

HPTI -TP

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2. ANNEX A: STATEMENT AND TERMS OF REFERENCE

2.1 STATEMENT BY THE TENDERER

In order to stimulate the on-going economic reform process, to render qualified Technical Assistance services on behalf of the Commission of the European Community to the Government of Azerbaijan, to define a new maritime transport and port policy, to assist the Port of Baku in its efforts to define its future role and function in a regional and international context, to improve its organisational structure, to enhance its commercial and operational efficiency and to assist its endeavours to privatise, the shortlisted firm

HPTI Hamburg Port Training Institute GmbH, Hamburg

has decided to cooperate in a consortium together with

UNICONSULT Universal Transport Consulting GmbH

and

RECON S.A., Athens

with HPTI being the leading partner (see Cooperation Declaration, Annex C: 4.3).

The decision to cooperate has been made in view of the successful cooperation of all three partners in the TACIS-TRACECA project "Development of the Caspian Shipping Company". The organisational setup, the financial and accounting procedures, the commercial philosophy and decision structure in the port is very similar to the shipping company, because Baku International Sea Port has been part of the Caspian

Shipping Company until the beginning of this year. The detailed knowledge of our experts and the experiences gained while working in Baku as well as the mutual understanding that has developed in the course of time will have a profound synergy effect on the project and lead to effective and efficient results.

HPTI is an international organisations and manpower development consultancy firm specialised in ports, transport and shipping and has conducted several organisational and human resources development projects world-wide as well as numerous training programmes both in Hamburg and abroad. HPTI have gained particular experience in training involving participants from the CIS, especially from Azerbaijan and Russia, in the port and shipping sector (see Annex C: 4.2.2.1).

UNICONSULT is a well known medium sized, independent transport consultancy with worldwide experience of the maritime industry. A study entitled "Freight Transport to and from RF on Black Sea Routes" has being carried out by UNICONSULT on behalf of DG I of the European Commission. Additional projects carried out in the Baltic States, Poland, Hungary, etc. provide a good understanding of the situation in Eastern Europe (see Annex C: 4.2.2.2).

RECON S.A. was founded by members of the Department of Business Administration of the Athens University of Economics and Business, and is specialised, inter alia, in the field of maritime policy and legislation. The company has carried out projects in Western and Eastern Europe and Azerbaijan and is well acquainted with procedures for the commercialisation and privatisation of former state owned organisations (see Annex C: 4.2.2.3).

All three companies have joint experience in conducting projects in Azerbaijan. They currently successfully carry out the project "Development of the Caspian Shipping Company, Azerbaijan" for the European Commission.

Due to the fact that until recently the Port of Baku belonged to the Caspian Shipping Company, they were able to gain already considerable knowledge of the procedures and organisation of the Port of Baku. They are therefore familiar with the economic situation, the restrictions and needs prevailing in

the maritime sector of Azerbaijan.

Also, they are acquainted with some of the managers and customers (Caspian Shipping Company being so far the major customer of the Port of Baku) and can thus rely on local assistance and information.

Given that additional local knowledge within the scope of the project is deemed to be very significant to its success, the local company TransMarine Shipping Enterprise Ltd. will be involved and give support to the project. The company is founded by former executives of the Caspian Shipping Company and possesses therefore inside knowledge of the port as well as good understanding of the tasks which have to be fulfilled to reorganise the port as a commercially working company.

Thus, the partners combine extensive functional, sectoral and regional experience between them. Highly qualified staff as well as accumulated know-how and experience in the provision of consultancy services in port related projects will be made available as appropriate to the performance of the work by the partners.

Due to the combined experience, good standing, international and local knowledge of the maritime sector and the experience gained in the execution of projects of a similar nature, also within the context of the TACIS programme, the cooperation between HPTI Hamburg Port Training Institute GmbH and its partners is considered to be well suited to fulfill competently the tasks involved and to achieve the required results.

