



Technical Assistance for the
Development of the Port of Baku
Project Completion Report
December 1997

Project Completion Report - Cover Page

Project Title :	Technical Assistance for the Development of the Port of Baku	
	<ul style="list-style-type: none"> • Management Assistance and Training • Port Master Plan Study (Addendum) 	
Project Number:	TELREG 9304	
Country:	Azerbaijan	
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Project Completion Report

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1 Project Synopsis

Project title:	Technical Assistance for the development of the Port of Baku Management Assistance and Training Port Master Plan Study
Project Number:	TELREG 9304
Country:	Azerbaijan

Project objectives:

Support the management of the Baku Sea Port 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 market oriented environment. The project includes the implementation of modern financial management system to analyse all investments for short, medium and long term periods, advise on modern port operations, and management training. With the addendum for the Port Master Plan Study , a long term development plan has been elaborated for the Port, initial investments are identified in order to enable to the port to carry on operations and facilitate the port for future cargo handling requirements. A feasibility study based on a detailed traffic forecast shall be the base for international funding of the port rehabilitation, which is envisaged by the European Bank.

Outputs:

- Establishment of private activities and involvement in investments in the Port of Baku
- Main investments for necessary infrastructure and the reconstruction of the Port and their financing are defined
- The management of the Port is able to work in market economic conditions
- A frame work for the establishment of a Freeport in Baku is developed
- An appropriate Management Information System is implemented at the Port
- The Port works to capacity, needs for changes of manpower, organisation and equipment of the Port is identified and recommended.
- A Port Master Plan including a feasibility study for the initial investment needs as well as necessary tender documents are elaborated

Project activities:

- Identify fields for private involvement in the Port
- Elaborate and implement a port infrastructure plan
- Conduct management training and develop a training scheme
- Prepare necessary framework for establishing a Freeport in Baku
- Introduce an appropriate Management Information System
- Elaborate a Port Master Plan Study
- Identify initial investment needs and carry out a feasibility study
- Prepare tender documents for the rehabilitation project

Project start: December 1995
Project duration: 22 months
Extension 2 months

2 Summary of Project Progress since the Start of the Project

At the start of the project the work of the consultants concentrated on the following five main activities:

- Identification of fields for private activities in the port
- Elaboration and implementation of a port infrastructure investment plan
- Conduction of management training and development of a training scheme
- Preparation of necessary framework for establishing a Freeport in Baku
- Introduction of a Management Information System

All these activities were interlinked and a joint approach was necessary to tackle all the activities. In the course of the project it soon turned out that the port wanted special emphasis to be laid on the fields of development of a computerisation concept for the port, especially for finance and accounting, and on the development of a new organisational structure.

In order to define possible private involvement in the port a business field analysis was carried out. It identified eight main fields of which the traditional private ones and the non-core activities of the port can be considered for private involvement. Steps taken in this direction see point 4 of this report.

Various training events took place in the course of the project. Formal training seminars with professional lecturers from outside have been conducted in the fields of finance and accounting, marketing and sales, management methods and organisation and general economy. Furthermore, regular workshops and seminars for the port management, cargo handling operations, finance and accounting section have been carried out by the consultants. Also, two study tours to West Europe have been undertaken. In the course of identifying training needs a detailed manpower audit has been executed and a proposal for a training scheme has been elaborated.

The activities connected with the introduction of a Management Information System were of major importance for this project. Neither a MIS nor sufficient sources for required data were existing, therefore the consultants carried out a detailed assessment of the existing equipment as well as of the port's financial and accounting matters.

Further the organisational structure of the port has been reviewed and based on the business field analysis a new commercially oriented structure was proposed and mid 1997 started its implementation.

Early September 1996 additionally to the initial TA and Training project an addendum for a Port Master Plan Study for the Port of Baku started. In the course of this Port Master Plan Study a Traffic Forecast for the port has been elaborated, the operational as well as equipment requirements for the port have been defined, a civil engineering assessment of the existing port has been conducted and requirements for the implementation of the Port Master Plan defined. Also, an environmental impact analysis has been carried out.

The findings and proposals which have been made during the TA and Training project, especially concerning an infrastructure development plan and a proposal for the establishment of a Freeport have been integrated into the Port Master Plan Study.

Finally, Tender Documents for initial investments in the port have been elaborated, agreed with the port and submitted. A part of the proposed initial investments, especially connected with the establishment of a con-

tainer terminal in the port, are being grant-financed by Tacis. Part of the proposed investments are planned to be financed by credit by the EBRD.

3 Project Progress in the Final Project Period

This project period was characterised by the elaboration of the Final Report of the Port Master Plan Study and the elaboration of Tender Documents.

The Final Report of the Port Master Plan Study was submitted in November 1997 and dealt with a fine-tuned version of the below described topics:

- Definition of the functional requirements of the developed port
- A physical Master Plan for the port
- A phased development plan
- An assessment of the environmental impacts of the proposed developments
- Recommendations of improvement in the management structure and system
- An economic and financial analysis of the recommended developments
- A review of possible options for the introduction of private investment,
- Assessment of the credit worthiness of the Port of Baku.

The comments on the two reports of the EBRD and of the Port of Baku have been considered and integrated into the reports as well as into the tender documents.

Additionally, Tender Documents and Specifications for the first phase of the recommended developments have been prepared and submitted to the EBRD.

