

Sustainable Logistics Strategy 2030 and Action Plan for Ukraine

**LOGISTICS COORDINATION COUNCIL MEETING
KYIV, 11 MAY 2018**



WORLD BANK GROUP

Outline of this Presentation

- ❑ **Overview of Logistics in Ukraine and background to strategy**
- ❑ **Current Challenges and Key Areas for Improvement**
- ❑ **Policy Actions and Implications**

**Logistics is
critical for
Ukraine...
but logistics
services are
inadequate**

- ❑ **Efficient logistics are critical to growth when trade accounts for > 100 % of GDP**
- ❑ **Location at the crossroads of major transport routes provides a unique opportunity to develop transit services**
- ❑ **The development of the transport sector is an integral part of the Association Agreement between Ukraine and EU.**
- ❑ **Transport capacity is underutilized, the available infrastructure and services are substandard, and end users face high logistics costs**
- ❑ **Ukraine ranks 80th (out of 160) in the 2016 Logistics Performance Index**

GOAL OF THE SUSTAINABLE LOGISTICS STRATEGY

The work was initiated in 2016 with financial support from:

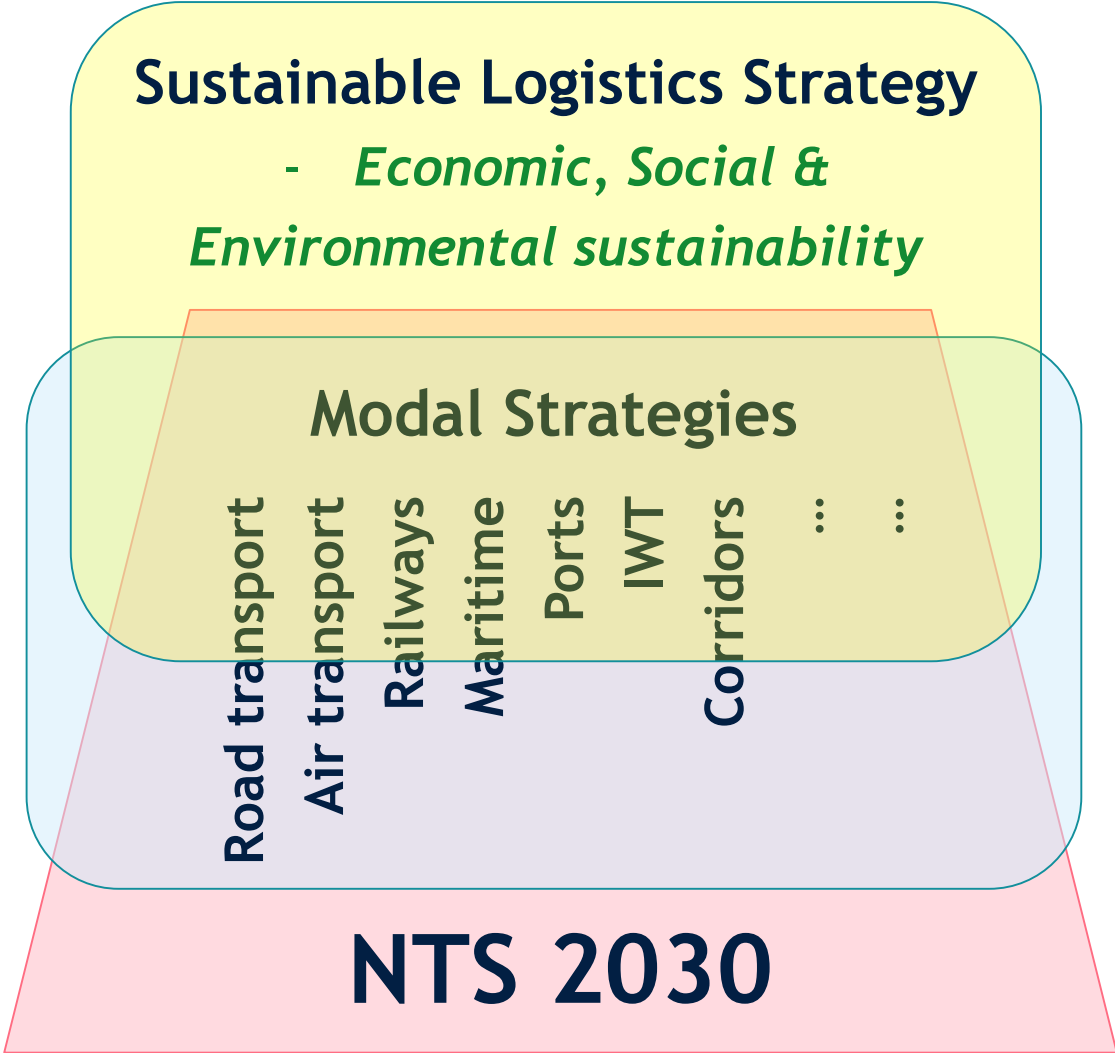
- *Korean Green Growth Trust Fund and*
- *Public-Private Investment Advisory Facility (PPIAF),*

