


Port of Baku Management  
Assistance and Training  
**Inception Report**  
25 March 1996

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**REPORT COVER PAGE**

Project Title	:	Technical Assistance for the Development of the Port of Baku Management Assistance and Training	
Project Number	:	WW.93.05/05.01/B010	
Country	:	Azerbaijan	
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## 1. Project Synopsis

Project Title	Technical Assistance for the Development of the Port of Baku Management Assistance and Training
Project Number	WW.93.05/05.01/B010
Country	Azerbaijan

**Project objective[s]** : Support the management of the Baku seaport in the transition to the market economy, by strengthening the management in introducing new policies and working methods to cope with the new challenges resulting from the new market-oriented environment.

The project includes the implementation of a modern financial management system to analyse all investments for short, medium and long term periods, advise on modern port operations, and management training.

**Planned outputs** :

- Development and implementation of strategic planning
- Design and implementation of a marketing strategy
- Establishment of cost covering of port activities and development of a new tariff structure
- Modernisation and improvement of port operations
- Design and implementation of a costing and accounting system
- Implementation of a human resources policy
- Preparation of a legal framework to define the relationship between Baku International Seaport, several specialised users and other interested parties.

**Project activities** :

- Prepare strategic, medium and long-term planning
- Plan and supervise structural investments
- Advise on institutional changes, on the introduction of computerisation, on marketing and on the commercialisation of activities
- Prepare investment plans, capital and operational budgets, financial documentation for negotiations and balance sheets
- Advise on new payment schemes
- Make all port operations more efficient and increase overall productivity
- Prepare and assist in administrating commercial handling contracts
- Assess training needs for management, arrange and set up training programmes, identify future trainers and start implementing a human resources management programme
- Organise and execute a study tour through European ports

*provide in the tariff structure*

**Project starting date** : 29 November 1995(date of contract signature)  
08 December 1995(actual start of project activities)  
28 January 1996 (start of project activities on location)

**Project duration** : 16 months

## **2. Analysis of the Project-Start Situation**

### **2.1 Relevant Project Contents**

The project contents are described in the Terms of Reference of this project. They consist of three relevant fields:

- ▶ To assist the transition process of Baku International Port towards a commercial operating institution and enable it to cope with the new market oriented environment. This commercialisation requires as a first step for the project a far reaching and detailed analysis of the business structure, looking into all elements of business administration. Based on this assessment the new institution building can be carried out, including set up of necessary commercial structures within the organisation of the Port.
- ▶ To identify the future market with relevant business fields of the Port to serve the developing freight industry for all modes of transport in Baku and the region. At the beginning of the project this part requires an assessment of the current cargo transport market in Azerbaijan and a traffic forecast for the port related business. Further, new business fields for cargo handling need to be identified in order to extend the commercial cargo handling activities of the Port and offer a wider range of services to the market. This includes steps to familiarise the management with modern marketing and sales methods.
- ▶ To identify and analyse, in respect to their importance for and their impact on the market as well as their feasibility, the necessary investments for keeping important facilities of the Port operational, threatened by the rising sea level, as well as investments for modernizing facilities for the changing demand of the transport market. Simultaneously, necessary instruments for these tasks shall be introduced to the management.

### **2.2 Main Problems / Deficiencies**

The main problems this project has to tackle are already outlined in the Terms of Reference. They are the rising sea level of the Caspian Sea and the changing economical and political situation in Azerbaijan and in the traditional trading partner countries. The impact of these problems on the Port is serious.

The rising sea level has resulted in the port losing facilities through flooding and limiting the operational ability of the ferry link spans considerably, thus, reducing the Port's service capacity to a great extent.

The political and economic changes have taken away the Port's commercial basis, resulting in a sharp decline in business. They also demand from the Port now a thorough reorientation in line with newly adopted market-oriented principles in management style, business behaviour and organisational setup.

The project objectives are tackling the latter problems primarily, without neglecting the first mentioned.

Other deficiencies or problems which should be further considered in addition to the above mentioned have not been identified in the start-up phase of the project.

### 2.3 Situation of the Port

After a short setup phase the project started on Monday, 5 February 1996, with a project planning workshop based on the Logical Framework Project Planning Methodology (LogFrame). The goal of this workshop, that was conducted under the guidance of a highly qualified and internationally experienced moderator, was on the one hand to obtain the involvement of the key management of Baku Port with the project activities and to familiarise the relevant staff of the Port with the expert team, and on the other hand to work out and plan together with the Port staff the necessary project activities, by incorporating ideas, thoughts and views of the management on actually existing problems.

The port management committed itself fully to the workshop. Nearly the entire top management team participated for a whole week. Their active participation and their valuable contributions together with the extensive professional exchanges with the expert team and with Mr. van Erdenburgh, the Maritime Expert of the TRACECA Management Team, lead to the identification of all necessary project activities in a comprehensive way.

The workshop commenced with a Participation Analysis, identifying of all "actors" of the project and their positive and negative expectations. From these expectations problems were identified and analysed in a Problem Analysis, which led in turn to an Objectives Analysis. The results are documented in **Annex 1**.



As its next activity the expert team assessed the current organisational and commercial situation of the Port, in order to gain a comprehensive picture. The situation is characterized by structures, still existing from the former Soviet Union times, and by the impact of changes going on in Azerbaijan and the region in such areas as legislation, new currency, devaluation, reorientation of trade and industry, breakdown of trading and transport patterns, etc.

The initial findings for the sections Finance/Accounting and Operations are given in **Annex 2**.

## **2.4 Target Groups of the Project**

The main target group of this management assistance and training project is the management staff of the Port of Baku.

Other target groups include the Port's supervising authorities and other legislative governmental organisations in Azerbaijan as well as the Port's past and, especially, future clients.

Last but not least are all actors of the TRACECA programme targeted by this project, too.

The project is primarily concerned with assisting the management staff of the Port to acquire the necessary knowledge and experience in running the Port successfully on market-economic principles. This includes all fields of management from operations over financial management, investment planning, marketing, human resources management, corporate planning to communications and leadership. Many of the concepts underlying these topics are alien to the management staff and must be presented to them in such a way that they see their value and adequacy and are freely prepared to accept them.

The expert team will endeavour to give the target groups the understanding that this project "belongs" to them and that the expert team's task is to assist them on an equal level. Only in this way can the sustainability of the project results be assured.

## 2.5 Commitments of the Port

Generally, the success of such a management assistance project depends very much on the cooperation between the local staff involved and the expert team. Since the project start a friendly and constructive cooperation between the experts and the counterparts has been established which will be of benefit for the project's achievements.

In particular, right from the commencement of the project the Port assigned key management members as counterparts to the expert team. These managers and the team members formed four different working groups covering the relevant areas of the project:

▶ **Economic, Financial and Accounting - Work Group**

This group consists of the heads of the commercial and economic departments, the chief accountant and the internal auditor. Further participates in this group the legal officer of the Port and a relevant economist, an accountant and an engineer.

▶ **Operations - Work Group**

This group consists of the head of operations department and all deputy managers from all port terminals.

▶ **Technical - Work Group**

This group consists of the chief engineer (head of the engineering department and Deputy Port Director), the heads of the hydro technical and the mechanisation and design departments, as well as other relevant engineers of the port.

▶ **Personnel - Work Group**

This Group consists of the head of the personnel department, the head of the educational and production complex and the Port's legal secretary.

### **3. Project Planning**

#### **3.1 Co-ordination with other Projects**

This project has many interlinkages with the projects of the Tacis-TRACECA programme and also with other Tacis projects, which must be given due regard when proceeding with the project work. The Port of Baku in particular is of prime importance to the TRACECA programme as it is a "point of concentration", where the northern and southern transport routes of Central Asian as well as of the Caucasus merge and diverge. The efficiency and effectiveness of the Port will have a major impact on the future traffic of all kinds of surface transport. It is therefore of importance to integrate the planning for port facilities and for port services in Baku into the developing freight market in Azerbaijan and the region.

The expert team will consider the results of Tacis studies that belong to the framework of this project, such as the study on the Caspian Sea Water Level of 1995 and the study on the Caspian Shipping Corporation, and apply their findings and recommendations to the project, as far as possible. The expert team also actively tries to incorporate views, finding and results of other ongoing studies and projects in the concerned area of TRACECA.

A close co-operation with the expert team working on the renovation of the ferry terminals of Baku and Turkmenbashi will be established, because the ferry terminal in Baku is a major port facility where transit cargo traffic is handled. The anticipated changes in the transport market, especially the increasing truck traffic and the simultaneously inclining traffic of railways, will have a major impact on the ferry terminal. The rising sea level will not be the only problem to be tackled, the land side infrastructure and, probably, the location of the ferry terminal are major issues to be considered in conjunction with the Port's needs and within the changing transport infrastructure requirements. It is a fact that the current ferry terminal in the centre of Baku City has no appropriate access roads to the main roads carrying the truck traffic from and to the west, the south and the north.

In the course of the project a close co-operation and communication with the other Tacis-TRACECA project is intended, where ever it is necessary and possible.

### 3.2 Project Objectives

The overall goal of the project is to enable the Port to become effective and efficient in handling cargo and in developing and performing all subsidiary commercial activities that foster a smooth transfer of goods and an uninterrupted flow of transport along the TRACECA transport corridors. To achieve this and to generate the necessary funds the port has to attract cargo, first of all. Therefore, it has to work in a competitive way within the economical environment of Azerbaijan and be managed in accordance with market-economic principles.

During the LogFrame project planning workshop the following six main outputs/results have been identified:

1. The port works to capacity
2. The port management is able to work in market economic conditions
3. A management information system is implemented
4. A decision concerning the establishment of a Freeport is taken
5. Additional port services are attracted
6. Main investments for the reconstruction of the Port are defined and their financing is secured

These objectives are in line with the Terms of Reference. The activities necessary to reach these objectives address the major key problems of the Port, such as:

- defining the reconstruction projects of the port to tackle the impact of the rising sea level
- finding new fields for activities for the Port within the freight industry in Azerbaijan and in the TRACECA countries
- assist the Port in the transition process brought about by the recent political, social and economical changes.

### 3.3 Approach, Results, Project Planning

As already described in section 2.3, the project commenced with an intensive project planning workshop, involving the expert team and management staff of the Port.

The objectives, outputs and activities resulting from the analytical part of the workshop are documented in the Project Planning Matrix (Annex 3.1) and in a comprehensive Project Activities Plan (Annex 3.2). The Overall Plan of Operations, the Overall Output Performance Plan and the Plan of Operations for the next period (Work programme) are based on this.

In the light of the Project Activities Plan, the expert team has reviewed the deployment schedule for each individual expert and adjusted each expert's manpower input in accordance with the allocated time frame and the resulting work load per activity. The originally planned overall manpower input will not exceed, but changes to the durations of the experts' assignments were necessary in order to distribute the workload. These changes are outlined in an updated Expert Deployment Schedule (see Annex 4).

The Project Activities Plan is structured in activities, overall activities and milestones. Generally, the activities are connected to indicators, describing relevant results of the activities. Responsibilities have been allocated to both the concerned experts and the relevant work groups of the Port. For the purpose of this project, as mentioned before, the Port and the expert team have formed four different working groups according to their related work and responsibilities, covering the main areas of Finance/Economics, Operations, Technical, and Personnel (see the list of groups in **Annex 5**).

### 3.4 Constraints, Risks and Assumptions

Some of the development activities of the project are concerning outside parties of the Port, and require decisions, approvals or agreements with those. These outside factors are uncertainties which can limit the project's achievements.