Concerning the initial management and assistance project, the main tasks have been accomplished already in the 3 phase, in addition, the following project progress was achieved:

In the field of Marketing a presentation of the Port of Baku in order to promote the port and advertise it to potential clients has been made at the Caspian Transportation Conference in Baku October 1997

After long and in-depth discussions among port management and formal consultations concerning the implications of the new organisational structure, a new organisations structure was implemented in June 1997. Following the official implementation of the new organisational structure further advise has been given by the consultants to the port management.

4 Overall Report on the total Project

4.1 Establish Private Activities in the Port of Baku

In the course of the project numerous actions have been taken in order to promote private involvement in the Port of Baku. Actual private activities on an operational basis could not yet be established in the port, as the political and legal framework for such step is still under consideration.

Contacts with several international companies have been established. The port has been presented as a major potential for warehousing and distribution activities as well as a place with good cargo handling facilities. Various fields for private investments have been identified and the consultants have together with the port discussed these possibilities with potential investors and clients. In particular, the following activities have been identified and discussed:

- Private warehousing activities: a model contract and tariffs for warehousing have been elaborated and negotiations with prospective clients are taking place
- Establishment of a Diesel transfer terminal at the timber terminal: contract drafts have been prepared and discussed and first negotiations taken place
- Establishment of a Logistics and Distribution Centre: the idea of developing such a centre in the Port of Baku is actively pursued by the port operations and commercial managers; a visit to a similar facility in Primorsk has given the idea added emphasis
- Establishment of a container yard and a Container Freight Station: Since more containerised cargo is expected to arrive in Baku in future, services connected with container handling and cargo distribution are regarded as realistic prospects for future activities. The port management has actively developed this idea and, together with the consultants, established first contacts in this respect.
- Creation of an independent container terminal: In the medium term it is anticipated that the container handling facility of the port will become an independent unit. The new organisational structure already allows for a dedicated container department next to the operations department. This unit shall become commercially and later legally independent, with private participation beside the port.
- Dedicated bulk handling facilities: An oil major has shown interest in obtaining a concession for the handling bulk sulphur in the timber terminal. The consultants have discussed this request with port management and advised on the necessary investigative measures to be taken before serious negotiations can start.

In addition to the above mentioned activities, the consultants have together with the port management taken further action to promote the port to potential investors and clients. The General Director has participated as a speaker in an international Trade and Transport Conference organised by the Adam Smith Institute in Vienna in March 1997. The Consultants also participated as speakers in another conference, organised by the Adam Smith Institute in October 1997 in Istanbul, presenting the International Seaport of Baku and its position within the Traceca Corridor and the Consultants as well as the port actively participated in the Caspian Infrastructure Conference in October 1997. The port of Baku did a presentation at the International Trade Fair in September 1997 in Baku. Furthermore, the Oil and Gas Exhibition in Baku has been visited and several contacts with international operating companies could be initiated and established. Also, presentations to and negotiations with local companies concerning the rendering of port services on the local market have taken place. A port marketing folder has been prepared and is being used as a marketing instrument. The consultants have been actively involved in the above activities, given advise and assistance on these occasions, supplying background information and acting as coaches.

In the privatisation programme of Azerbaijan there are plans to privatise the port within the next years. The port has actively been involved in these discussions and made several written and verbal presentations on this matter, especially concerning the legal side of port business.

A maritime law, regulating the maritime sector, is presently being elaborated in Azerbaijan. The port has submitted a framework draft, prepared by the consultants, on this matter to higher authority and conducted a seminar with an EU expert for government officials' participation.

4.2 Elaborate and Implement Port Infrastructure Investment Plan

Within the current contract „Technical Assistance for the Development of the Port of Baku“ the outline of a Port Master Plan was due to be developed.

The work done until summer 1996 has been integrated into the much more elaborate Port Master Plan that commenced autumn 1996. Detailed phased investment planning for the next fifteen years for all port facilities with the exception of the Ferry Terminal has been made within this Port Master Plan study. The work for the Port Master Plan was structured into four phases, including a report on each phase. The reports on phases one to four have been submitted. The report on phase 2 has been submitted in English in mid December 1996 and the Russian translation in the first week of January 1997. The phase 3 report, which is the draft final report of the Port Master Plan Study, has been submitted simultaneously in English and Russian on 26 March 1997, and the phase 4 report (Phase 3 Final Report) as well as the tender documents have been submitted simultaneously in English and Russian end of November 1997.

From the beginning of the study, the consultants have closely co-operated with all the different parties involved in this project, especially with the experts of the port itself and of local institutions, but also with the experts of the EBRD and with the Tacis consultants of the company Ramboll, who take care of the planning of the ferry facilities. The close co-operation with the Ramboll consultants has avoided double work within the development project and ensured a co-ordinated approach concerning future investments.

Potential investments have been identified and financially justified (cp. 4.7).

4.3 Conduct Management Training and Develop a Training Scheme

Within this project two study tours to European ports have been conducted. The first study tour was organised for port management staff from the operations, the accounting and the economic departments. In the second study tour port engineers have participated. The objectives of these study tours were to acquaint the participants on the one hand with west European port planning, operations and management procedures and with state-of-the-art technology and on the other hand with modern organisations, procedures and facilities in the fields of operations and the maintenance and repair. The main aim was to let the participants get an actual feeling for the prevailing real-life situations in the visited ports, rather than increasing only their knowledge. The lecturers on this study tour were mainly practitioners, thus the participants had the opportunity share experiences and to exchange opinion and information with them.