HPTI Hamburg Port Training Institute GmbH, together with RECON S.A. and UNICONSULT guarantee to provide the services required for the project "Technical Assistance for the Development of the Port of Baku" in compliance and in conformity with the provisions and terms of the Tender Documents, i.e.:

- Letter of Invitation
- Instructions to Tenderer
- General Regulations for Tenders
- Draft Contract including Annex A to F

2.2 VISIT TO THE PORT OF BAKU

The Consultants visited Azerbaijan and the Baku International Commercial Sea Port in the period from September 5th to 8th, 1995. The visit was carried out by Capt Wolfhard H Arlt, the Managing Director of HPTI Hamburg Port Training Institute. He attempted to interview all relevant key officers of the Port of Baku, but due to absence or other engagements it was unfortunately not possible to see them all.

Nevertheless, thanks to the helpfulness and open attitude of the Director General and his staff a considerable amount of information could be obtained. The general approach and methodology described in this proposal is based on the documents and information received, any omissions or misinterpretations made can therefore be attributed to incomplete information.

In-depth discussions were held with the following port officers, who proved very competent and knowledgeable and showed great interest in the visit and the project:

Mr Aydin Mamedov	Director General, Baku International Commercial Sea Port
Mr Soltan	Chief Port Engineer
Ms Raya Kasimova	Manageress of Economics Department
	Manageress of Accounting Department
Mr Mail Djafarov	Manager of Staff Department and Welfare Commission
Ms Messa Tambovshaya	Manageress of Department of Foreign Economic Relations and Commercial Works
Mr Mohammed	Staff Member, Department of Foreign Economic Relations and Commercial Works
Mr Aladdin Yusifov	Manager of Cargo Accumulation Area Department

Mr Shirin Huseinov	Manager of Cargo Operations Department
Mr Shafir	Manager of Computer Department, Caspian Shipping Company (service provider to the Port)