Major outside factors which have a considerable impact on the Port are:

- the establishment of regular and reliable ferry services between Baku and Turkmenbashi and between Baku and Aktau and their acceptance by the transport industry

- 2 - the free accessibility of the waterways connecting the Caspian Sea with the Black Sea
- 2 - the limitations on overland transit routes caused by closed borders or national regulations of adjacent countries
- 2 - armed conflict in the region and security problems
- 2 - infrastructural deficiencies in the entire regional transport system

These risks are have a major impact on the Port's development, and for the purpose of this project realistic assumptions about them must be taken.

### 3.5 Planning for the next Period

The individual activities for the next period (first 6 months after project start) are already defined in the overall plan of operations. The experts concluded, based on the impressions gained in the initial workshop and during the fact finding carried by the expert team since, that a Business Field Analysis (BFA) for the Port will be an appropriate instrument to cover a large part of the project activities on one hand, and to involve the port management as well the port users in this project on the other hand.

Generally, the BFA will analyze the current business fields of the port in respect to revenues, costs, assets, operations, organisation and profitability. To do this, an inside/outside view of the Port's past activities (the views of the Port's staff and of port users) will be assessed. The active freight industry in Azerbaijan, which consists currently of freight forwarders, trucking companies, the railway organisation, shipping lines, shipping agents, shippers, and consignees will be involved in this process. The expert team together with management staff will conduct interviews and also invite these clients of the Port to participate in a workshop. During this workshop the current business fields of the Port will be analysed and activities of the Port necessary in future to satisfy the needs of the freight business will be identified. The results from interviews and workshop will form the basis for a new commercially oriented structure of the Port. The results will also identify port services facilities needed in the future and the associated investments to overcome the current shortcomings.

The BFA will be accompanied by training programmes for several target groups of the port management in order to familiarize the staff with modern management methods in the field of business administration, financial management, marketing/sales and staff management.

The BFA programme (see **Annex 6**) will run until mid of May and takes place in three sequences, each consisting of a workshop, a work group programme for elaboration of specific tasks, and a training course. The sequences are described as follows:

<b>1. Sequence</b>		
<b>BFA-Workshop</b>	<b>Work Group</b>	<b>Training</b>
<p>The existing business fields of the Port will be identified and existing departments, units and staff of the port will be allocated to these fields. A first view on generated revenue of 1995 and, as far as possible, relevant expenses will be worked out. The results shall give a business oriented structure of the port and identify the value of the business fields and their importance to overall profitability.</p>	<p>Based on the results of the first BFA-Workshop the financial work group, guided by the financial expert of the team, will elaborate a revenue and expenditure structure, showing the contribution margins of the individual business fields. The results of this work group will be presented in the 3. BFA-Workshop.</p>	<p>The financial work group will participate in a one week training course, conducted by an external lecturer. The subject of this training will be basic business administration and fundamentals of cost accounting. It will also include a short introduction to computer based cost accounting systems.</p>

<b>2. Sequence</b>		
<b>BFA-Workshop</b>	<b>Work Group</b>	<b>Training</b>
<p>This Workshop will be a "port user workshop". Relevant representatives of port users will be invited to this workshop and together with port management staff identified market requirements and future business fields the market is asking for.</p>	<p>Based on the results of the second workshop the technical and the operations work groups will work out plans and specify projects in the identified business fields, for the Port to become active in. The results of these work groups are already part of the medium and long term planning of the port.</p>	<p>The financial and the operations work groups will together participate in a one week marketing and sales seminar. The objective of this training is to familiarize the management staff with marketing and sales methods in order to develop activities for the identified business fields.</p>

<b>3. Sequence</b>		
<b>BFA-Workshop</b>	<b>Work Group</b>	<b>Training</b>
<p>The objective of the third workshop is to design together with the port management staff a new appropriate organisation structure. The results of the previous two workshops and the knowledge gained in the training sessions will form the starting point. This organisation workshop will focus on commercial elements and structures in modern institution building.</p>	<p>The objective of this work group is the detailed planning of the future organisational structure in respect of operations, marketing/sales, financial management, accounting, asset allocation and personnel. The result shall be the future organisation scheme, including manpower requirements, as well as an adequate cost accounting structure assisting management in decision making and controlling.</p>	<p>This training will be a management training seminar for the key management staff of the port. It will emphasize modern management methods in business administration and staff management.</p>



## **ANNEXES:**

- Annex 1: Results of the Project Planning Workshop  
1.1: Participation Analysis  
1.2: Problem Analysis  
1.3: Objectives Analysis
- Annex 2: The initial findings for the sections Finance/Accounting and Operations
- Annex 3: Project Planning  
3.1: Overall Output Performance Plan (Form 1.5)  
Project Planning Matrix  
  
3.2: Project Activities Plan  
Overall Plan of Operations (Form 1.4)  
Work Programme (Form 1.6)
- Annex 4: Experts' Deployment Schedule
- Annex 5: List of Working Groups
- Annex 6: Business Field Analysis Programme

## **Annex 1**

### **Results of the Project Planning Workshop**

Participation Analysis (5 pages)

Problem Analysis (4 pages)

Objectives Analysis (4 pages)

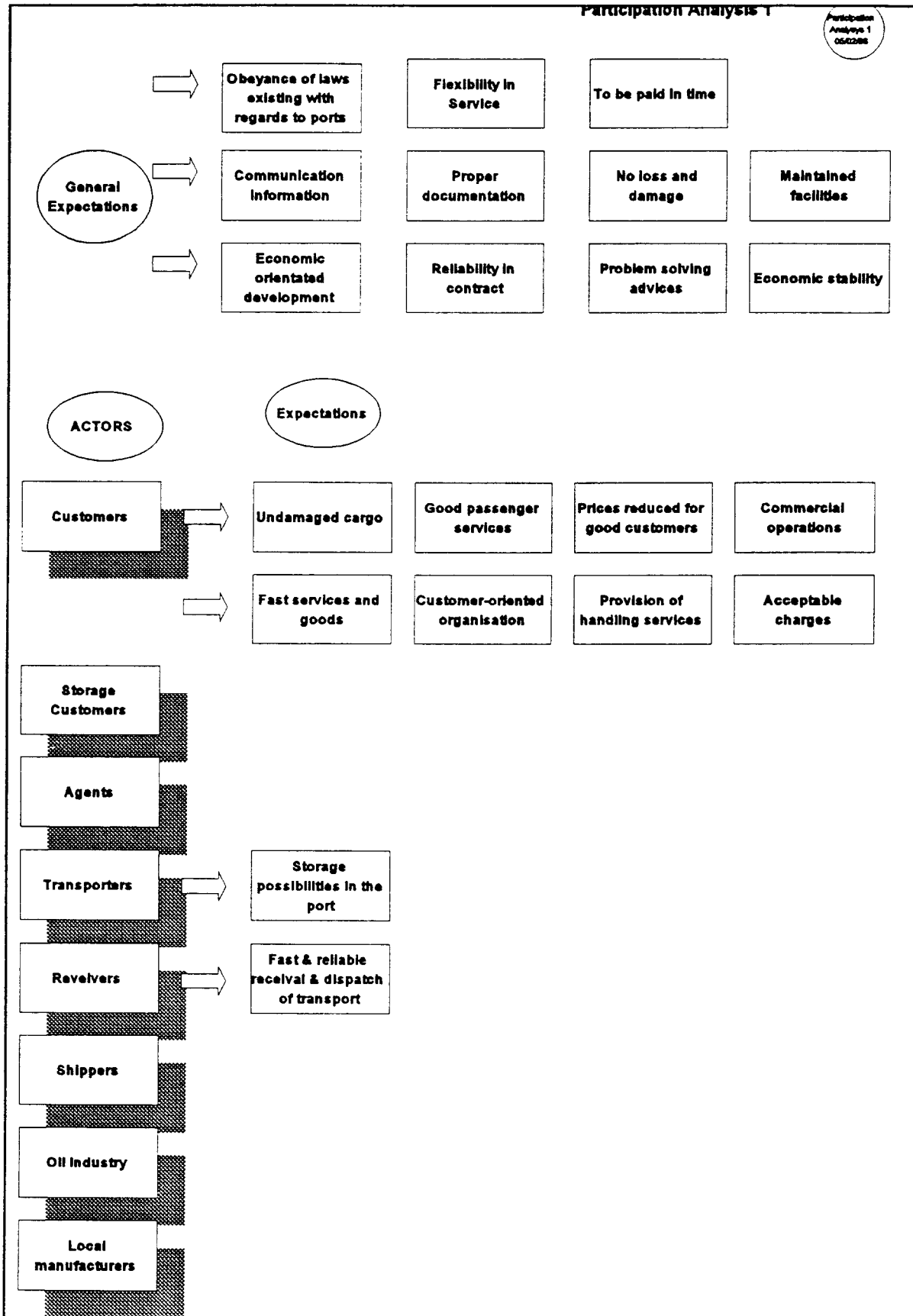
## Participation Analysis

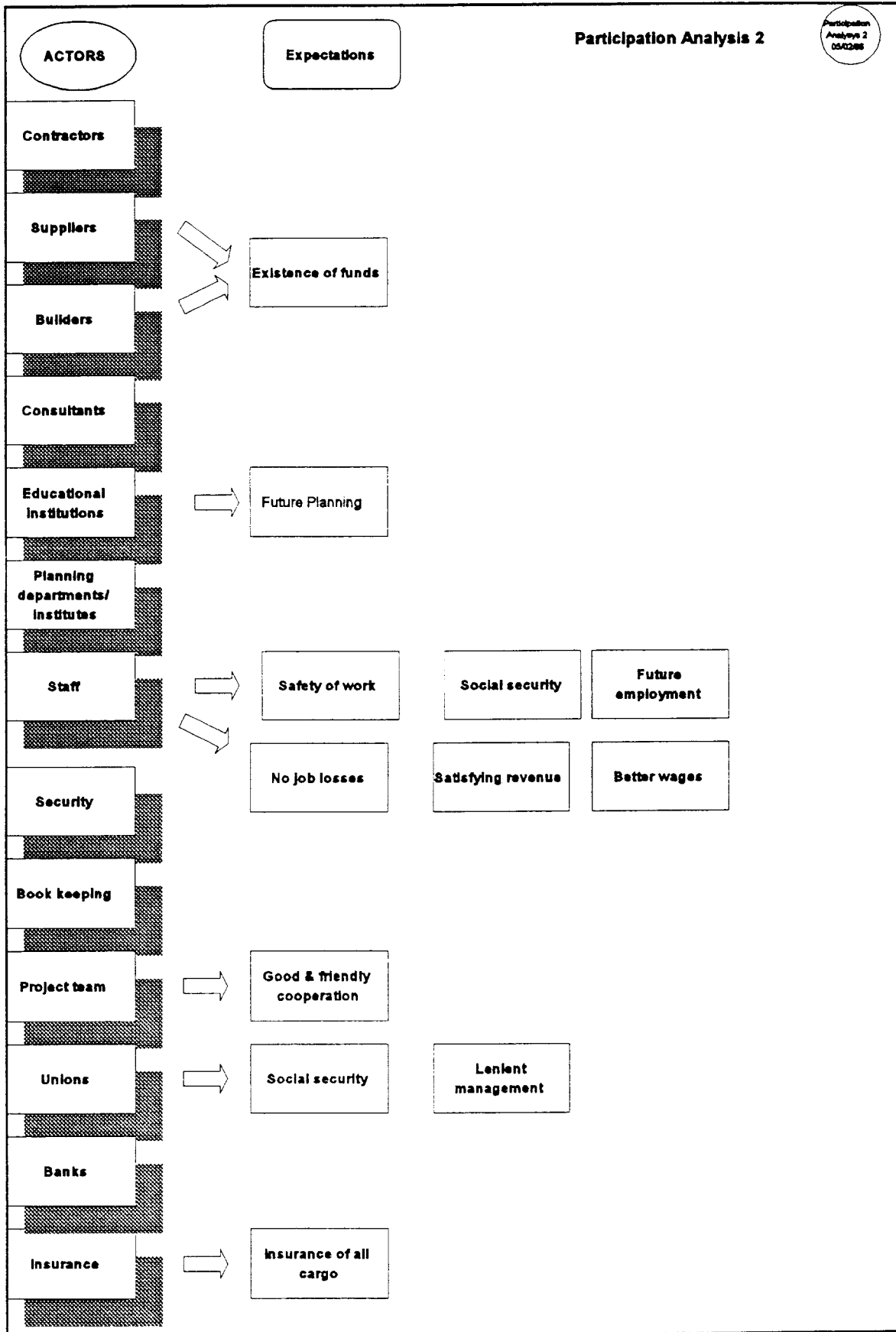
The participation analysis gives an **overview** of all persons, groups, organisations and institutions connected with the project in any way.