4.4 Establish a Freeport in Baku

A framework study concerning the legal requirements, the organisational set-up, the functions and the service potential of a free port has been elaborated very early in the project. For internal reasons the study was only

included in the phase 2 report of the port master plan study. After having investigated the feasibility of a free port in Baku port, the study supported its establishment. Based on the study results, the port of Baku applied to government for the permission to establish a free port.

In order to familiarise official institutions in Baku with the idea and the concept of a free port, and to support the Port's application, the consultants arranged on short notice and additionally to their contract terms several training workshops and sessions on the subject with an EU free port expert. Participants were next to the port management staff, representatives of the national transport department and of the Cabinet of Ministers. As no final decision has been taken yet by the relevant authorities on the Port's application concerning the establishment of a Free Port, further concrete steps in this matter have not been taken so far.

4.5 Introduce an Appropriate Management Information System

In this area considerable progress has been achieved. The results of the following individual activities

- Review and improve assets management
- Review and improve cash management
- Develop a budget management concept
- Review existing accounting system and advise on improved one

have been reported in the Project Progress Report of 30 November 1996.

Furthermore, a first concept for a computer based MIS has been developed by the consultants and submitted to the port. The steps necessary for the implementation of this concept, like selection and installation of bookkeeping and accounting software and the development of a computerisation system, have been taken and implementation has started.

Due to the fact that the proposed new commercial organisation structure of the port has been accepted and came into force in June, the accounting system with its cost and profit centre structure is now still in the process of being fine-tuned to real requirements.

4.6 Adjust Manpower and Equipment to Workload

The operations procedures as well as the existing equipment and port facilities have been thoroughly assessed and analysed in the course of the technical assistance and training project. Performance has been analysed and proposals on flexible gang structures and work organisation elaborated and discussed in work groups with the operations managers.

During the last 20 months the port management has considerably changed its attitude towards commercially oriented port policy and work. In the Business Field Analysis, which has been carried together with the port management, as well as in the traffic forecast elaborated within the port master plan study the potential traffic and the port customers have been identified. The commercial department of the port has, together with the economic and the operations departments and with the assistance of the consultants, developed a marketing strategy for the port of Baku. During several workshops and seminars the principles of port marketing have been defined and on this basis first steps towards the implementation of marketing measures have been taken, e.g. a flyer, presenting the port services has been designed and printed, potential customers have been actively approached, services that can be offered have been identified, etc.

Additionally, the consultants carried out missions to the ports of Poti and Batumi in Georgia as well as to Turkmenbashi and Ashgabat in Turkmenistan in order to assess the possibilities of co-operation between the

ports and to identify mutual interests. This communication with other ports has been taken up by the port management and continued.

The consultants have established some co-ordination with the pilot train project of the TEWET team, in order to ensure that the interests of the port of Baku are represented in that project. The port has participated a pre-foundation and participation meeting in Tbilisi, where a new Pilot train company was to be established. Thus, a co-ordinated approach of the ports of Poti and Baku, as the two terminal points of the Pilot train, towards the railways was started.

Also, the tariff policy of the port has been reviewed and new tariffs have been introduced by the port.

In summer 1996, the consultants proposed a new commercially-based organisational set-up for the port of Baku, with a clear cost and profit centre structure, including the definition of responsibilities of the individual managers. This scheme has been widely discussed within the port management and with the consultants during the last months, in order to reach understanding for the suggested changes and their implications, and to come to an agreement on the new organisation. Finally, in June 1997, the decision to implement this new structure has been taken by the port director. Currently, the port is in the process of implementing the new organisation.

4.7 Port Master Plan is Elaborated

All planned results of the study could be achieved within the planned time frame. The phase 1 report contained an in-depth analysis of the current situation of the port, including the assessment of existing facilities and equipment, conditions of the port infrastructure and the operations procedures. Also, a preliminary traffic forecast was elaborated.

In the phase 2 report a physical port master plan together with a phased development plan of new investments was elaborated. The planned development was then analysed concerning the environmental impact of the investments and also concerning their economic and financial viability. During this phase the traffic forecast was reviewed with regard to the latest developments in the economy and in the transport sector and the scenario development was further fine-tuned. Additionally, a new organisational structure of the port of Baku, which had been developed by the consultants in the course of the „Technical Assistance and Training“ project was further discussed with the port management and adjusted to the specific needs of the port in view of the future development plans.

Phase 3 report contained the detailed port master plan with preliminary designs and detailed planning of the future investments. Furthermore, a final detailed appraisal of the financial and economical situation of the port and the future economic potential was carried out. The outcome of the traffic forecast and the analysis of the economic developments showed that the handling of containerised cargoes has the highest money earning potential for the port of Baku. This assessment is reflected in the port master plan and the proposed phased investments.

During phase 4 of the port master plan studies, tender documents for construction and rehabilitation of infrastructure and port facilities as well as for supply of equipment have been elaborated. As the port concept and the proposed investments have been re-adjusted several times since the preparation of the phase 3 report, some of the analytical work in the financial and economic areas was re-done.

The Phase 4 report consists of the engineering designs and specifications for the tender documents for construction works of the first step of the recommended development. Other specifications and tender docu-

ments that have to be completed on request of the Task Manager earlier as planned have been attached. Another part of the report was the amended text of the Phase 3 Report, with all the comments and suggestions of the Port of Baku and of the European Bank and the latest decisions taken duly considered.

