</td>
<td>-</td>
</tr>
<tr>
<td>Activity B2: to control transport and environmental safety, to provide interoperability of Ukrainian railways and railways of EU member-states</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity B3: to improve the technical policy management in rail transport sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component C: Provision of the personnel training</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity C1: to deliver study tours</td>
<td>- Project Leader (PL); - Resident Twinning Advisor (RTA); - Short Term Experts (STEs)</td>
<td>-</td>
</tr>
<tr>
<td>Activity C2: to deliver workshops and trainings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity C3: to deliver the Conferences</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEX II:
STRUCTURE OF MINISTRY FOR INFRASTRUCTURE OF UKRAINE FOR 2012

APPROVED
Vice-prime-minister-
Minister for infrastructure of Ukraine
B. Kolesnikov
(Signature)
18 April 2012

STRUCTURE OF MINISTRY FOR INFRASTRUCTURE OF UKRAINE FOR 2012

<table>
<thead>
<tr>
<th>No</th>
<th>Name of the unit</th>
<th>Staff number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Management</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Division of analytical provision of the work of the Vice-prime-minister-Minister for infrastructure and, Economic Reform Implementation (patronage services)</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Public Relations Sector (mass media and the public)</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Department for State policy at Railway Transport</td>
<td>21</td>
</tr>
<tr>
<td>5</td>
<td>Department for Strategic Development of Roads</td>
<td>21</td>
</tr>
<tr>
<td>6</td>
<td>Department for Road Transport</td>
<td>21</td>
</tr>
<tr>
<td>7</td>
<td>Department for State policy at Maritime and River Transport</td>
<td>21</td>
</tr>
<tr>
<td>8</td>
<td>Department for Coordination of Infrastructure and Tourism Development Policy</td>
<td>25</td>
</tr>
<tr>
<td>9</td>
<td>Department for Safety and Security</td>
<td>21</td>
</tr>
<tr>
<td>10</td>
<td>Department for International Cooperation</td>
<td>21</td>
</tr>
<tr>
<td>11</td>
<td>Human Resources Division</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>Department for Economy and Finance</td>
<td>21</td>
</tr>
<tr>
<td>13</td>
<td>Department for Legal Support</td>
<td>21</td>
</tr>
<tr>
<td>14</td>
<td>Department for State Property</td>
<td>21</td>
</tr>
<tr>
<td>15</td>
<td>Internal Audit Division</td>
<td>11</td>
</tr>
<tr>
<td>16</td>
<td>Unit for Internal Investigation and Prevention of Corruption and Economic Infringements</td>
<td>7</td>
</tr>
<tr>
<td>17</td>
<td>Unit for Accounting and Reporting, Budget Financing</td>
<td>10</td>
</tr>
<tr>
<td>18</td>
<td>Division for Supervision and Office Work</td>
<td>11</td>
</tr>
<tr>
<td>19</td>
<td>Sensitive Classified Sector</td>
<td>3</td>
</tr>
<tr>
<td>20</td>
<td>Mobilization Sector</td>
<td>2</td>
</tr>
<tr>
<td>21</td>
<td>Administrative Unit</td>
<td>6</td>
</tr>
<tr>
<td>22</td>
<td>TOTAL</td>
<td>291</td>
</tr>
</tbody>
</table>
ANNEX III: STATE TARGET PROGRAM FOR RAIL TRANSPORT REFORMING FOR 2010-2019 (EXTRACT)

APPROVED by
Resolution of Cabinet of Ministers of Ukraine
No 1390 dated 16 December 2009
(as amended by Resolution of Cabinet of Ministers of Ukraine No 1106 dated 26 October 2011)

STATE TARGET PROGRAM
FOR RAIL TRANSPORT REFORM FOR 2010-2019

General Provisions
The rail transport is a leader in satisfying the needs of the industry and population in transportation, an essential aspect for providing the social and economic development of Ukraine, and strengthening its international economic relations.

The current rail transport management structure, the condition of production and engineering facilities of the railways and the technological level of traffic operation do not meet, by many parameters, the increasing needs of the society and the European standards of transport services quality, impede the improvement of sector performance and are to be reformed.

Purpose of Program
The Program purpose is to create a new institutional, legal, and economic model for rail transport management, to develop a competitive environment at the rail services market, to improve its operation performance, to meet the needs of national economy and the population in transport services, to improve their quality and to reduce the value of transport component in the cost of goods and services.