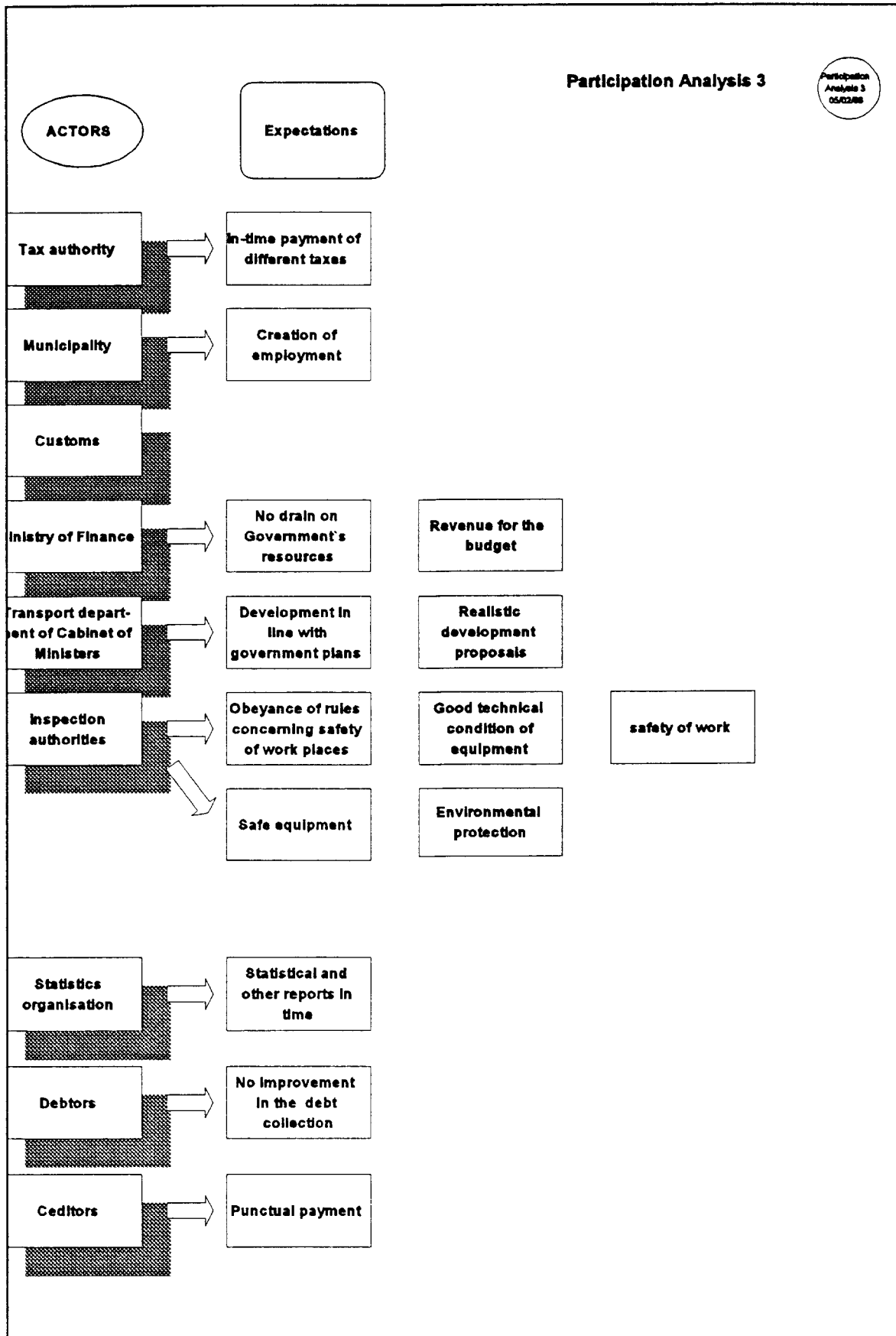
It incorporates the interests and **expectations** of persons and groups significant to the project.

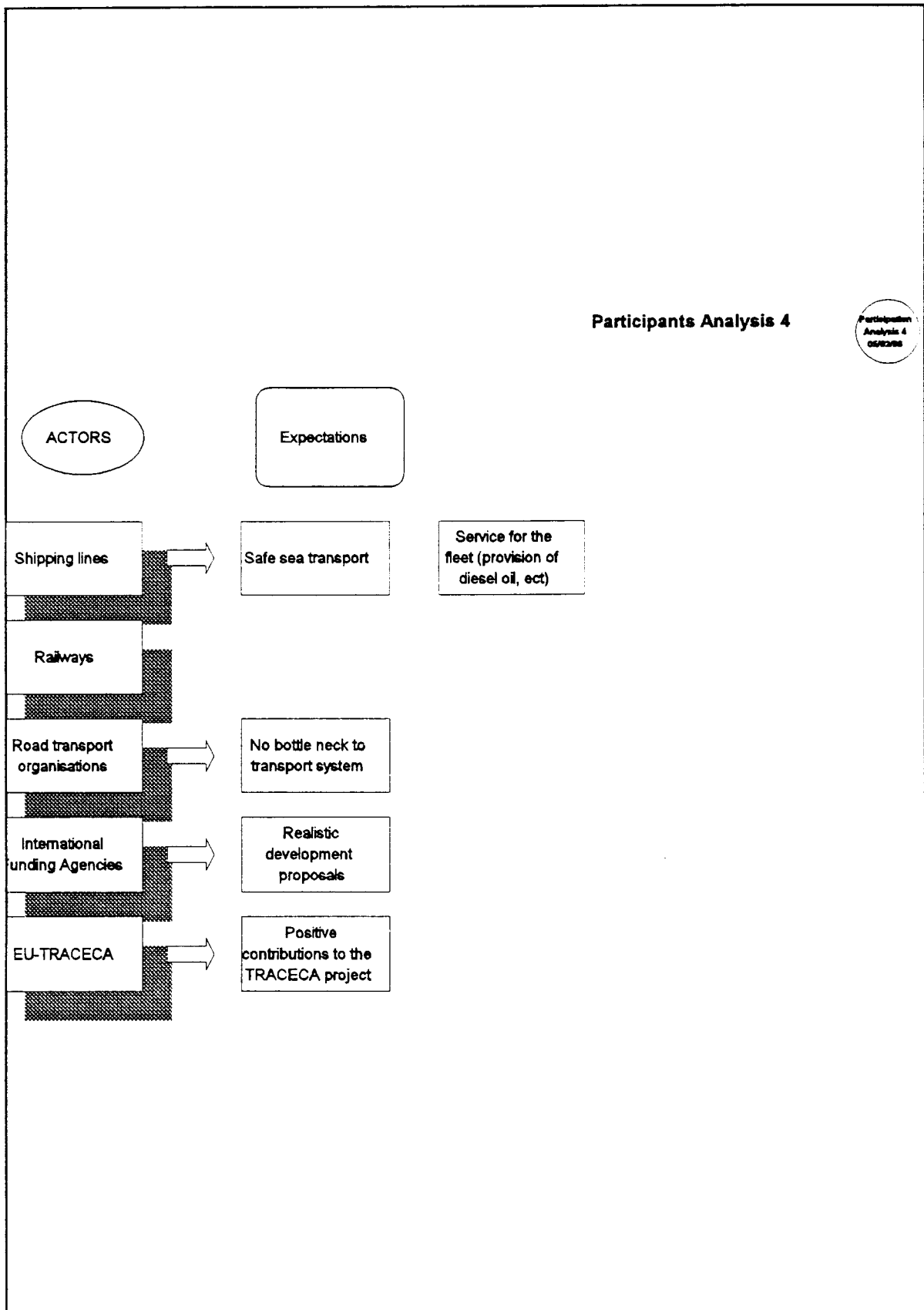
The following five pages show the different interest groups the LogFrame working group identified as being connected in any way with this project as well as the expectations the work group felt they might have.

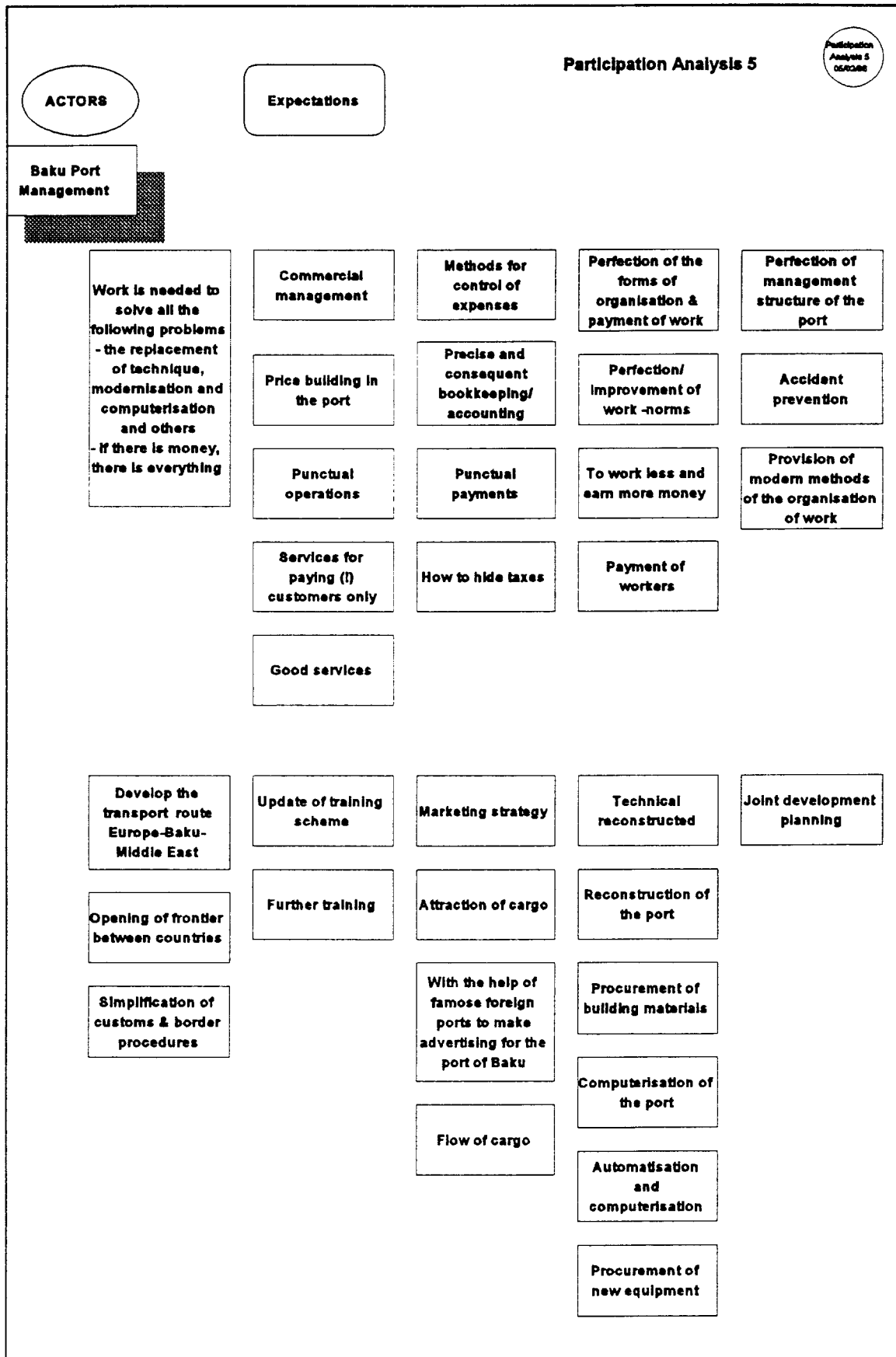
These pages are copies of the wall posters that were developed during the workshop.