5 Lessons Learnt and Recommendations

Reviewing the present project for the Port of Baku, the Consultant recommends the following items and procedures for future projects:

1. Regarding Technical Assistance projects with the aim to achieve structural or organisational changes in an organisation, especially in countries in transition from formerly socialist, centrally planned economies to market economies, it is in our view highly recommendable to plan these projects on a long-term basis in two phases.

- During the first phase the Technical Assistance should be executed by a small team of consultants, assessing the existing situation and making recommendations for changes, be it concerning the organisational structure, the financial sector, business planning, strategy and policy, manpower development, marketing aspects, environmental aspects, operations or any other field. These consultants should elaborate a proposal for changes and their implementation.
- In the second phase, the implementation phase, the organisation should not be left alone, but one long-term consultant, accompanying the process of change, should be left in the organisation. He should serve as adviser and coach to the management of the organisation.

In our opinion, projects which stop after the elaboration of studies and proposal of changes to be undertaken by an organisation run a high risk to come to a very unsatisfactory end due to the fact, that even if the individual members of the organisation understand the necessity and sense of change, they do often not know how and where to start and how to proceed further.

2. Another reason for long-term, permanent presence of at least one consultant on location is, that it usually takes considerably long time to develop a relationship of mutual trust and understanding between the counterparts. Short-term experts first have to understand the actual situation themselves and then advise on changes or future developments and convince the counterparts of their sense and feasibility.

3. Furthermore, from our experience it is most helpful and important, that the consultants understand the language of the region. Not even the best interpreter can convey all the unspoken words and sub-context of a conversation or discussion. Additionally, the inhibition of the counterparts to question the consultant is much lower, if a direct communication without translation is possible. The available time for the project could be used more efficiently and misunderstandings could be reduced.

4. When Technical Assistance is provided to propose and implement changes in the organisational structure, to develop certain business fields, to establish new function, departments or technologies in the organisation, or to develop a concept for future development, we consider it most useful to invite the managers of the organisation concerned, maybe also member of the local authorities related to the organisation, to study tours and seminars to Western Europe. These study tours should be conducted at least twice:

- Once in the first phase of the TA project, in order to facilitate the understanding of the local managers of the ideas and proposals of the consultants.

A second time we recommend to conduct such a study tour in the implementation phase. Then the managers concerned can acquaint themselves with different ways and methods certain problems are solved and tech-

nologies applied by familiarising themselves with existing models and discussing with manager in market economic Western organisations.

Tables

Form 2.3 Resource Utilisation Report

Form 3.2 Project Completion Report

Form 3.3 Output Performance Summary

Form 2.3: Resource Utilisation Report

Technical Assistance for the Development of Baku Port, Management Assistance and Training Port Master Planning		Project number : TELREG 9304	Country : Azerbaijan	Page: 2.3 / 1	
Period : 07/1997 - 12/1997		Prepared on: 12 December 1997	EC Consultant: HPTI Hamburg Port Training Institute GmbH	Form23p3.doc	
Support the Management of the Baku Port 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					
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER
PERSONNEL					
Assistant to the General Director	12 work months	0 work months	0 work months	12 work months	-
Assistant to the Financial Director	11 work months	0 work months	0 work months	11 work months	-
Assistant to the Port Operations Director	6 work months	0 work months	0 work months	6,0 work months	-
Management Training Advisor	6 work months	0 work months	0.91 work months	6 work months	-
Project Director	3 work months	0.73	0.73	3 work months	-
Workshop Moderator	0.23 work months	0 work months	0 work months-	0.23 work months	-
Training Lecturers (Foreign Experts)	1.27 work months	0 work months	0 work months	1.27 work months	-
Total	39.5 work months	0.73 work months	0.73 work months	39.5 work months	0 work months
EQUIPMENT AND MATERIAL					
Personnel Computers	3	0	0	3	-
Printer	2	0	0	2	-
Overhead Projector	1	0	0	1	-
Flip Chart	1	0	0	1	-
Workshop Boards	6	0	0	6	-
Workshop Material	1 set	0	0	1 set	-
Copying-machine	1	0	0	1	-

Form 2.3: Resource Utilisation Report

Technical Assistance for the Development of Baku Port, Management Assistance and Training Port Master Planning (Addendum)		Project number : TELREG 9304	Country : Azerbaijan	Page: 2.3 / 2	
Period :07/1997 -12/1997		Prepared on: 12 December 1997	EC Consultant: HPTI Hamburg Port Training Institute GmbH		
Support the Management of the Baku Port 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					
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER
LOCAL PERSONNEL					
Team Secretary	13 work months	0 work months	0 work months	13 work months	-
Interpreter for Ass. to the Financial Director	12 work months	0 work months	0 work months	12 work months	-
Interpreter for Ass. to the Port Operations Director	6 work months	0 work months	0 work months	6,0 work months	-
Driver 1	12 work months	0 work months	0 work months	12 work months	-
Driver 2	12 work months	0 work months	0 work months	12 work months	-
Lecturers Local Experts	0.41 work months	0 work months	0 work months	0.41 work months	-
Total	55.41 work months	0 work months	0 work months	55.41 work months	-
EXPENSES					
Visa for Experts + Trainees	13	-	-	13	-
Telecommunication	770	-	-	770	-
Office Consumable	16	-	-	16	-
Hire Meeting Room	1	-	-	1	-
Study Tour to European Ports					
Training Expert	1,09 work months	-	-	1,09 work months	-
Air Tickets for Trainees	5	-	-	5	-

Form 2.3: Resource Utilisation Report (Addendum)