both managed by the World Bank

The overall goal of the Strategy is to help Ukraine in:

- realizing Ukraine's logistics potential;
- enhancing multimodality and interconnectivity;
- maintaining, modernizing, and expanding efficient and energy-efficient logistics and freight transport;
- improving transport/logistics related skills and services; and
- enhancing trade facilitation

SUSTAINABLE LOGISTICS STRATEGY COMPLEMENTS THE NATIONAL TRANSPORT STRATEGY FOR UKRAINE



SEVERAL WORLD BANK BACKGROUND STUDIES 2016-2017 HAVE BEEN PREPARED AND SHARED

Three on Institutional Mechanism in Logistics Policy

Three Supply Chain Analyses

Two Railway Logistics studies

Two City-Port Logistics studies

Two Inland Waterways and Ports studies

Diagnostic study on Sustainable Road Freight Transport

MAIN FINDINGS

Strengthening logistics is a complex challenge which needs support at the highest levels of Government

- ❑ **Strong institutions, effective public sector coordination, and government support at the highest levels required**
- ❑ **Logistics involves coordination among many actors providing a wide range of services and subject to multiple legal and regulatory frameworks & institutions**
- ❑ **Effective regulation is essential to ensure appropriate competition, administration of transport infrastructure, Customs, safety issues, and supply chain security**

GOVERNMENT OVERSIGHT IS VITAL FOR EFFICIENT ROAD AND RAIL FREIGHT TRANSPORT SECTOR

- ❑ Rapid truck and rail fleet renewal is essential
- ❑ Rail: UZ struggles with aging locomotives and rolling stock, a depreciated infrastructure, and the sharp decline in transit
 - ❑ *A large share of the investments from the private sector*
 - ❑ *Better rail and intermodal services to reduce costs and time*
- ❑ Road: A controlled introduction of *i) operator licenses; ii) registration; iii) inspections; and iv) enforcement to meet the terms of the EU Association Agreement, and adherence to Int'l conventions*
- ❑ All: Improved data on transport operators, vehicle fleets and traffic integrated into a comprehensive, on-line database needed quickly

SPEEDING UP PORT OPERATIONS, REDUCING CHARGES, IMPROVING LAND ACCESS AND EASING REGULATIONS INHIBITING SHIPPING TO IMPROVE MARITIME LOGISTICS

- ❑ UA ports below peers and deteriorating over time**
- ❑ Getting to the Top 100 in world container shipping is technically possible, as only 1/4 of capacity is in use, but a very challenging goal**
- ❑ Capacity/service bottlenecks to be removed, faster and less costly turnaround at ports, and improved spatial planning and land use**
- ❑ High seaport charges; port pricing to minimize trade cost**

**REVITALIZING
IWT* WILL
REQUIRE
CAREFUL
PLANNING AND
SIGNIFICANT
INVESTMENT**

***) Inland Waterway Transport**

- ❑ Volumes along the Dnipro are now 1/10 of the peak 66 million tons of the 1980s**
- ❑ Realizing the IWT potential requires substantial private and public sector investments, but also regulatory and institutional changes**
- ❑ A long-term vision for IWT, incl. a viable budget, and an assessment of training needs and provision to be developed**
- ❑ Top IWT priority is the repair of locks, and installation of navigational aids and works to secure guaranteed water depth**

