



**Establishment of a ferry cargo movement
computer system, as well as supply and in-
stallation of the necessary computer and
communication equipment for the ports of
Illyichevsk (Ukraine) and Poti (Georgia) - Ex-
tension Management Assistance Poti**

Project Progress-Report

31 December 1998

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1 Project Synopsis

1.1 General Remarks

A review of the actual situation of the Port of Poti carried out in July 1998 by the Team of Computer Solutions in co-operation with the Director General of the port, Mr. Jemal Inaishvili brought about the necessity of further technical assistance by a European expert. The future role of Georgia as a gateway to Asia resp. an entry to Europe within the projected TRACECA route requires a port and a port management at highest and contemporary standard in order to cope with the future tasks of a fast and reliable multi purpose port.

This is a priority requirement of the Georgian Government and a respective study prepared by HPTI Hamburg on behalf of Tacis-Traceca has been adopted by the President of Georgia and his Cabinet. This study provides all avenues of a tailor made restructuring which will be done "step by step" beginning with the Container Terminal at berth

No. 7, followed by the Ferry Terminal at berth No. 2 and includes the privatisation of the port services and the re-organisation of the management structures in all fields.

This concept in detail implies :

Based on the plans of the International Community to re-open the old, traditional silk route between Europe and Asia which is now called the TRACECA ROUTE a target has been set to create an effective and flexible seaport system to cope with the demands of the expected growth of traffic whereby a fast commercialisation and restructuring of Poti Port is mandatory. The Port of Poti will be restructured in units which are feasible, clearly defined and transparent. This opens great opportunities for different investors and interested companies, like shipping lines, freight forwarders, local stevedoring companies and financing institutes.

The concept provides a joint venture between the Port of Poti and private investors and guarantees that no company can establish a monopoly.

The Director General has the necessary understanding of such tasks but the present port staff is not in the position to render any qualified assistance due to lack of experience and consequently he has requested TRACECA Brussels and the local EU representatives to assist with European expert input.

This request has been positively accepted and an input of additional 150 days of management assistance could be rendered to the Port of Poti.

As from 18.9.1998 an expert with profound knowledge of port management and port restructuring has been deployed by Computer Solutions BV to assist the Management of the Port of Poti and the Georgian State to carry out the transition of the present and outmoded port into an entity which is able to meet the demands of the international transport industry.

2 Analysis of Project

2.1 Tasks to be Performed

- Institutional Building and Organisational Development
- Business Planning towards Commercialisation
- Development of Strategic Planning
- Management Information System
- Ferry Terminal Operations
- Human Resources Development and Training

2.2 Main Difficulties and Deficiencies

The difficulties and deficiencies observed during the initial phase have not changed but first steps could be taken to improve the field of management information system by strengthening the role of the newly established Marketing Department.

The main problem is still the unwillingness of the key personnel to take responsibility or to take clear decisions. This concerns all fields of activity, even decisions which would not create any problems to the manager in case they would be wrong.

2.3 Situation of the Project/ Port

Marketing

The Marketing Department has started to fulfil its tasks according to the GTZ concept. Unfortunately, there are still a lot of obstacles to be overcome. At first there is not yet provided a proper office accommodation and secondly there is no computer available to produce statistics and management information. They still are depending on computers available in other departments. This problem will be solved after the commissioning of the new computer network which will be installed by Computer Solutions B.V. immediately after clearance by the Poti Customs Authority. However, documents and statistics meanwhile produced by this department under such conditions are quite impressive and give hope that in near future this group will render fruitful services to the management .

Accounts

Here the Management Advisor was able to improve some procedures by direct interference when difficulties were brought to his knowledge. This concerned mainly payment matters with port users and custom authorities. Meetings the Commercial Director of Poti Port have become a normal routine to discuss all relevant problems of that department.

Tally Service

First discussions with a potential partner were held in Tbilisi. The initiated restructuring of the Port of Poti includes as well the affiliated services and the Tally Section is one part which easily could be privatised without any international tendering.

Ferry Terminal

The construction work is going on as per adjusted time table. Problems created by the Georgian Ministry of Environment have also called for the intervention of the Management Adviser who repeatedly had to arrange for necessary actions to be carried out by the Poti Port Management when the Ministry threatened to stop the construction work for reasons of environmental infringement.

Restructuring and Privatisation

This matter is still utilising most of the time of the Management Adviser. There are regular meetings in Poti with all relevant Ministries and institutions in order to define a clear avenue of restructuring and privatisation. (see chapter 3)

2.4 Target Groups / Beneficiaries of the Project

Main target groups of the Management Adviser were during this period under review again the marketing department, the planning department and the commercial department. Outside the port close contacts were held to the relevant Ministries of Georgia (Transport and State Property) as well as to the office of the President. Moreover, close consultations were maintained to the EU- Commission, the TRACECA office in Tbilisi and the Tacis Co-ordination Unit. The main beneficiary of the project is the director of the port of Poti and the concerned experts in the Ministry of Transport due to the great importance placed by the Georgian authorities, including the President's office, as well as Tacis/Traceca on the privatisation of the port.