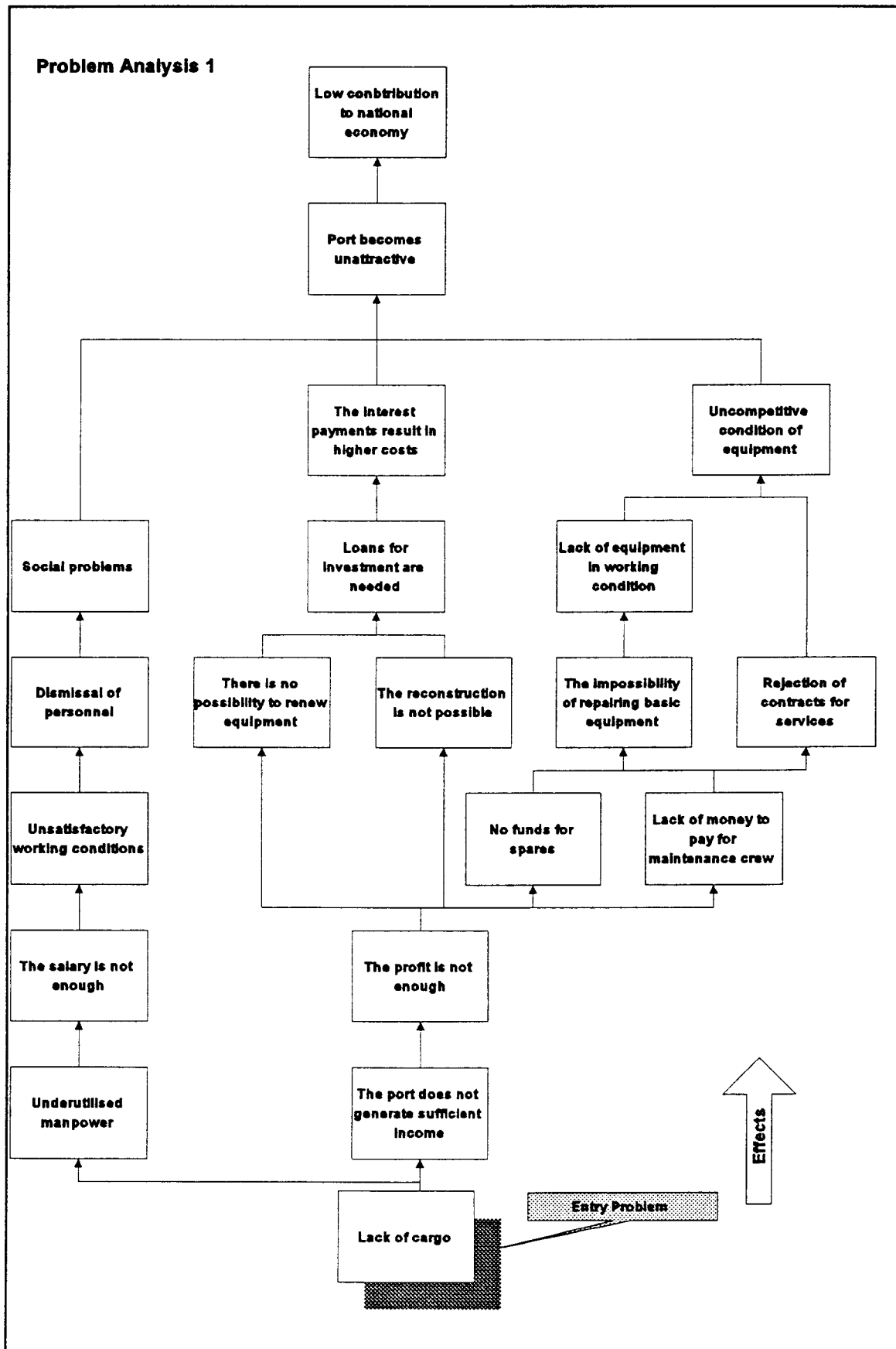
## Problem Analysis

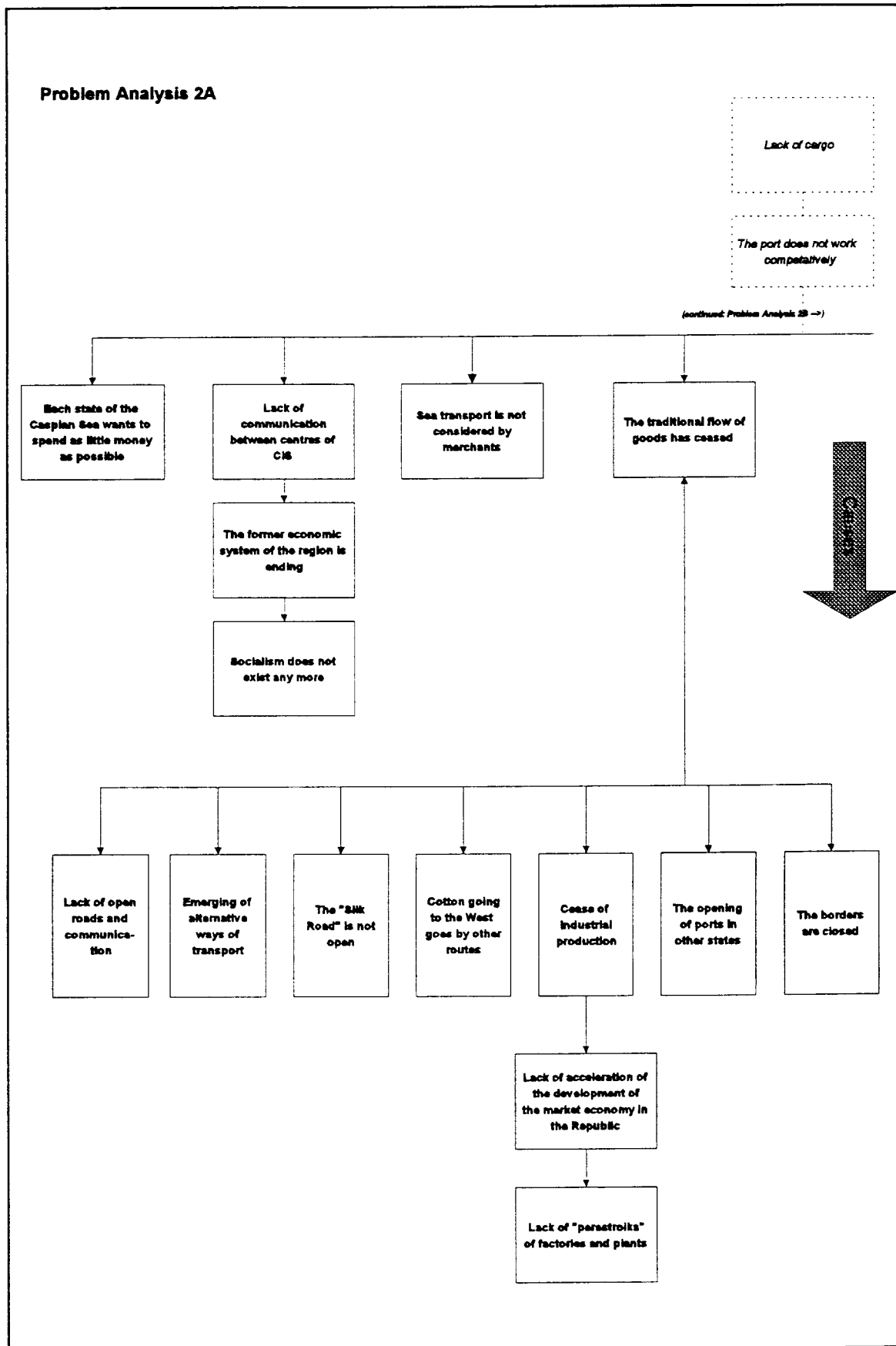
The problem analysis is a set of techniques to analyse the **existing situation** surrounding a given problem condition. It identifies the **major problems** in this context, defines the "entry problem" of a situation and visualises the **cause <-> effect** relationships in a diagram, the Problem Tree.

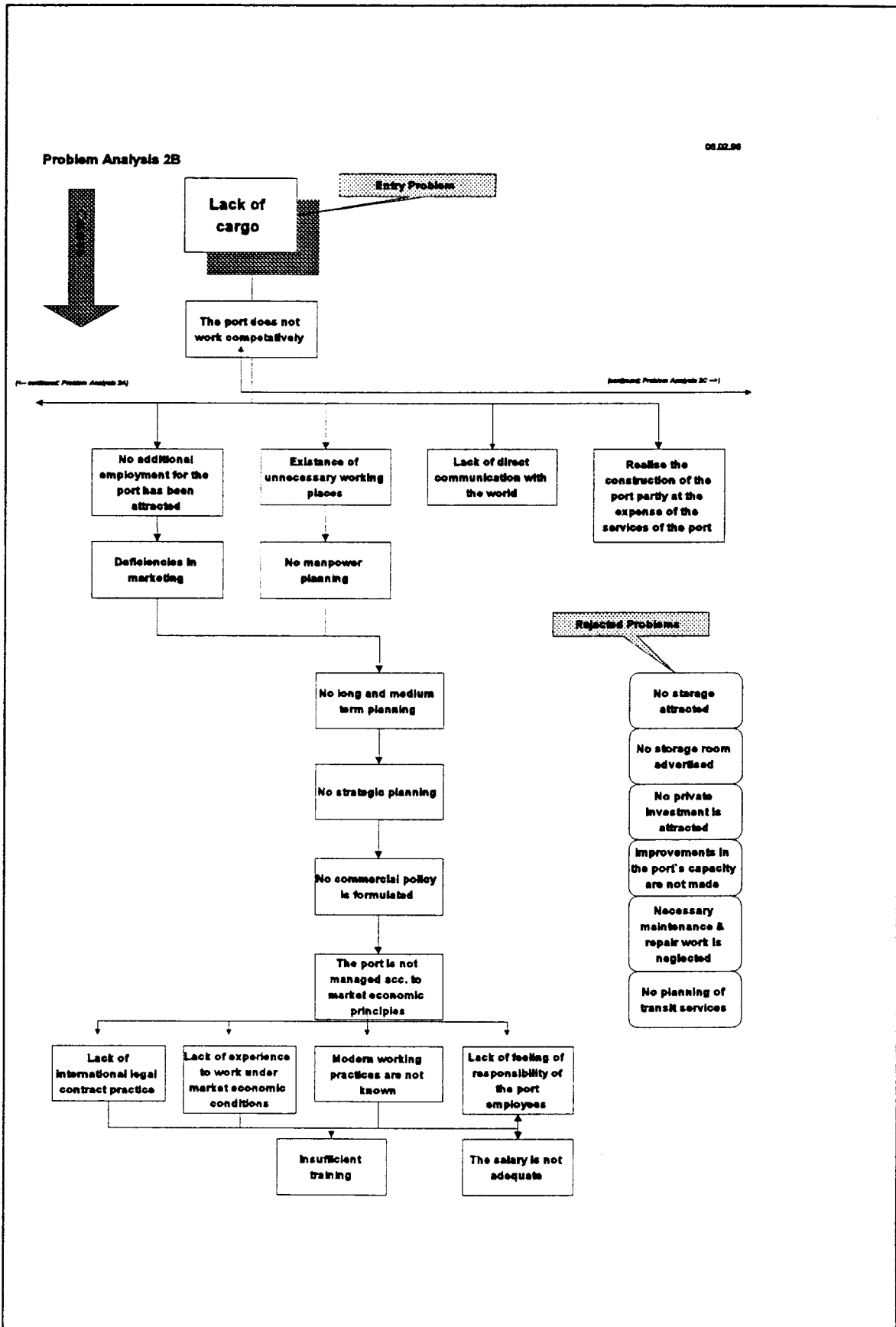
In this respect it is important to note that a problem is defined as an existing negative or undesirable state, that one wants to change. It is neither the absence of a solution nor a fault or mistake of somebody.