INFRASTRUCTURE INVESTMENT, IMPROVED LOGISTICS SERVICES AND LIBERALIZING TRADE TO HELP IN MEETING THE DEMAND FOR TRANSIT

- ❑ Transit through UA fell from half of int'l cargo in 2004 to 13 % in 2014**
- ❑ Developing new transport corridors bypassing Russia and strengthening value adding logistics services are needed**
- ❑ Promotion of strategic corridors, competitive seaports, improved border crossing practices, liberalizing transit rules are essential**
- ❑ Greater use of multimodal logistics centers and advanced IT systems, and the use of advanced 3PL/4PL solutions also needed**
- ❑ Tackle Border Crossing Point problems for road vehicles at UA-PL and UA-BY with Polish and Belarusian counterparts.**



BUILDING SKILLS AND COMPETENCIES IN THE LOGISTICS SECTOR

GREATER PRIVATE SECTOR PARTICIPATION IS NEEDED IN EDUCATION AND TRAINING

- ❑ A plan for vocational training, higher education and certification in logistics should be developed as a private-public partnership
- ❑ The level of skills in e.g. aviation or railway technology fairly high, but that in logistics is generally poor, and research in it is limited
- ❑ Upgrading English proficiency for staff at logistics services users and providers, and government officials is a high priority
- ❑ Researchers to participate in international projects and programs
 - *Such as Horizon 2020, Interreg, Twinning of EU; COST , etc.*
- ❑ Creating institutions such as National Logistics Skills Council and an Academic Council on Logistics under the MoE to be considered