Technical Assistance for the Development of Baku Port, Management Assistance and Training Port Master Planning (Addendum)	Project number : TELREG 9304	Country : Azerbaijan	Page: 2.3 /		
Period : 07/1997 - 12/1997	Prepared on: 12 December 1997	EC Consultant: HPTI Hamburg Port Training Institute GmbH	Form23p5.doc		
Support the Management of the Baku Port 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 Development of a Port Master Plan					
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD RE-ALISED	TOTAL RE-ALISED	AVAILABLE FOR REMAINDER
PERSONNEL					
Port Planner	100 work days	9 work days	9 work days	100 work days	-
Port and Shipping Economist	45 work days	6 work days	6 work days	45 work days	-
Transport Economist	30 work days	0 work days	0 work days	30 work days	-
Operations Expert	30 work days	0 work days	0 work days	30 work days	-
Equipment Expert	60 work days	25 work days	25 work days	60 work days	-
Environmental Expert	50 work days	10 work days	10 work days	50 work days	-
Financial Expert	40 work days	40 work days	40 work days	40 work days	-
Project Finance Expert	20 work days	0 work days	0 work days	20 work days	-
Utilities Engineer	30 work days	21 work days	21 work days	30 work days	-
Port Design Engineer	220 work days	100 work days	100 work days	220 work days	-
Team Management, Backstopping and Reporting	155 work days	48 work days	48 work days	155 work days	-
Interpreters	625 work days	159 work days	159 work days	625 work days	-
Secretary	220 work days	28 work days	28 work days	220 work days	-
Drivers	220 work days	28 work days	28 work days	220 work days	-
Total	1845 work days	474 work days	474 work days	1845 work days	0 work days

Form 2.3: Resource Utilisation Report

Technical Assistance for the Development of Baku Port, Management Assistance and Training Port Master Planning (Addendum)		Project number : TELREG 9304	Country : Azerbaijan	Page: 2.3 / 4	
Period : 07/1997 - 12/1997		Prepared on: 12 December 1997	EC Consultant: HPTI Hamburg Port Training Institute GmbH	Form23p6.doc	
Support the Management of the Baku Port 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					
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REAL-ISED	TOTAL REAL-ISED	AVAILABLE FOR REMAINDER
EXPENSES					
Visa	10	-	-	10	-
Communication	345	77	77	345	-
Office Consumable	11	1	1	11	-
Study Tour to European Ports					
Training Expert	1,5 work months	0 work months	0 work months	1.5 work months	-
Air Tickets fore Trainees	8	1	1	8	-

FORM 3.2: PROJECT COMPLETION REPORT

Project title : Technical Assistance to the Port of Baku - Management Assistance and Training		Project number : TELREG 9304	Country : Azerbaijan	Page : 3.2 / 1
Reporting period : 01 July 1997 - 12 December 1997		Prepared on : 12 December 1997		
EC Consultant : HPTI Hamburg Port Training Institute GmbH				
Reporting Period	Main Activities Undertaken	EC Consultant	Inputs Utilised	
			Materials and Equipment	Other
02/1996 - 07/1997	Establishment of private activities / investment in the Port of Baku	Technical Assistance and Training: 40,5 working months*) Addendum: 813 working days*)	4 PC 3 Printer	13 Air tickets for trainees study tour
08/1996 - 11/1997	Elaboration and implementation of port infrastructure investment plan		1 Faxmachine	23 visa
08/1996 - 11/1997	Elaboration of a Port Master Plan Study		1 Laptop Visualisation Boards	Flights for experts
02/1996 - 02/1997	Conduction of management training and development of a training scheme		Training and LogFrame Materials	
07/1996 - 12/1996	Establishment of a Free Port in Baku			
02/1996 - 07/1997	Introduction of an appropriate MIS			
02/1996 - 07/1997	Adjustment of manpower and equipment to workload			

*) Due to the fact that the individual activities are mutually interlinked it is impossible to define the exact amount of working days for each individual activity.

FORM 3.3. OUTPUT PERFORMANCE SUMMARY

Project title : Technical Assistance for the Development of the Port of Baku, Management Assistance and Training		Project No : TELREG 9304	Country : Azerbaijan	Page :
Prepared on : 12 December 1997		EC Consultant: HPTI Hamburg Port Training Institute GmbH		
Output results	Deviation original plan + or - %	Reason for deviation	Comment on constrains & assumptions	
1. Establish private activities / investment in the Port of Baku		Privatisation is at this stage not of prime concern to the Port and the Authorities. The port is part of the privatisation programme of Azerbaijan, but decisions towards this have not been taken yet.	Activities have been concluded as far as possible under the prevailing circumstances. Further steps depend on the Government's decision concerning privatisation	
2.1 Elaborate and implement port infrastructure investment plan	0 %	no deviation	The infrastructure investment plan as part of the port master plan for the main complex of the port has been completed and agreed with all relevant authorities. No funds are presently available for investments.	
2.2 Port Master Plan Study	0 %	no deviation	The port master plan for the main complex of the port has been completed and agreed with all relevant authorities. The work on the master plan has been closely co-ordinated with the development plan for the ferry terminal	
3. Conduct management training and develop a training scheme	0 %	no deviation	All planned training activities and study tours have been conducted and a training concept has been elaborated and submitted to the port	
4. Establish a Free Port in Baku	0 %	no deviation	A framework study containing the legal requirements, the functions and the proposed set-up of a free port has been carried out, submitted and discussed. A policy workshop has been conducted.	
5. Introduce and appropriate MIS	0 %	no deviation	After the acceptance of the new organisational structure of the port the implementation has started	
6. Adjust manpower and equipment to workload	0 %	no deviation		