Approaches and Methods for Settling the Challenge, Program Performance Period
The challenge may be settled through:
- separation of commercial functions and of state regulation functions;
- set-up of public joint stock company for public rail transport as an all-national carrier of goods and passengers at the transportation market (hereinafter the Company) that would be an owner of public rail infrastructure facilities (hereinafter the infrastructure facilities);
- formation of vertically integrated structures by businesses (freight services, domestic and international passenger services, suburban and regional passenger services, infrastructure facilities operation and maintenance, locomotive traction services, rolling stock repairs, construction and repairs of infrastructure facilities, scientific research and design works, social sphere support);
- improvement of competition level through guaranteeing an equal access to the market of rail services in the competitive, potentially competitive sectors and at the adjacent market for business entities irrespective to their ownership type;
- development of competitive potential at the foreign transport market;
- creation of incentives for improving the performance of such market players;
• a provision of equal access to the infrastructure facilities to all business entities;
• introduction of a financial and economic model that may ensure the separation of financial flows by business types based on the funds allocated due to the plans and cost estimates;
• growth of funds invested into the rail transport and introduction of an innovative development model;
• attraction of local budget funds for constructing and reconstructing the rail tracks, stations, pedestrian overpasses and tunnels, passenger platforms and other rail transport facilities linked to serving the passengers, and for purchasing the rail rolling stock for suburban services;
• development and implementation of innovative transport and logistics technologies;
• improvement of rail transport service tariff regulation system;
• implementation of an efficient social policy and improvement of social security level of rail transport staff.

The Program is to be implemented in three phases.

For Phase 1 (2010 – 2012) it is planned:

• to improve the legal and regulative framework required for the sector reforming;
• to set up the Company;
• to introduce a procedure for separating financial flows by business types.

For Phase 2 (2013 – 2015) it is planned:

• to develop a vertically integrated production and technical system of rail transport structured by business types, with introduction of automated accounting and management systems;
• to improve the tariff policy, and to provide a free pricing system in the competitive sectors of transport services market;
• to establish main and regional centers for traffic operation;
• to introduce a financial support procedure for passenger services;
• to create institutional and legal conditions for functioning of private passenger services operating companies;
• to set up business entities in the sector of suburban and regional passenger services that would become a corporate property of local authorities, the Company and other legal entities;
• to streamline the rail transport institutional structure.

For Phase 3 (2016-2019) it is planned:

• to eliminate a cross-subsidizing of passenger services out of freight services revenues through introducing the financial support procedure for passenger services;
• to set up a business entity in the long-distance and local passenger services sector, that would become a corporate property of the Company;
• to increase the number of private companies that own passenger coach fleet;
• to set up local railways that own infrastructure facilities and rolling stock, on the basis of industrial rail sector units, low-density and narrow gauge railways.

The projected volumes and sources for funding are given in Annex 1.
**Tasks and actions**

Tasks and actions to be implemented at Phases 1 and 2 of the Program are given in Annex 2. Tasks and actions to be implemented at Phase 3 shall be approved by the Cabinet of Ministers of Ukraine upon the completion of the previous phases.

**Expected Results, Program Benefits**

The implementation of Program would result into:

- reforming the railway transport sector, ensuring its further development and improving efficiency of sector operation;
- accelerating the development of competitive market of railway services, establishing preconditions for the set-up of new business entities of different ownership type that would operate freight and passenger services;
- improving the competitiveness of rail transport at national and international transport markets;
- increasing the sector investment attractiveness;
- solving the issue of state support for procurement of rolling stock, construction of socially relevant rail transport facilities and reimbursement of losses caused by services to the privileged passengers;
- meeting the needs of national economy and population in the transport services;
- increasing the rate of national transit potential use;
- accelerating the national rail transport integration into the European and global transport systems;
- improving the transport safety level;
- providing
  - growth of transportation volumes (indicatively by 20-25%)
  - increase of labour productivity (1.6times)
  - relative reduction of transport self cost (by 15%)
  - cut-down of power resources unit costs for train traction (15%)
  - reduction of goods delivery and handling time.

**Funding Volumes and Sources**

The funds required for implementing Phases 1 and 2 of Program are estimated indicatively at UAH 9,329.95mln.

The Program shall be financed out of state budget funds for the amount of UAH 4,049.9mln, local budgets – UAH3,953.6 mln, other sources – UAH1,281.45mln.

The volume of funds required for implementing Phase 3 of Program shall be established at approving the relevant tasks and actions.