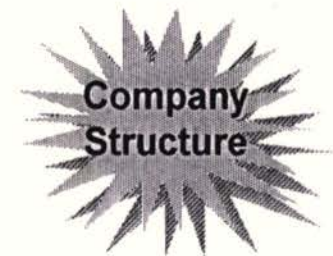
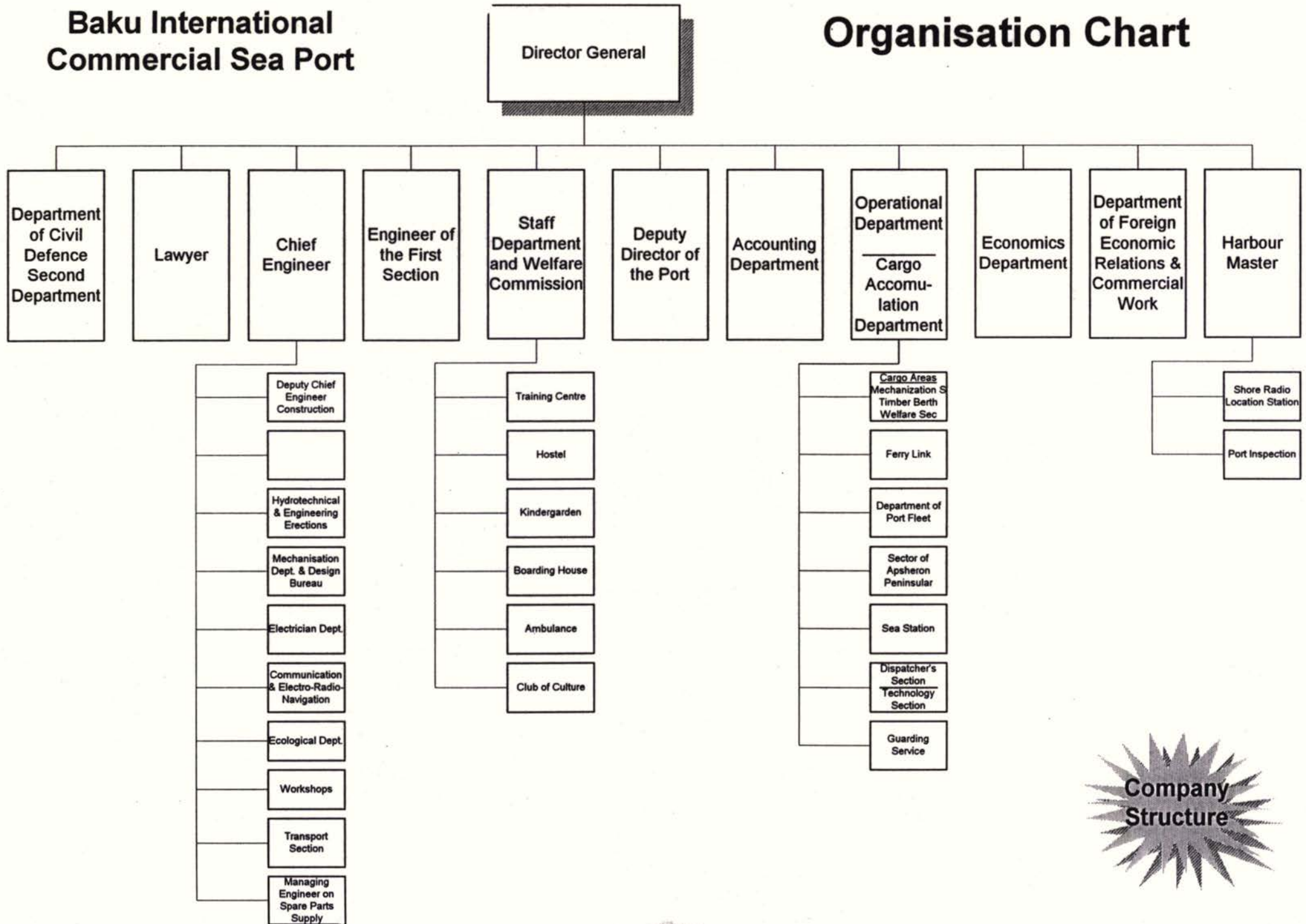
Also, the EC-representatives in Baku were contacted and informed about the purpose and the results of the visit:

Mr Boris Smoli	Project Manager, TACIS Coordinating Unit
Dr Kasimov	Director of Coordinating Unit of EC

The port of Baku employs presently just under 880 staff members, down from about 1400 of 12 months ago. The organisational set-up of the port as well as the number of staff per department can be seen in the attached tables.