Annex

Project Activities Plan

Project Activities Plan

N°	Activity	Project Result
1.1	Identify fields for private involvement in the port	<ul style="list-style-type: none"> • Private warehousing activities • Container handling as a field for private involvement • Operation of a Container Freight Station • Establishment of a Diesel transfer station
1.2	Suggest to authorities modification to existing port legislation for private investment	<ul style="list-style-type: none"> • Assistance to the General Director in formulation of request for permission for private investment • Maritime Law for Azerbaijan • Suggestion on a foundation of a Maritime Administration for Azerbaijan • Proposal to apply the UN Code for Terminal Operators
1.3	Legal framework for private investment is agreed by authorities	<ul style="list-style-type: none"> • Port is to be privatised within the next years according to Azerbaijan legislation • Maritime Law for Azerbaijan is elaborated
1.4	Prepare documentation for negotiations with private investors	Contract for warehousing activities of private freight forwarders in the port has been prepared and discussed
1.5	Promote attraction of private investment locally and internationally actively	<ul style="list-style-type: none"> • Participation of the consultants and the Director of the port as speakers at a transport conference in Vienna in March • Participation at a transport conference in Istanbul is planned for October • Presentations of the port to the local business community have been done • Visit of the Oil and Gas Exhibition in Baku • Assistance in preparation of a PR campaign and of advertising material has been given
2.	Elaborate and implement port infrastructure investment plan	Port Master Plan
2.1	Identify internationally recognised assessment methods	Assessment methods for the feasibility study have been selected, discussed with the port and applied
2.2	Identify realistically possible developments for infrastructure	A phased investment plan has been elaborated and agreed upon
2.3	Justify financially infrastructure investments according to internationally recognised methods	Feasibility calculations for investments have been carried out within the port master plan study
2.4	Prepare a time phased plan for major investments	Phased investment plans have been elaborated within the port master plan
2.5	Establish an investment project co-ordination unit	ToR for a project co-ordination unit have been prepared in March 1997, including a definition of participants. The EBRD will set up the Unit at the beginning of next year

N°	Activity	Project Result
2.6	Prepare documents for negotiations with funding institutions	The port master plan study is a document, required by banks and other funding institutions
2.7	Assist in securing investment funds	<ul style="list-style-type: none"> The reports of Phase1 to Phase 4 of the port master plan has been submitted to the European Bank Several mission of the Bank to Baku have been prepared and assisted Meetings in London have been attended
3.	Conduct Management Training and Develop a Training Scheme	Management Training has been conducted according to programme. A training scheme has been proposed.
3.1	Port management is acquainted with management skills required in market economy	Last training workshop has been conducted
3.2	Conduct a manpower audit	Manpower Audit is evaluated
3.3	Identify new skills to fulfil the future demands on management	New skills especially in the field of general management and international trade have been identified and discussed in several meetings with the decision makers
3.4	Design management training programmes	Training programmes have been conducted
3.5	Arrange training locations and related logistic facilities	Training room of port safety department is available and appropriate for training
3.6	Engage management trainers	Different trainers have been employed in order to conduct management training
3.7	Conduct and supervise management training sessions	Supervision continuously done
3.8	Conclude and fine-tune future management training programmes	Demand for future training is defined The training concept is designed and submitted
3.9	Monitor the effect of implementing management training programmes	Practical application of knowledge gained in training courses is monitored and coached. The results are included in the training concept
3.10	Identify personnel with skills to become management trainers	Fields for internal training have been identified and defined in the training concept, in-house training primarily to be done by department heads
3.11	Design management training programmes of in-house trainers	No dedicated in-house trainers have yet been nominated
3.12	Train in-house trainers	No dedicated in-house trainers have yet been nominated
3.13	Develop a scheme of permanent training and formation	Training concept is elaborated and submitted
3.14	Establish a training budget	Budget guidelines for training have been designed and included into the training concept
4.	Establish a Free Port in Baku	The final decision of Azerbaijan authorities concerning the establishment of a free port has not been taken yet
4.1	Investigate the feasibility of establishing a free port	A study on establishment of a free port, including the feasibility, has been carried out and a proposal on a

N°	Activity	Project Result
		free port submitted.
4.2	Assist the port in designing necessary regulations for government approval	Draft regulations have been designed
4.3	Liaise with other government authorities in setting-up procedures	<ul style="list-style-type: none"> • Port has applied at Cabinet of Ministers with a proposal for establishment of a Freeport • Workshops with an EU Freeport Expert have been conducted with the participation of representatives of the Transport Department and the Cabinet of Ministers
4.4	Establish favourable tariffs for clients	Freeport is not yet established - Official decision concerning Freeport has yet to be taken by Azerbaijan Government
4.5	Prepare proper organisation structure for Freeport and operational procedures	<ul style="list-style-type: none"> • A new port organisation structure has been proposed and is since June 1997 in the process of being implemented • A proposal for a structure of a Freeport is part of the Freeport study
4.7	Promulgate Freeport to clients	Freeport is not yet established -Official decision concerning Freeport has yet to be taken by Azerbaijan Government
5.	Introduce an appropriate Management Information System	Management Information System is workable by the end of the project
5.1	Review and improve assets management	An equipment and facilities survey has been conducted
5.1.1	Check list of all fixed assets	List is compiled, cp. Phase 1 Report, Vol. III
5.1.2	Check the evaluation of all assets	Evaluation of assets has been checked
5.1.3	Check the stock inventory list	Stock inventory has been surveyed
5.1.4	Check the list of normative depreciation	List is checked, amendments advised
5.2	Develop a concept for a computer based Management Information System	
5.2.1	Identify information needs of top management	Needs are identified. Bookkeeping and accounting software has been selected and installed
5.2.2	Identify information needs of the different departments	Information needs are identified and the necessary training has been prepared
5.2.3	Identify computer needs of the individual departments	A computerisation concept has been developed
5.2.4	Design modern computer based MIS	The concept for computer based MIS has been designed and submitted
5.3	Review and improve cash management	
5.3.1	Review the cash conditions and the forms used	Cash conditions are reviewed
5.3.2	List up all creditors	List of creditors is completed
5.3.3	List of debtors	List of debtors is completed
5.3.4	Suggest way of avoiding defaulting and non-paying clients	Clear criteria for a payment scheme for port services are proposed
5.3.5	Proposed an efficient payment and invoice	<ul style="list-style-type: none"> • A payment and invoice control system has been