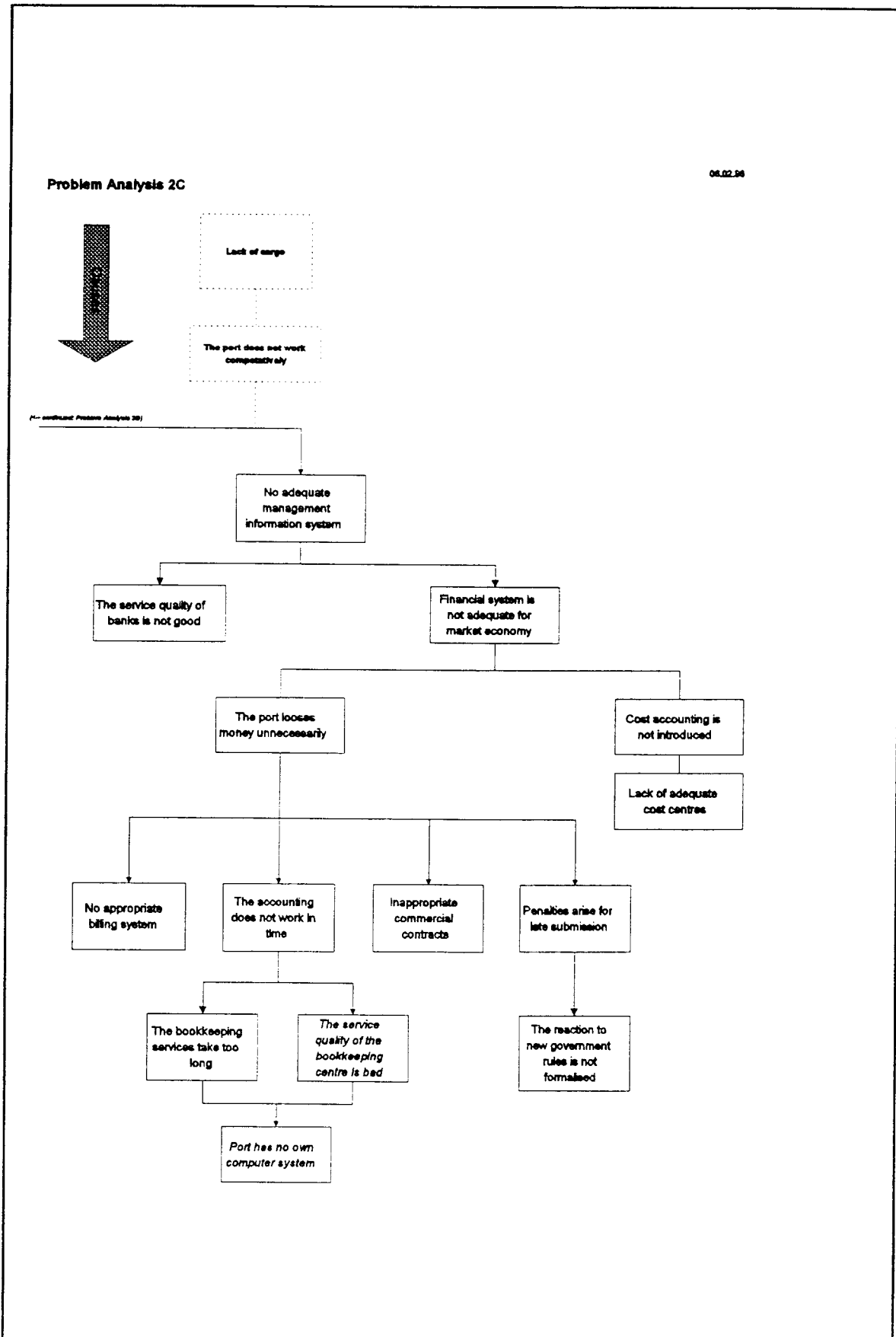
The following four pages show the identified problems and their cause <-> effect relationship as perceived by the LogFrame working group.

These pages are copies of the wall posters that were developed during the workshop.









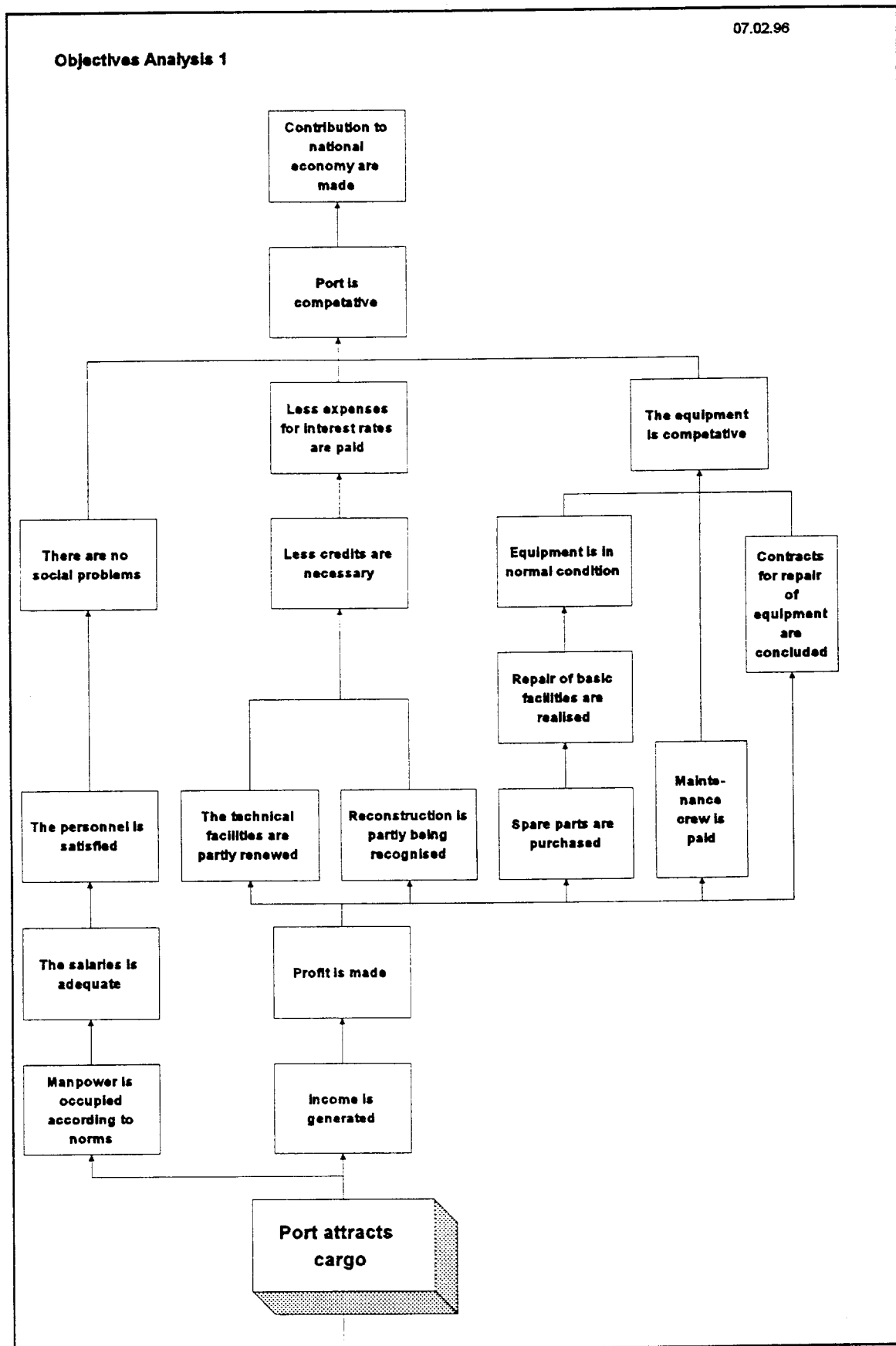
## Objectives Analysis

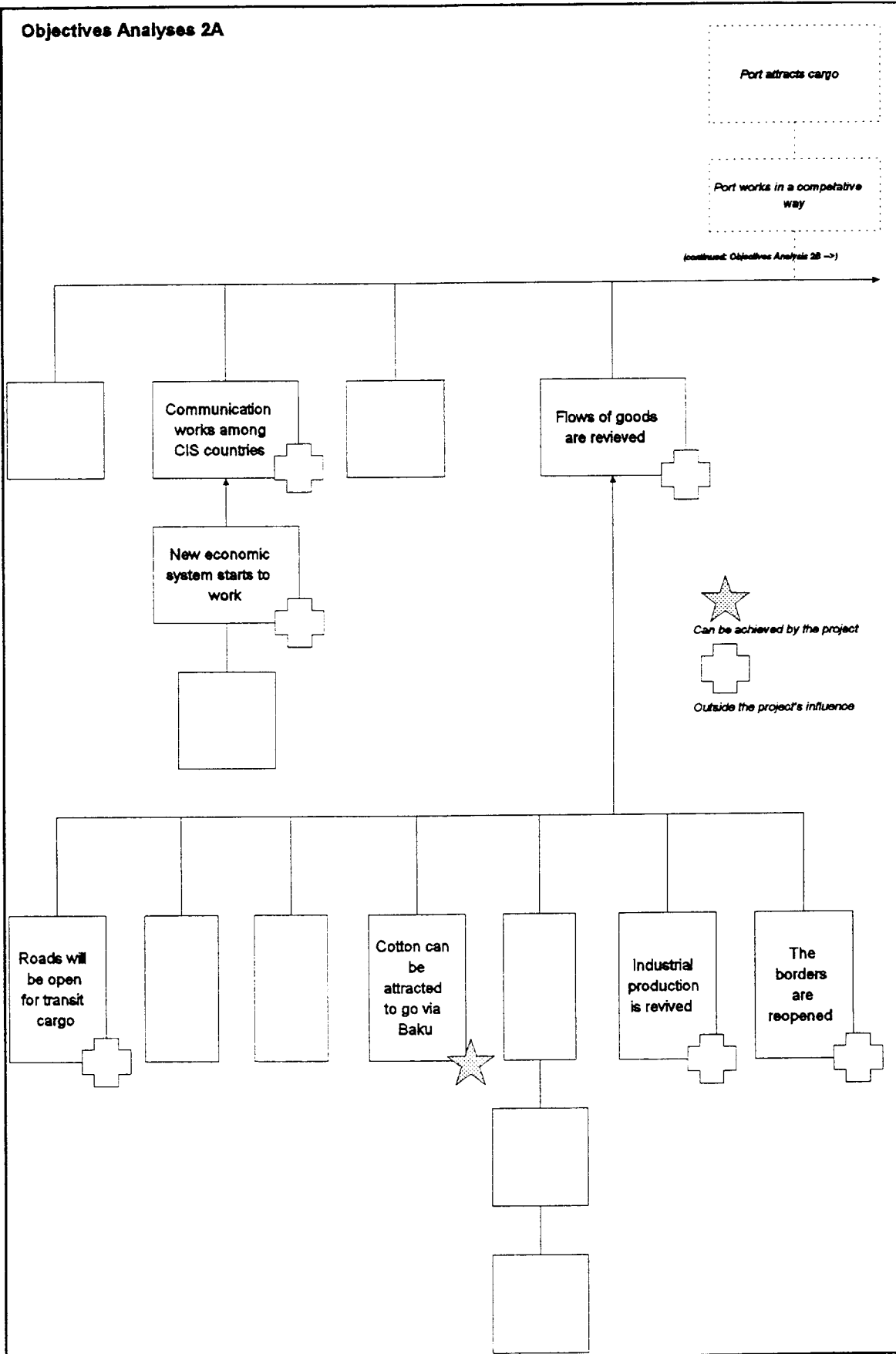
The objectives analysis is a set of techniques to describe the **future situation** that will be achieved by solving the problems. It also identifies the potential alternatives for the project.