Baku International Commercial Sea Port

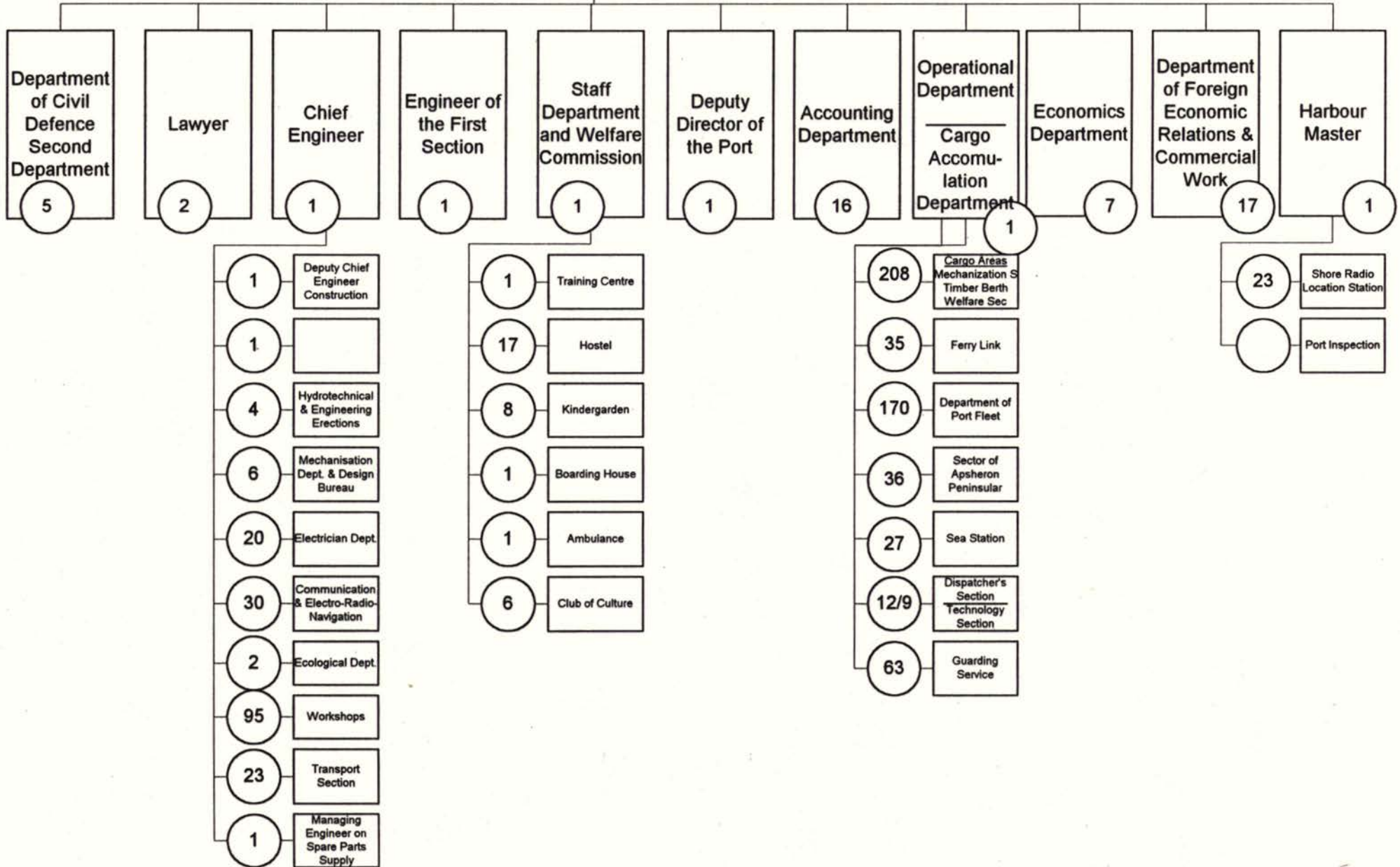
Organisation Chart



Baku International Commercial Sea Port

28 September, 1995

Director General



During the visit the tasks of the individual experts as described in the Terms of Reference were intensively discussed with the decision makers in the port. Thus, a clear picture emerged of the work to be done, the objectives to be reached, the prevailing local conditions and the preconditions for successful execution of the work.

Also, information on the distribution of responsibilities, the chain of command, the organisational set-up and the economic and commercial difficulties the organisation faces could be established.

It appeared that the project and its aims were not very well-known within the organisation. But all discussion partners were very enthusiastic when learning about the project and the Consultants feel that no obstacles to the progress of the project will be posed from them.

Due to this lack of prior information, the Consultants must strive hard, once they are on location, to involve the staff of the organisation as much as possible in the project in order to instill a sense of ownership of the project into them and, thus, secure sustainability in the medium and long term. The LogFrame Project Planning Workshop, that is planned at the commencement of the project, will aid in this matter.

During discussions the General Manager explained that a major benefit he expects from the project is the assistance of the expert to prepare the financial documents for the major investments the port is contemplating and to aid him in negotiations with the government. Apparently, an investment proposition has been submitted to the government and received a favourable general approval. Now it is necessary to prepare detailed documentation and start in-depths negotiations with the government.