Project Execution and Planning

3.1 Co-ordination with other Projects

The tasks of the Management Adviser provided a close co-operation with other ongoing projects in the Port of Poti, viz. The construction of the new ferry terminal at berth No. 2 is directly linked with his TOR and the Tacis project HPTI/POLZUG performs in Poti, Tbilisi and neighbouring states is an ideal basis to implement new management structures in order to prepare the port staff for the duties to be rendered in connection with this project. This concerns mainly the marketing, the operations and the tariff system.

3.2 Project Objectives

Main objective during this period under review was again the forthcoming restructuring of the Port of Poti. (see chapter 3.3)

3.3 Project Approach

The engagement of the Management Adviser during the months November and December 1998 mainly focussed on the forthcoming privatisation. His approach during the previous period to the Georgian Government succeeded in the opportunity to see the Head of State, Mr. Eduard Shevardnadze and his cabinet and to present the Tacis-Traceca concept during a speech held on the 4th November 1998 which was transmitted to the Georgian Nation by all TV and radio stations. This speech resulted in a presidential decree signed on 29th November 1998 by Mr. Shevardnadze which fully adopted the European proposal. (see annexes 1 + 2). Mr. Shevardnadze also insisted on the tendering of the port shares whereby he did not follow in full the proposal of his Minister of State Property Management who demanded the employment of an investment bank. Still, the Management Advisor was asked to prepare the necessary Tender Documents for the engagement of an investment banker. After intensive discussions between Tacis, Traceca, the ambassadors of the member states, the Minister of Transport and the director general of the port of Poti it was felt that the engagement of an investment banker was contrary to the interests of the EU and would result in a waste of money and resources. All necessary aspects of the privatisation process have amply be investigated and reported in the Traceca Poti and Batumi project. Despite this, as recent legal and administrative developments in Georgia had resulted in certain important preconditions for privatisation being unclear or undecided, a questionnaire was distributed to the concerned authorities with a request for clarification.

In the course of these discussions several meetings were held with the responsible ministries and institutions, the results of which are depicted in the time table below:

3.3.1

Meetings and consultations held in November and December 1998:

Date	Location	Persons/Institutions	Results
3.11.98	Tbilisi	TRACECA	Discussion about the forthcoming presentation of the European concept to the President of Georgia and final wording of the speech to be held by the Management Adviser.
4.11.98	Tbilisi	President of Georgia and Cabinet	Presentation of the Tacis-Traceca concept by the Management Adviser. Full acceptance by the President who will issue a respective decree in due course.
5.11.98	Tbilisi	German Ambassador	Briefing about the final result of the cabinet meeting.
24.11.98	Tbilisi	EU Delegation	Preparation of the Presidential Decree which has been handed over to the Ministry of State Property for further action.
24.11.98	Tbilisi	Mr Vladimer Shelia Deputy Minister of Transport	Discussion about steps to avoid the employment of an Investment Bank
25.11.98	Tbilisi	Ministry of State Property, Mr. Shota Keldeshvili, Vice Minister	Presentation of a questionnaire designed by the Management Adviser necessary to clarify certain important issues for the privatisation process.
25.11.98	Tbilisi	Minister of Transport, Mr. Adaishvili	General exchange of views about privatisation of Poti Port. Mr. Adaishvili asked for support by the Management Adviser to waive the invitation of an investment bank.
25.11.98	Tbilisi	EU Delegation	Briefing about the progress of privatisation.
6.12.98	Tbilisi	Meeting with Minister of Transport and all Deputies, Deputy Ministers of State Property, Local World Bank Rep., TRACECA/ Mr. Turdzeladze, D.G. of Poti Port, Mr. Inaishvili	<p>Subject of Meeting.</p> <p>Presidential Decree on Poti Port and further Strategy.</p> <p>The meeting proved that there are two factions in the Government of Georgia :</p> <p>One pro investment bank and one against such a solution. The Ministry of State Property seconded by the World Bank is insisting on the invitation of an Investment Bank whereas the Minister of Transport supports a local solution by using own sources in co-operation with Tacis-Traceca and the Management Advisor. The meeting ended without final result but there is good hope that a restructuring without an investment bank will be carried out. The Management Advisor in his closing remark pointed out that transparency will be maintained by all means as prospective investors will defend their interests against all irregularities as expected by the Ministry of State Property.</p>

Date	Location	Persons/Institutions	Results
12.12.98	Tbilisi	Minister of Transport , Mr. Adaishvili Mr. Inaishvili, D.G. Poti Port Mr. Marc Graille, TRACECA	Determination of strategy for the Privatisation of Poti Port on basis of the Presidential Decree.

In addition to the above mentioned activities concerning the restructuring of Poti Port there were held several meetings in Poti with different heads of department in order to identify obstacles and deficiencies in management and operation.

3.4 Planning for the Next Period

Also the forthcoming period will mainly be engaged with the restructuring and privatisation of Poti Port.

However, the training on the job with different departments of the port will be continued and intensified. A working plan for the new Ferry Terminal is in process and will be completed by end of February 1998.

4 ANNEX 1

Speech to the President of Georgia held on 4th November 1998

5 ANNEX 2

Presidential Decree about the Privatisation of Poti Port