It restates all negative conditions of the problem tree into positive conditions that are **desirable and realistically achievable**. It deletes objectives that do not seem to be expedient or necessary.

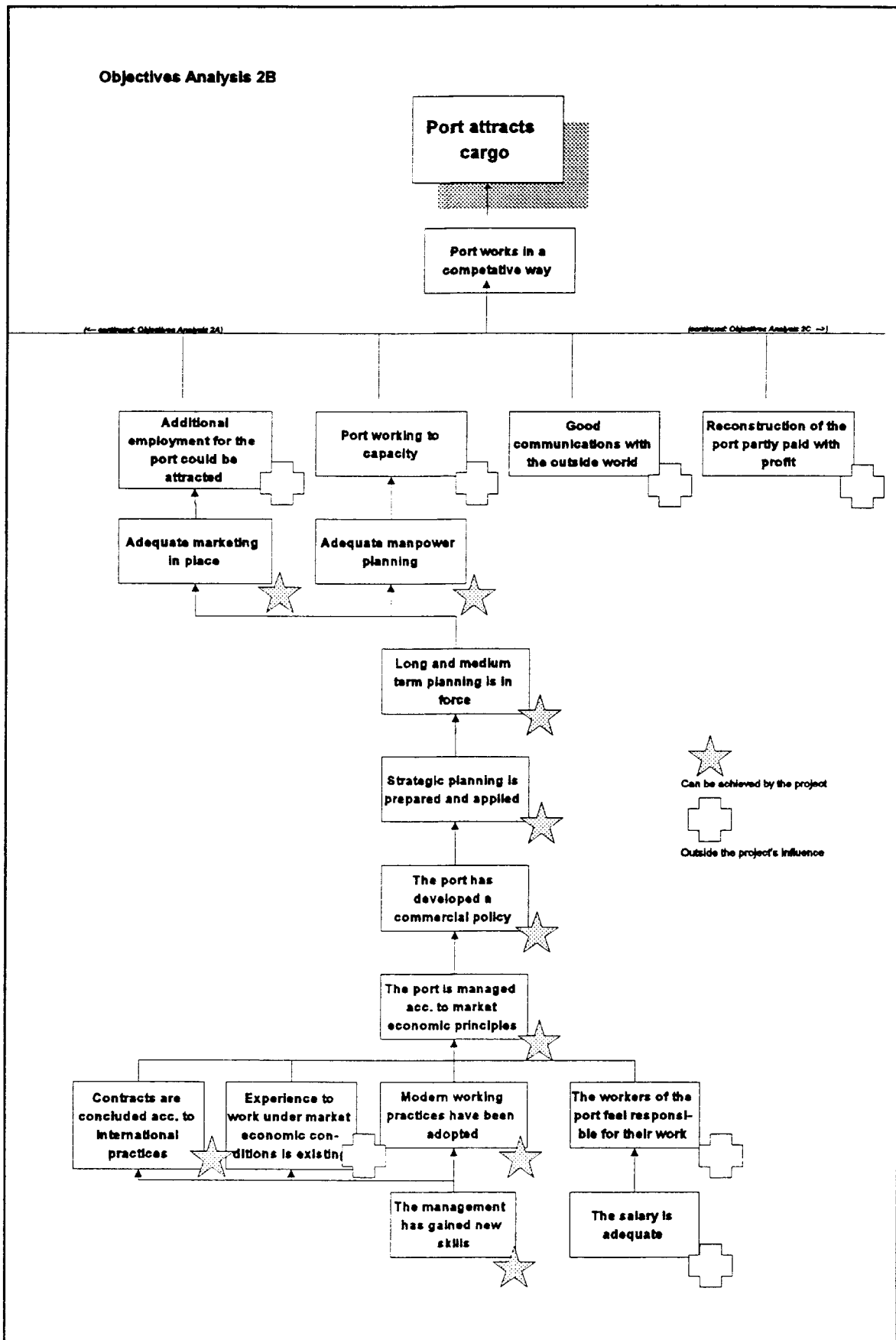
The following four pages show the identified problems restated into desirable and realistically achievable objectives and gives their means <-> ends relationship as perceived by the LogFrame working group.

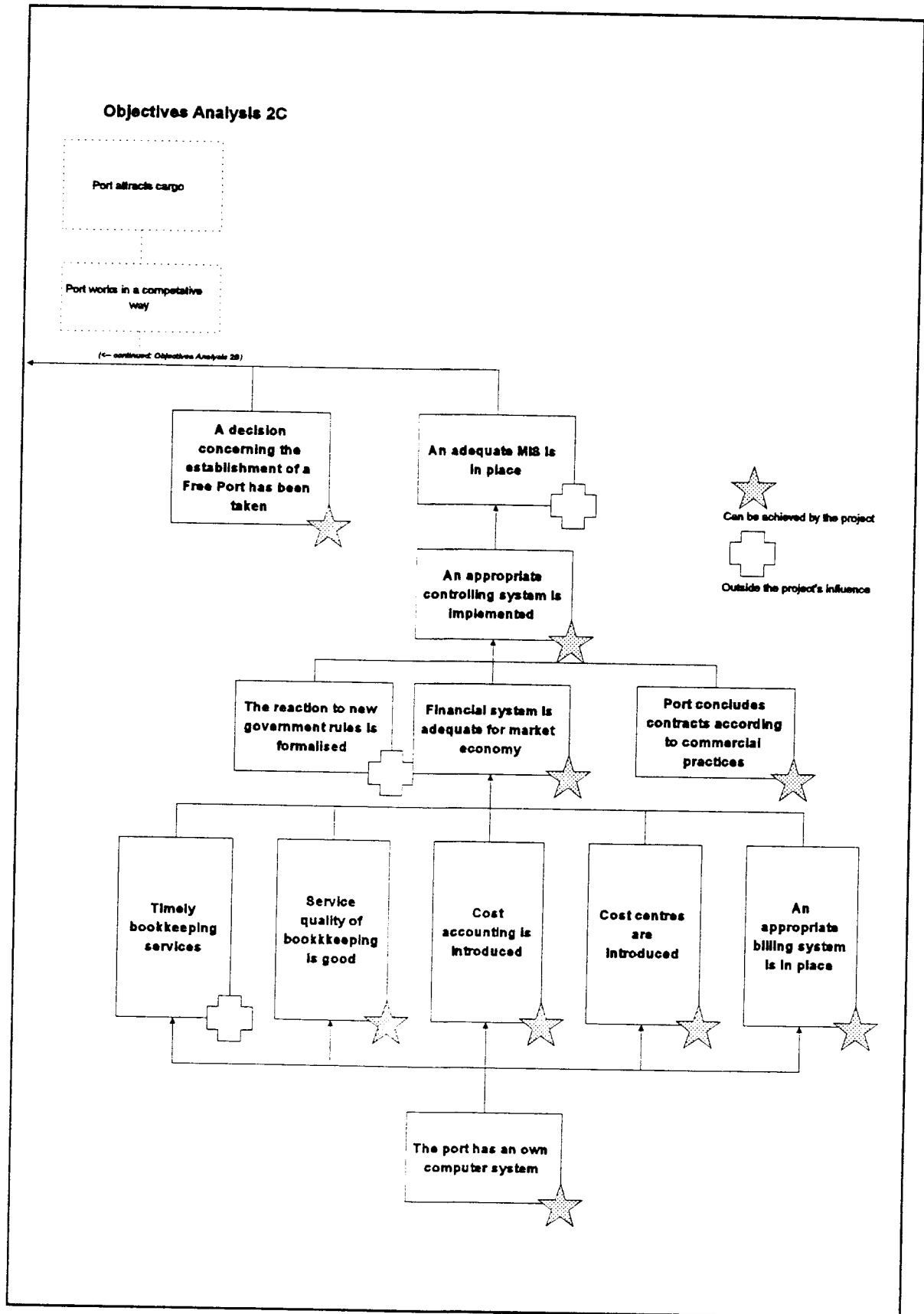
These pages are copies of the wall posters that were developed during the workshop.











## **Annex 2**

### **Initial findings for the sections Finance/Accounting and Operations**

## Annex 2

### Initial findings for the sections Finance/Accounting and Operations

To give a first glance of the Port's situation, in the following the initial findings of the sections Finance /Accounting and Operations are given:

#### 1. Finance / Accounting

##### *Chart of accounts*

The existing chart of accounts of the Port is based on a compulsory general chart of accounts instituted for all Azerbaijan companies, published in February 1993, and elaborated with the assistance of UN consultants. The new chart of accounts, however, is at least partly based on the previous one of the former Soviet Union. The existing accounts are not sufficiently structured for the allocation of cost categories and for a required cost centre structure.

##### *Accounting documentation*

The accounting equipment was found to be in a fairly poor state, but the usual accounting figures are available with a reasonable delay of 2-3 weeks. In general, the main official documents are at the first glance structured according to international standard. The accounting documents are, however, not easily identifiable by any individual chronological and unequivocal markings or numbering. A numbering structure would allow easy allocation to specific fields of accounting such as accounts receivable, accounts payable, general ledger, payroll etc.

##### *Asset register and depreciation*

The Port uses a book with norms for depreciation for all different kinds of assets. This book was published in October 1990 by the administration of the former Soviet Union. It is questionable if these norms really reflect the economical life span of assets, the depreciation periods vary from 2 years (tent of a circus) to 500 years (underground railway tunnel). Due to the rampant inflation in the past, the Port's assets are understated in the Port's accounts. The length of the depreciation time, which is in general too long, also makes it difficult to see a "true and fair" view of the values of the company.

##### *Balances and profit and loss accounts*

Balances and profit and loss accounts are elaborated quarterly in a prescribed form, laid down by Azerbaijan authorities. During the last years the profits, shown in local currency, were increasing due to the continuous devaluation of the Manat.