N°	Activity	Project Result
	control system	proposed <ul style="list-style-type: none"> Since Jan. 1997 detailed invoices are being produced for port customers
5.3.6	Check daily liquidity	Formalised control of daily liquidity has been proposed
5.3.7	Manage the currency accounts	A formalised system has been proposed
5.3.8	Monitor daily financial status	A formalised system has been proposed
5.4	Develop a budget management concept	
5.4.1	Prepare operational budgets	The budgets for 1996 are assessed
5.4.2	Prepare concepts for medium term concepts	Budgets are prepared 2 months after finalisation of investment plan
5.4.3	Continuously follow up budgets	Formalised system to follow up budgets is established
5.4.4	Get an overview on tax system	The tax system has been reviewed
5.5	Review existing accounting system and advise on improved one	
5.5.1	Review chart of accounts	Chart of accounts has been reviewed and discussed
5.5.2	Split up costs in fixed and variable costs	Cost split has been explained to port
5.5.3	Implement a computer based accounting system	System for control of costs and revenues has been proposed and is being implemented
5.5.4	Establish required forms for balance sheets and propose improved ones	Balance sheets have been reviewed and found to be in accordance with Azerbaijan law
5.5.5	Assist in preparation of balance sheets for 1995	Balance sheets in accordance with modern book-keeping have been proposed
5.5.6	Assist in compiling three-quarterly balances for tax purposes	Assistance has continuously been given
5.5.7	Assist in preparation of balance sheets for 1996	Balance sheets in accordance with modern book-keeping have been proposed
5.6	Review existing Payment Scheme and advise on introduction of improved scheme	
5.6.1	Control the payroll list	The payroll list is controlled and updated by every middle of month
5.6.2	Obtain information on government policy regarding payment schemes	Information on government policy has been obtained
5.6.3	Analyse the existing payment schemes in-depth	The analysis has been completed
5.6.4	Compare payment system to other payment systems in the transport industry	The payment systems have been compared
5.6.5	Examine job classifications and job groups	Job classifications and groups have been examined and discussed
5.6.6	Assess jobs to ascertain their relative worth	Jobs have been assessed
5.6.7	Elaborate and advise on a new payment scheme	A new payment scheme has been discussed, decisions about it postponed, due to the delicate financial position of the port
5.6.8	Prepare written information on new scheme	Official actions postponed
5.6.9	Prepare and organise events on the pro-	Official actions postponed

N°	Activity	Project Result
	posed scheme	
5.6.10	Design training programmes on the new scheme	Official actions postponed
5.6.11	Train decision makers and staff in the implementation of the new scheme	Official actions postponed
6.	Adjust Manpower and Equipment to Workload	
6.1	Review and update operational procedures	Operational procedures have been evaluated and a manual has been completed
6.1.1	Conduct a condition survey on port facilities and equipment	A condition survey on port facilities and equipment has been conducted and documented (cp. Phase 1 report, Vol. III, Annex)
6.1.2	Assess operations manpower	Operations manpower status report has been submitted in April 1996
6.1.3	Design an improved cargo delivery and dispatch system	Improved system has been elaborated in work groups together with operations personnel
6.1.4	Advise on efficient berth allocation	Presently the berth allocation is satisfactory For future operations berth allocation is proposed (cp. Port Master Plan)
6.1.5	Analyse present port performance	Port performance has continuously been analysed. There is no unnecessary delay and waiting time due to port performance
6.1.6	Develop performance indicators	Existing norms have been reviewed, improvements suggested
6.1.7	Suggest a flexible gang structure	A proposal has been submitted
6.1.8	Suggest a modern work organisation	A proposal has been submitted
6.1.9	Increase efficiency of storage area utilisation	A cargo allocation system has been proposed. For future port development cp. Port Master Plan
6.2	Review external influence factors on operations procedures	
6.2.1	Discuss simplification of customs procedures	Procedures have been reviewed and discussed. (See also Trade Facilitation Project)
6.2.2	Establish a cargo information procedure with transport operators	Current procedures are sufficient for current cargo operations. In future a cargo documentation and operations computer system should be implemented.
6.2.3	Prepare cargo documentation in advance	Current procedures are sufficient for current cargo operations. In future a cargo documentation and operations computer system should be implemented.
6.3	Develop a commercial policy	
6.3.1	Identify relevant traffic for the port	<ul style="list-style-type: none"> • A traffic forecast has been elaborated (cp. Port Master Plan, Vol. II) • In a Business Field Analysis, carried out in workshops together with the port management, relevant traffic has been identified
6.3.2	Develop marketing strategy	<ul style="list-style-type: none"> • Business Field Analysis is concluded. • A strategy workshop based on the traffic forecast