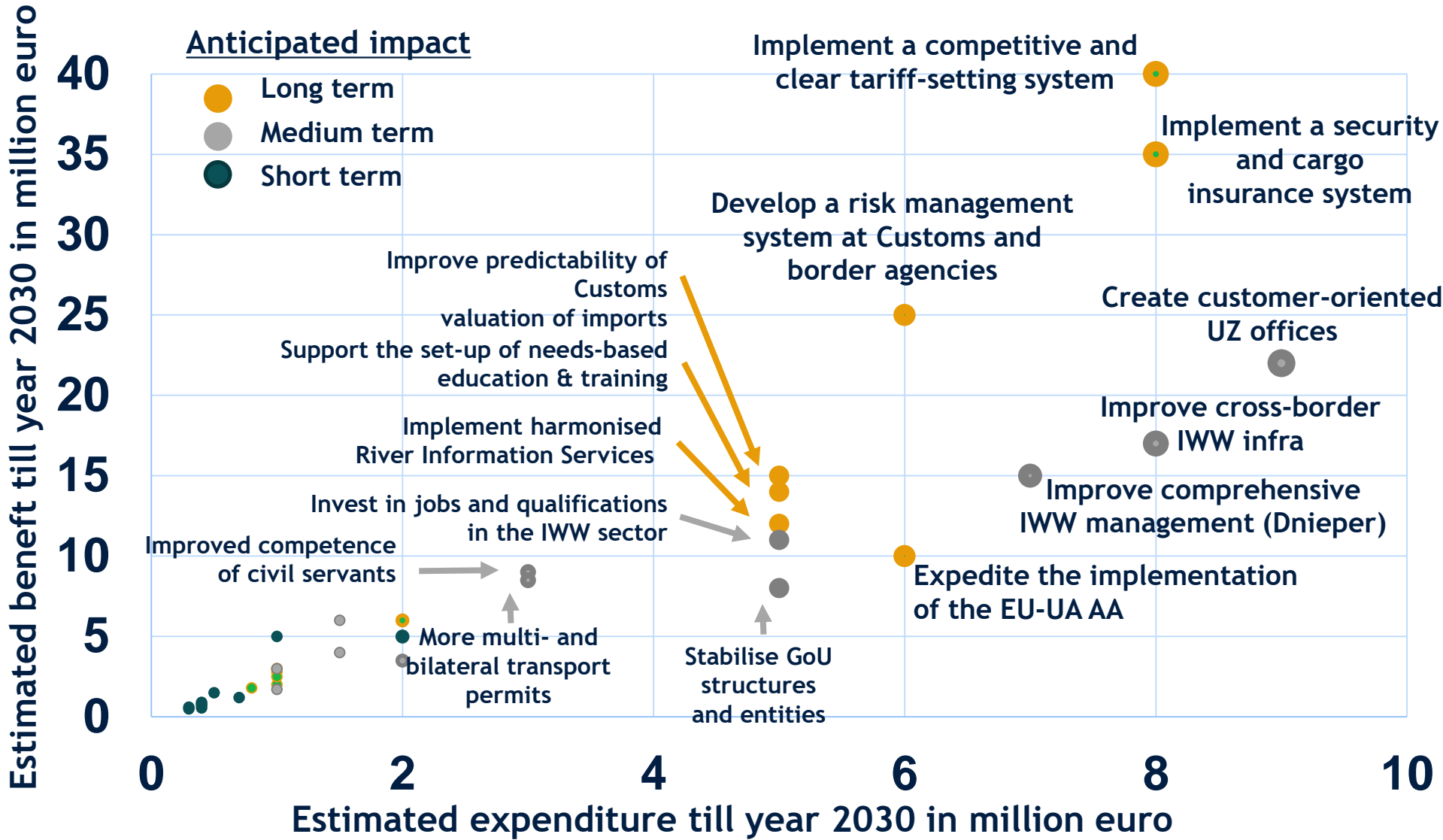


IMPLEMENTING THE LOGISTICS STRATEGY AND ACTION PLAN

SUGGESTED ACTIONS TO IMPROVE UKRAINIAN LOGISTICS TILL 2030

- ❑ 81 Actions identified; 69 with cost/benefit estimates
- ❑ Cost estimates mainly exclude infrastructure investments
 - ❑ *IWT, multimodal and logistics center Actions may include these*
- ❑ Total costs till year 2030 amount to EUR 6.3 billion
 - ❑ *EUR 4.4 billion borne by the private sector*
 - ❑ *EUR 3.9 billion for complete road fleet renewal*
 - ❑ *EUR 1.9 billion borne by the public sector*
 - ❑ *EUR 1.3 billion for rail wagon fleet renewal*
- ❑ Benefits by 2030 estimated to exceed EUR 10 billion