##### *Inflation accounting*

The main problem of the Port's accounts has been the rampant inflation in Azerbaijan in the past. This basically means that traditional, historical cost accounting does not give the "true and fair" view of the company's assets, liabilities and operations.

Generally, high inflation tends to erode the assets and overstate the company's profits.

#### *Accounts receivable*

An open entry list of the debtors of the Port as per 01.01.1996 had been presented to the expert team. According to information received from the accounting department, about 50% of the outstanding amounts in Manat are from other parastatal organisations. Most of these institutions are not existing any more or are in financial difficulties. Invoices reaching back to the year 1992 are still counted as receivables and are not written off, further the values of this receivables are extremely diminished due to the past rampant inflation.

#### *Accounts payable*

The open entry list of the creditors of the Port as per 01.01.1996 includes debtors and some creditors for buying and selling material. According to information received from the Port, creditors on the debit side have been given advance payments for material purchase for the Port's supplies.

#### *EDP*

Computerization is not existing, with the exception of 3 personal computers remaining from a former EDP project in the Port. One of these is located in the personnel department, but is without any software due to lack of funds. The supplies department is using another computer for the administration of stores and material delivery orders. The ferry terminal uses the third computer for the calculation of charges for services to customers, (channel dues, navigation dues, ships dues, sanitary dues). Further hard or software is not existing, all other work is done manually. The preparation of the basic requirements for a future implementation of modern computer assisted accounting systems should be a *sine qua non*.

#### *Auditors*

According to information from the Port public auditing is unknown and not compulsory in Azerbaijan, an internal auditing department exists in the Port.

#### *Tax inspection*

Usually twice a year a tax inspection is carried out by the governmental tax authority for controlling purposes.

#### *Budget*

According to information from the Port a medium term budget, which was required by the government, has been made up to the year 2000 in Manat and US \$. Due to the political and economical situation in the country a longer term plan (e.g. five or ten years budget) is of utmost doubtfulness. For the expert team it is not possible to advise on a five years budget before October 1996, until more details about future structures and the Port's policy are determined and better statistics and analyses are elaborated.

### *Training for financial staff*

Relevant staff members of the Port lack knowledge in basic concepts for commercial structures of companies in a market-oriented system and their implications towards financial- and cost accounting systems. Basic definitions of technical terms are unknown or vary to the understanding in the market oriented society. Dedicated training programmes will, therefore, be a *sine qua non*.

## **2. Operations**

### *Facilities and infrastructure*

The port facilities are designed mainly for railway conveyance of cargo. The entrance and exit gate of the port is very narrow. This would, in case of increased truck traffic, lead to a bottleneck situation, especially in consideration of a lack of appropriate marshalling areas on the terminal as well as outside the port's gate. The square in front of the main gate is always congested by parking vehicles, making access to the port difficult. The access roads to the port are very narrow and connecting roads through the city to the west and the south main overland roads are closed for heavy truck traffic by the local authorities.

The surface of the working areas in the port is uneven and needs repavement, rail tracks are not integrated in the terminal surface, which leaves several areas inaccessible for trucks or rolling working machinery.

All warehouses are in neglected conditions and need urgent rehabilitation work, especially doors and roofs require repairs.

The ferry terminal has no marshalling area for trucks that are loaded to or discharged from the ferry. Trucks are parked at the curb of the only access road, causing an obstruction to incoming traffic.

### *Tariff*

The Port has a valid tariff to which work is presently charged. Some rates and cargo handling charges in this tariff are based on US\$, other charges of the tariff for special services are given in Manat. The appropriateness of the charges have not been investigated, yet.

### *Port operations*

The general cargo terminal, the ferry terminal and the passenger pier are presently operated to traffic requirements. The timber terminal is out of order, due to submerged facilities because of the rising sea level. Portal cranes have been moved from the timber terminal to the main terminal of the Port. The ferry traffic works to traffic requirements without a fixed schedule, due to irregular appearance of cargo. Ferry operations are extremely difficult due to the high water level. The linkspans must operate in their highest position, which makes proper berthing of the ferries very difficult. The port engineers are trying their best to keep the facilities operational.

*Cargo handling equipment*

Stevedore cargo handling gear exists in the Port's gear stores. Quantity and quality of the gear is sufficient. The gear is in working condition, due to attentive maintenance. Many pieces of the gear had been manufactured in the port by skilled craftsmen. Maintenance and production of stevedoring gear seems to be an ongoing process.

The rolling stock (plant equipment) of the port is over-aged and some items of it are apparently worn out. The technical staff of the respective departments keeps on to do the most urgent repairs in a most admirable way. Obviously, there is a serious lack of essential workshop tools and equipment, and the entire maintenance work suffers from a notorious shortage of spare parts. Due to the little cargo movement at present the percentage of availability of technical equipment could not be determined, yet.





## **Annex 3.1.1**

### **Overall Output Performance Plan**



**(Form 1.5) OVERALL OUTPUT PERFORMANCE PLAN**

Project Title: Technical Assistance for the Development of the Port of Baku Management Assistance and Training	Project No.: TELREG 9304	Country: Azerbaijan	Page: Annex 3.1.1
Planning Period: 01 February 1996 - 28 February 1996	Prepared on: 25 March 1996	EC Consultant: HPTI Hamburg Port Training Institute GmbH	
Outputs (to be described and target dates indicated)	Agreed Objectively Verifiable Indicators		
1. Port works to capacity	Equipment and manpower adjusted to workload till end of project	Relevant authorities agree to manpower adjustments	
2. The Management of the port is able to work in market economic conditions	The port managers have received training in their fields of managerial responsibility	Management personnel is released for training	
3. A Management Information System is implemented	An MIS is able to work till end of project	MIS proposal is accepted by relevant authorities	
4. A decision concerning the establishment of a Freeport is taken	A Freeport is established by end of project	All relevant authorities support the establishment of a Freeport	
5. Additional port services are attracted	At least five activities to attract additional services have been proposed by end of project		
6. Main investments for the reconstruction of the port and their financing are defined and secured	An investment plan and its financing is proposed to the respective authorities	A stable political situation is existing	



## **Annex 3.1.2**

### **Project Planning Matrix**



## PROJECT PLANNING MATRIX

Objectives/Activities	Indicators	Assumptions
<b>Overall Goal</b> Port attracts cargo	Turnover increases by at least 20% on yearly basis	
<b>Project Purpose</b> Port works in a competitive way	Tariff, service level and long term profit in line with comparable ports	
<b>Outputs/ Results</b> 1. Port works to capacity  2. The Management of the port is able to work in market economic conditions  3. A Management Information System is implemented  4. A decision concerning the establishment of a Freeport is taken  5. Additional port services are attracted  6. Main investments for the reconstruction of the port and their financing are defined and secured	Equipment and manpower adjusted to workload till end of project  The port managers have received training in their field of managerial responsibility  A MIS is able to work till end of project  A Freeport is established by end of project  At least 5 activities to attract additional services have been proposed by end of project  An investment plan and its financing is proposed to the respective authorities	Relevant authorities agree to manpower adjustments      MIS proposal accepted by relevant authorities
<b>Activities</b> <i>see separate sheets</i> (Project Activities Plan)		All relevant authorities support the establishment of a Freeport  Management personnel is released for training  A stable political situation is existing





## **Annex 3.2.1**

### **Project Activities Plan**

(11 pages)





























## **Annex 3.2.2**

### **Overall Plan of Operations (Form 1.4)**





**Form 1.4: OVERALL PLAN OF OPERATIONS**

Project Title:		Project No.:		Country:		Page:											
Technical Assistance for the Development of the Port of Baku Management Assistance and Training		TELREG 9304		Azerbaijan		Annex 3.1.1											
Planning Period: 01 February 1996 - 28 February 1996		Prepared on: 25 March 1996		EC Consultant: HPTI Hamburg Port Training Institute GmbH													
Project Objectives: Strengthening the port management in introducing new policies and working methods to cope with the new market oriented environment																	
No.	MAIN ACTIVITIES	TIME FRAME												EQUIPMENT AND MATERIAL	OTHER		
		1996				1997				1998						PERSONNEL	EC Consul-tants
		1	2	3	4	1	2	3	4	1	2	3	4				
1	Establish private activities and investment in the Port of Baku	xx	xxx	xxx	xx												
2	Elaborate and assist in implementing port infrastructure investment plan	xx	xxx	xxx	xx												
3	Conduct management training and develop a training scheme	xx	xxx	xxx	xx												
4	Establish a Freeport in Baku	xx	xxx	xxx	xx												
5	Introduce an appropriate management information system	xx	xxx	xxx	xx												
6	Adjust manpower and equipment to workload	xx	xxx	xxx	xx												
<b>TOTAL</b>													<b>140 weeks</b>				



## **Annex 3.2.3**

### **Work Programme (Form 1.6)**



## Form 1.6. PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work programme)

Project title : TA for the development of the port of Baku. Management Assistance and Training  
 Country : Azerbaijan  
 Project number : TELREG 9304  
 Page : 1

Planning period : 01.02.1996 - 28.02.1997  
 Prepared on : 01.03.1993  
 EC Consultant : HPTI Hamburg Port Training Institute GmbH

Project objectives : Strengthening of the Ports management in introducing new policies and working methods and to cope with the new market oriented environment

No	ACTIVITIES	TIME FRAME 1996 (months)						INPUTS		
		1 Feb.	2 March	3 April	4 May	5 June	6 July	PERSONNEL	EQUIPMENT AND MATERIAL	OTHER
1	Establish private activities and investment in the Port of Baku	xxx	xxx	xxx	xxx	xxx	xxx	EC Consultant	Counterpart	
1.1	Identify fields for private investment in the port	xxx	xxx	xxx	xxx	xxx	xxx	2,6 weeks		
1.2	Suggest to authorities modification of existing Port legislation for private investment	xxx	xxx	xxx	xxx	xxx	xxx	1 week		
1.3	Prepare documentation for negotiations with private investors						xxx	0,6 weeks		

Planning period : 01.02.1996 - 28.02.1997

Prepared on : 01.03.1993

EC Consultant : HPTI Hamburg Port Training Institute GmbH

Project objectives : Strengthening of the Ports management in introducing new policies and working methods and to cope with the new market oriented environment

No	ACTIVITIES	TIME FRAME						INPUTS		OTHER	
		1996 (months)						PERSONNEL	EQUIPMENT AND MATERIAL		
		1 Feb	2 March	3 April	4 May	5 June	6 July				EC Consul- tant
2	Elaborate and implement port infrastructure investment plan	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx		
2.1	Identify internationally recognized assessment methods	xxx	xxx	xxx						0,6 weeks	
2.2	Identify realistically possible developments for infrastructure	xxx	xxx	xxx	xxx					1,6 weeks	
2.3	Justify financially infrastructure investments according to internationally recognized methods				xxx	xxx	xxx	xxx	xxx	2,8 weeks	
2.4	Prepare a time-phased plan for major infrastructure projects				xxx	xxx	xxx	xxx	xxx	3 weeks	
2.5	Establish an investment coordination unit				xxx					0,6 weeks	
2.6	Prepare financial documentation for the reconstruction of the ferry terminal				xxx	xxx	xxx	xxx	xxx	1 week	



Planning period : 01.02.1996 - 28.02.1997  
 Prepared on : 01.03.1993  
 EC Consultant : HPTI Hamburg Port Training Institute GmbH

Project objectives : Strengthening of the Ports management in introducing new policies and working methods and to cope with the new market oriented environment