N°	Activity	Project Result
		<ul style="list-style-type: none"> has been conducted • Marketing strategy has been developed in seminars and workshops
6.3.3	Identify port customers	<ul style="list-style-type: none"> • Business Field Analysis has been concluded • Workshops on port activities and customers have been conducted • A marketing concept has been elaborated •
6.3.4	Identify the needs of the port customers	<ul style="list-style-type: none"> • Business Field Analysis has been concluded • Workshops on port activities and customers have been conducted • A marketing concept has been elaborated
6.3.5	Review of tariff and pricing policy	New tariff and guidelines for pricing proposed
6.3.6	Develop long- and medium term plan	<p>A concept for medium and long term has been submitted</p> <p>See also Port Master Plan, Vol. II</p>
6.3.7	Define financial sections requirements for long- and medium term investment plan	Concept for medium and long term investments has been submitted (cp. Port Master Plan)
6.3.8	Incorporate government's planning guidelines into long- and short term plans	Concept for medium and long term investments has been submitted
6.3.9	Establish good communication with outside world	<ul style="list-style-type: none"> • Freight and transport conference in Vienna, March 1997, has been attended • Missions to Poti and Batumi and to Turkmenbashi • Visit of the Oil and Gas Exhibition in Baku • Participation in the Caspian Transport Conference, Baku, October 1997 • Freight and transport conference in Istanbul, October 1997, has been attended
6.3.10	Contact freight forwarding companies	Regular meetings
6.3.11	Ask the railway for cargo	<ul style="list-style-type: none"> • Co-operation possibilities with the railway have been assessed • Active participation of the Port in the Pilot Train (TEWET project) has been initiated
6.3.12	Negotiate with shippers / consignees and advertise Port of Baku	<ul style="list-style-type: none"> • New contracts with cargo owners are concluded • Port marketing department takes active steps to negotiate with potential clients • Port Marketing flyer has been developed and published
6.3.13	Suggest cargo owners the best transport routes	<ul style="list-style-type: none"> • Transport routes for different cargoes have been evaluated (cp. Port Master Plan) • First promotion campaign has been carried out
6.4	Assist in developing a modern organisation structure of the Port of Baku	New organisation scheme for the Port has been elaborated, proposed, discussed and is currently being implemented
6.4.1	Get a list of all departments for defining cost centres	List is compiled

N°	Activity	Project Result
6.4.2	Review existing organisational charts of departments	The available material has been reviewed
6.4.3	Develop a commercial organisational structure for the Port of Baku	Organisational structure has been proposed and is currently being implemented (since June 1997)
6.4.4	Establish budget guidelines for human resources department	The training concept includes budget guidelines
6.4.5	Design a proper organisational structure for a human resources department	New organisational structure for the department is included in the general new organisational scheme
7.	Port Master Plan is elaborated according to the Terms of Reference	
7.1	Elaborate Phase 1 Report of Port Master Plan	Report was elaborated and submitted Sep. 1996
7.1.1	Traffic Forecast is elaborated	Forecast was presented as part of Phase 1 Report (Vol. II)
7.1.2	Unit transport costs have been estimated	Results presented as part of Phase 1 Report (Vol. II)
7.1.3	Carry out assessment of present port facilities and operations	Results presented in Phase 1 Report, partly Vol. III, partly annex
7.1.4	Collect data for environmental assessment and conduct „scoping“ meeting	Preliminary environmental assessment is part of Phase 1 Report, Vol. V. Scoping meeting: Annex
7.2	Elaborate Phase 2 Report of the Port Master Plan	Report was elaborated and submitted Dec. 1996
7.2.1	Define functional requirements of the developed port	Results are presented in Vol. III of the Phase 2 Report
7.2.2	Prepare physical Master Plan for the port	Proposed port layout and handling facilities are presented in Phase 2 Report
7.2.3	Prepare a phased development plan	Results are presented in Phase 2 Report
7.2.4	Prepare an environmental assessment	Results are presented in Phase 2 Report, Vol. V
7.2.5	Recommend improvement in management structure and system	Improvements have been recommended together with the new organisational structure. Responsibilities of the department and section heads have been defined and discussed.
7.2.6	Analyse economically and financially recommended developments	Results are presented in Phase 2 Report, Vol. VI
7.2.7	Review possible options for introduction of private investment	Results are presented in Phase 2 Report, Vol. III
7.3	Elaborate Phase 3 Report of the Port Master Plan	Report was elaborated and submitted March 1997
7.3.1	Preliminary design and specify principle components of the 1 phase of the recommended developments	Results are presented in Phase 3 Report, Vol. III + Vol. IV
7.3.2	Assess Port of Baku credit worthiness	Results are presented in detail in Phase 3 Report, Vol. VI
7.4	Elaborate Phase 4 Report of the Port Master Plan	Report will be elaborated and submitted Oct. 1997
7.4.1	Prepare tender documents for construction and supply	Construction and equipment tender documents are submitted to the EBRD

N°	Activity	Project Result
		Supply tender documents have been finalised and submitted to the EU
7.5	Assist the Port of Baku in tendering	Tendering phase will take place several months after the contract of HPTI has finished