SUGGESTED ACTIONS IN THE EUR 2 TO 9 MILLION RANGE TO IMPROVE UKRAINIAN LOGISTICS TILL 2030

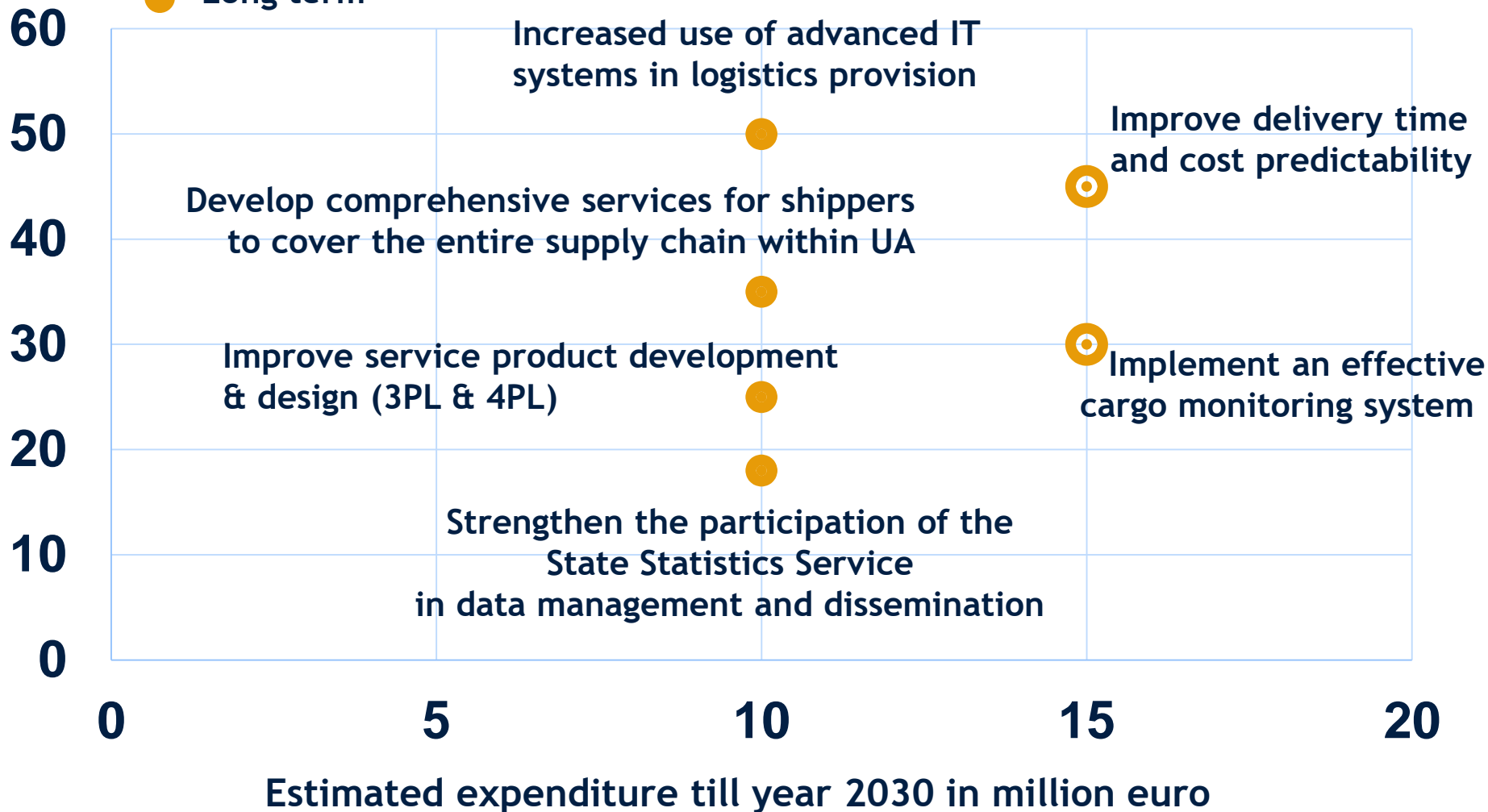


SUGGESTED ACTIONS IN THE EUR 10 TO 15 MILLION RANGE TO IMPROVE UKRAINIAN LOGISTICS TILL 2030

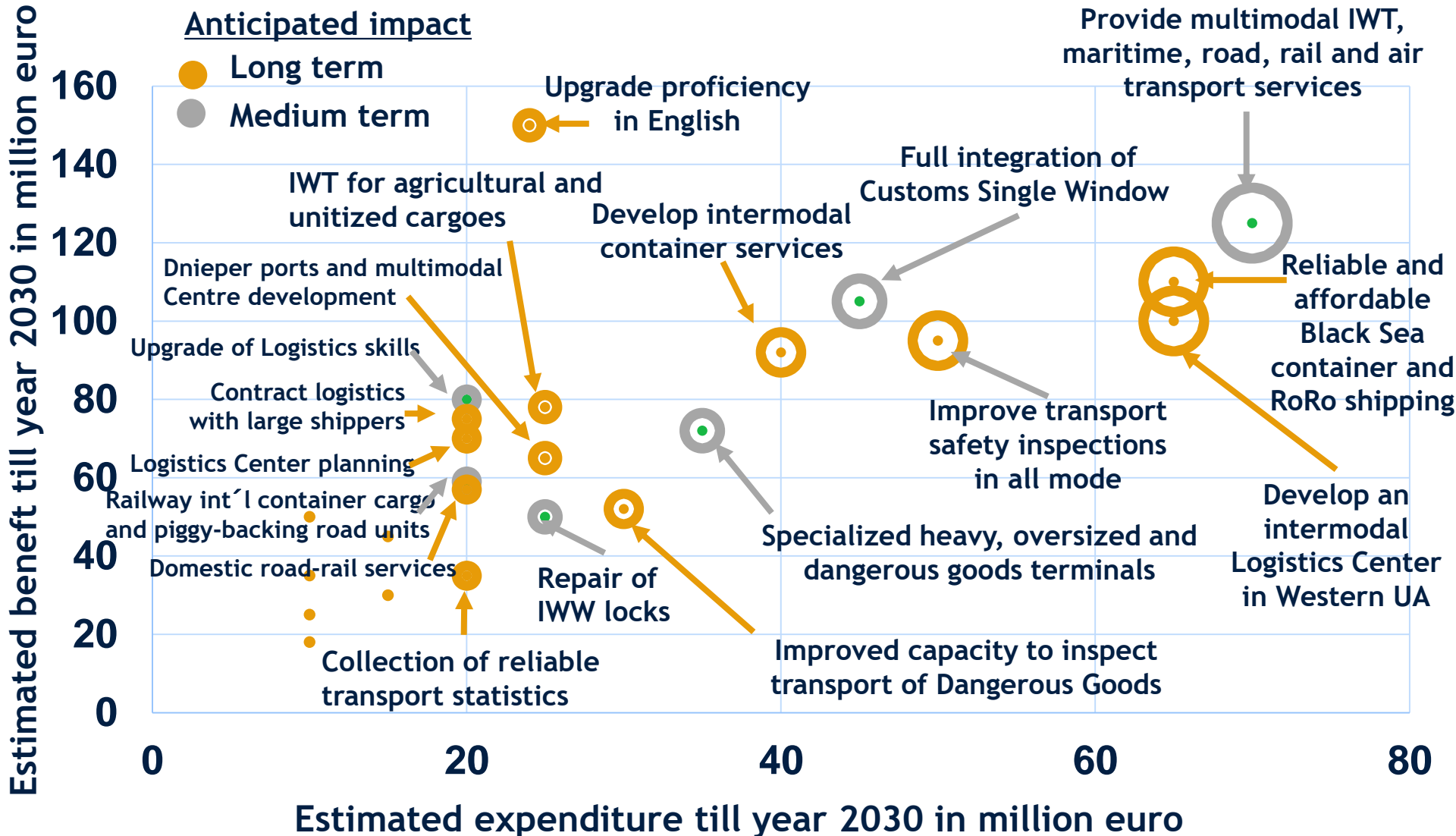
Anticipated impact

● Long term

Estimated benefit till year 2030 in million euro



SUGGESTED ACTIONS IN EUR 20 – 70 MILLION COST RANGE TO IMPROVE UKRAINIAN LOGISTICS TILL 2030



THE FOUR LARGEST ACTIONS

**COST /
BENEFIT**
by 2030 in
million EUR

Expedite implementation of port tariff reform	150	250+
Develop a network of high quality multimodal Logistics Centers based on realistic business	200	350+
Modernize rolling stocks, locomotives, rail tracks for freight transport	1,300	3,000+
Modernize the entire truck fleet	3,900	4,500+

EFFECTIVE IMPLEMENTATION OF LOGISTICS STRATEGY REQUIRES COORDINATED GoU EFFORTS (1)

- ❑ GoU to maintain statistics, ensure a clear mandate and means for the Logistics Coordination Council, follow up on KPIs, and improve the moral and financial standing and competence of civil servants**
- ❑ GoU to expedite implementation of the EU-UA AA**
- ❑ Generating better statistics requires substantial financial, organizational and IT resources, and allocation of responsibilities to improve the availability and reliability of data, incl. the SSSU**

EFFECTIVE IMPLEMENTATION OF LOGISTICS STRATEGY REQUIRES COORDINATED GoU EFFORTS (2)

- ❑ **GoU action needed to improve enforcement coordination of National Police and Ukrtransbezpeka in effective transport safety inspections**
- ❑ **MoE in key role in developing skills and competencies**
- ❑ **State Fiscal Service and other border agencies:**
 - ❑ *More transparency with regards to determination of reference prices for customs value*
 - ❑ *Full integration of the Customs Single Window*

THANK YOU!

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