No	ACTIVITIES	TIME FRAME						INPUTS		OTHER		
		1996 (months)						PERSONNEL	EQUIPMENT AND MATERIAL			
		1 Feb.	2 March	3 April	4 May	5 June	6 July				EC Consultant	Counterpart
4	Establish a freeport in Baku	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx			
4.1	Investigate the feasibility of establishing a free port	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	2 weeks		
4.2	Design necessary regulations for government approval									1 week		
4.3	Liaise with other government authorities in setting-up procedures									0,6 weeks		
4.4	Establish favourable tariffs for clients									2 weeks		
4.5	Prepare proper organisation structure for freeport and operational procedures									1,6 weeks		



Project title : TA for the development of the port of Baku. Management Assistance and Training				Project number : TELREG 9304				Country : Azerbaijan				Page : 5				
Planning period : 01.02.1996 - 28.02.1997				Prepared on : 01.03.1993				EC Consultant : HPTI Hamburg Port Training Institute GmbH								
Project objectives : Strengthening of the Ports management in introducing new policies and working methods and to cope with the new market oriented environment																
		TIME FRAME										INPUTS				
		1996 (months)										PERSONNEL		EQUIPMENT AND MATERIAL	OTHER	
No	ACTIVITIES	1 Feb.	2 March	3 April	4 May	5 June	6 July	7 August	8 September	9 October	10 November	11 December	EC Consultant	Counterpart		
5	Introduce an appropriate management information system	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx				
5.1	Check list of all fixed assets		xxx	xxx	xxx	xxx	xxx	xxx					1,8 weeks			
5.2	Check evaluation of all fixed assets		xxx	xxx	xxx	xxx	xxx	xxx					1,4 weeks			
5.3	Check stock inventory list			xxx	xxx	xxx	xxx						1,6 weeks			
5.4	Check list of normative depreciations	xxx	xxx	xxx									0,6 Weeks			
5.5	Identify information needs of top management				xxx	xxx	xxx	xxx	xxx				2,4 weeks			
5.6	Identify information needs of different departments				xxx	xxx	xxx	xxx	xxx				1,8 weeks			
5.7	Identify computer needs of individual departments				xxx	xxx	xxx	xxx	xxx				2,4 weeks			
5.8	Design modern computer based MIS									xxx	xxx		2 weeks			
5.9	Review the cash conditions and the blanks used	xxx	xxx	xxx									1,2 weeks			
5.10	List up all creditors	xxx	xxx	xxx									0,8 weeks			
5.11	List up all debtors	xxx	xxx	xxx									0,8 weeks			
5.12	Prepare operational budgets	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx		1,6 weeks			
5.13	Elaborate maintenance plan					xxx	xxx	xxx	xxx				0,6 weeks			
5.14	Get an overview over tax system	xxx	xxx										1,2 weeks			
5.15	Review chart of accounts	xxx	xxx	xxx	xxx	xxx							1 week			
5.16	Calculate costs and revenues per ship									xxx	xxx	xxx	0,4 weeks			
5.17	Establish required forms for balance sheets and propose improved ones							xxx	xxx	xxx	xxx		0,2 weeks			
5.18	Assist in preparation of balance sheets for 1995	xxx	xxx	xxx	xxx	xxx							1 week			
5.19	Control the payroll list	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx		0,4 weeks			
5.20	Obtain information on government policy concerning payment schemes	xxx	xxx	xxx									1,2 weeks			
5.21	Analyse the existing payment schemes in depth	xxx	xxx	xxx									1,8 weeks			
5.22	Compare payment system to other payment systems in the transport industry	xxx	xxx	xxx	xxx	xxx							1 week			
5.23	Examine job classifications and job groups					xxx	xxx	xxx	xxx				1,4 weeks			
5.24	Assess job to ascertain their relative value					xxx	xxx	xxx	xxx				1,4 weeks			
5.25	Elaborate and advise on a new payment scheme							xxx	xxx				1,4 weeks			
5.26	Prepare written information on new payment scheme							xxx	xxx				1,6 weeks			



Project title : TA for the development of the port of Baku. Management Assistance and Training			Project number : TELREG 9304				Country : Azerbaijan				Page : 6	
Planning period : 01.02.1996 - 28.02.1997			Prepared on : 01.03.1993				EC Consultant : HPTI Hamburg Port Training Institute GmbH					
Project objectives : Strengthening of the Ports management in introducing new policies and working methods and to cope with the new market oriented environment												
		TIME FRAME						INPUTS				
		1996 (months)						PERSONNEL		EQUIPMENT AND MATERIAL	OTHER	
No	ACTIVITIES	1 Feb.	2 March	3 April	4 May	5 June	6 July	EC Consultant	Counterpart			
6	Adjust manpower and equipment to workload		xxx	xxx	xxx	xxx	xxx					
6.1	Conduct a condition survey on port facilities and equipment		xxx	xxx	xxx			1,2 weeks				
6.2	Assess operations manpower		xxx	xxx	xxx	xxx		1,4 weeks				
6.3	Design an improved cargo delivery and dispatch system		xxx	xxx	xxx	xxx		0,6 weeks				
6.4	Advise on efficient berth allocation				xxx	xxx		0,4 weeks				
6.5	Analyse present port performance				xxx	xxx	xxx	0,6 weeks				
6.6	Suggest a flexible gang structure					xxx	xxx	1 week				
6.7	Suggest a modern work organisation					xxx	xxx	1 week				
6.8	Increase efficiency of storage area utilisation									xxx	xxx	0,6 weeks
6.9	Discuss simplification of customs procedures					xxx	xxx	1,2 weeks				
6.10	Establish a cargo information procedure with transport operators					xxx	xxx	1 week				
6.11	Prepare cargo documentation in advance					xxx	xxx	0,6 weeks				
6.12	Identify relevant traffic for the port		xxx	xxx	xxx	xxx	xxx	2,6 weeks				
6.13	Develop marketing strategy		xxx	xxx	xxx	xxx	xxx	2 weeks				
6.14	Identify the port's customers		xxx	xxx	xxx	xxx	xxx	1,4 weeks				
6.15	Identify needs of port' customers		xxx	xxx	xxx	xxx	xxx	2,2 weeks				
6.16	Review tariff and pricing policy				xxx	xxx	xxx	2 weeks				
6.17	Develop long and medium term plan					xxx	xxx	1 week				
6.18	Define financial sections requirements for long- and medium term investment planning					xxx	xxx	2,2 weeks				
6.19	Establish good communication with outside world		xxx	xxx	xxx	xxx	xxx	0,4 weeks				
6.20	Contact freight forwarding companies		xxx	xxx	xxx	xxx	xxx	0,8 weeks				
6.21	Ask railway for cargo			xxx	xxx	xxx	xxx	0,8 weeks				
6.22	Negotiate with shippers/ consignees and advertise port of Baku				xxx	xxx	xxx	0,6 weeks				
6.23	Suggest cargo owners the best transport routes					xxx	xxx	0,4 weeks				
6.24	Get a list of all departments for defining cost centres		xxx	xxx				1 week				
6.25	Review existing organisational charts of departments			xxx	xxx	xxx		0,8 weeks				
6.26	Develop a commercial organisational structure for the port of Baku					xxx	xxx	3,8 weeks				
6.27	Establish budget guidelines for human resources development					xxx	xxx	1,4 weeks				
6.28	Design a proper organisational structure for a human resources department					xxx	xxx	0,8 weeks				



## **Annex 4**

### **Experts Deployment Schedule**

Nr.	Vorgangsname	Dauer	Anfang	Ende	1. Quartal			2. Quartal			3. Quartal			4. Quartal			
					Jan	Feb	Mär	Apr	Mai	Jun	Jul	Aug	Sep	Okt	Nov	Dez	
1																	
2	Martin Lentsch	236t	04.02.96	15.12.96													
3	Baku	22t	04.02.96	03.03.96													
4	Leave	12t	04.03.96	19.03.96													
5	Baku	74t	20.03.96	28.06.96													
6	Leave	16t	01.07.96	20.07.96													
7	Baku	57t	22.07.96	06.10.96													
8	Leave	11t	07.10.96	19.10.96													
9	Baku	42t	20.10.96	15.12.96													
10																	
11	Roland Pechmann	168t	31.01.96	12.09.96													
12	Baku	168t	31.01.96	12.09.96													
13																	
14	Bernd Hübner	238t	31.01.96	13.12.96													
15	Baku	111t	31.01.96	28.06.96													
16	Leave	16t	01.07.96	20.07.96													
17	Baku	110t	21.07.96	13.12.96													
18																	
19	Heiga Wagner	242t	28.01.96	15.12.96													
20	Baku	21t	28.01.96	22.02.96													
21	Research in Hamburg	6t	23.02.96	01.03.96													
22	Baku	67t	03.03.96	02.06.96													
23	Study Tour	31t	26.08.96	05.10.96													
24	Baku	54t	06.10.96	15.12.96													

## Annex 5

# Composition of Working Groups

### Group F: Economic, Financial and Accounting Group

Firdovsi ASKEROV	Head of the Commercial Department
Raya GASIMOVA	Head of the Economics Department
Ismail GUSEINOV	Chief Accountant
Aliabbas BADALOV	Revisor Accountant
Adil GEIDAROV	Accountant
Mahmut MUTALLIBOV	Engineer
Ramin GURBANOV	Referent

### Group O: Operations Group

Musa MAMEDOV	Head of the Operations Department
Bairam NAMAZOV	Deputy Head of the Operations Department
Shirindil ALIYEV	Deputy Head of Ferry Operations
Rasim ALIYEV	Deputy Head of the Apsheron Area
Khalledin YUSIFOV	Chief Engineer of the Operations Group
Vahid AMIRASLANOV	Deputy of the Chief Engineer
Shamseddin ABBASOV	Passenger Operations
Aziz GUSEINOV	Engineer of Sea Terminal Operations

### Group T: Technical Group

Sultan KAZIMOV	Chief Engineer and Head of the Engineering Department
Adyshirin ASADOV	Head of the Hydro-technical Department
Nazim ARABOV	Engineer
Djavanshir GASANOV	Head of the Department for Mechanisation and Design
Teyub AKSEROV	Engineer
Fedail ABBASOV	Leading Engineer

### Group P: Personnel Group

Matyl DJAFOROV	Head of the Personnel Department
Murdjavan DJABBAROV	Head of the Educational and Production Complex
Eödar ZEYNALOV	Lawyer

## **Annex 5**

### **Composition of Working Groups**



## **Annex 6**

### **Business Field Analysis Programme**

## Annex 6

## Business Field Analysis - BFA

Experts	Activities	Dates	Comments
M Lentsch R Pechmann B Hübner	<b>1. BFA - Workshop</b>	28 February	existing business units Revenue/Personnel
B Hübner	Workgroup F	4 March - 2 May	Elaboration of cost distribution sheet DB 1 - ...Results--> Workshop 3
local Trainer B Hübner H Wagner	Training for Group F + Chief Eng. & Head of Operations	11 - 15 March	-Cost Accounting -Basic business administration
M Lentsch R Pechmann B Hübner H Wagner	<b>2. BFA - Workshop</b>	5 April	Port users & Port staff -> future business fields
R Pechmann M Lentsch	Workgroups O + T	8 April - 2 May	Planning of new business activ- ities
Trainer Plate H Wagner	Training for Groups O + F, Chief Eng. & Head of Person- nel	4 - 12 April	Marketing and Sales Training
M Lentsch R Pechmann B Hübner H Wagner W Art	<b>3. BFA - Workshop</b>	10 May	Development of organisation structure for existing and new business fields
M Lentsch R Pechmann H Wagner	Workgroups O + P + T + F	10 May - 30 June	detailed organisations planning
Trainer Artt H Wagner	Training key management staff (O,P,F,t)	13 - 17 May	Management Training