A second point the general manager wishes the expert to tackle is an investigation into the feasibility to establish a freeport zone in his port. Due to the independence of all the surrounding states, he feels that customs procedures hamper the smooth flow of goods through his port and that a freezone port area could alleviate these negative effects.

During the visit it became apparent that at present there is no position "Director of Finance" in the organisation. Financial matters are dealt with

by three different departments: the economics department, the accounting department and the department of foreign economic relations and commercial work.

All three department heads showed a great interest in the project and answered openly and comprehensively all questions raised. They acknowledged that improvements to financial management and accounting were necessary, but due to a lack of knowledge of modern procedures they could not see how this could be achieved. One of the greatest obstacles to progress they saw was the entire lack of computers in the organisation, necessitating that all transactions and calculations had to be done by hand.

It was rather difficult to view any written financial information as some of it was written in Azery, some in Russian language.

One of the major areas of concern raised by many of the staff members interviewed was the huge amount of outstanding money and the organisation's present inability to collect this money from its clients. Apparently, this situation starts to threaten the financial stability of the organisation. The financial expert is expected to assist with ideas on more effective billing and debts collection procedures and to be actively involved in this matter.

The manageress of the department of foreign economic relations and commercial work showed great interest in the experts' contribution to the further development of the new handling tariff which has just been promulgated and especially advise on commercial negotiations concerning leasing and rental contracts. Also, she wished to know more about marketing, as she saw it as her job but had neither knowledge nor experience in this matter, nor was the organisation doing any marketing at present.

The main problems raised by the staff of the operations department were the detrimental effect the rise of the water level of the Caspian Sea has on port installations and the fact that the volume of cargo handled has been eroding away in recent months. They looked forward to the expert's contribution to their department but were not yet able to pinpoint any special problems they would like to be tackled. Under questioning they revealed that so far they neither do any canvassing for customers nor that

they have thought about any additional services the port can render to clients.

The director of the staff department and the manager of the training centre explained that so far no management training has been conducted in the organisation, there were also no plans to do so. In the past, professional training of port experts had been done in Novorossisk, Russia, or in Odessa, Ukraine. They had no knowledge of any training facilities, especially for modern managerial training, in Azerbaijan.

A lot of additional background information that was helpful in understanding the tasks of the experts could be obtained during the discussion. Our final choice of staff as well as the descriptions of activities were guided by this.

2.3 TERMS OF REFERENCE



EUROPEAN COMMISSION

DIRECTORATE GENERAL IA
EXTERNAL POLITICAL RELATIONS
Relations with the newly independent States
Financial resource management

Annex A: Terms of Reference

TACIS - TRACECA PROGRAMME

TECHNICAL ASSISTANCE FOR THE DEVELOPMENT OF THE PORT OF BAKU

MANAGEMENT ASSISTANCE AND TRAINING

1. INTRODUCTION AND BACKGROUND

Since independence the Republic of Azerbaijan has recognised the importance of transport in the development of the country's economy. The government has therefore laid particular emphasis on the rehabilitation and modernisation of its transport infrastructure, including the Port of Baku.

The Port of Baku is the main sea-port of Azerbaijan. It occupies a key strategic commercial position on the Caspian Sea. The port has excellent sea, rail and road connections for passengers and cargo into and out of the countries of the Caucasus region, of the countries of Central Asia, of Russia, Iran and Turkey. It is a key element in the TRACECA corridor (Transport corridor Europe-Caucasus-Asia). The new political situation has led and will lead to major changes in the cargoes handled in the port and their origins and destinations. The port facilities and the associated transport systems will have to adapt accordingly and it will be necessary to introduce new technologies and operational techniques.

The majority of the cargo between the Caucasus region and Central Asia used and still uses today the ferry service between Baku (Azerbaijan) and Krasnovodsk (Turkmenistan). There is an ongoing shift from 100% rail transport to shared rail and road transport. The rail ferry takes trucks and wagons.

For yet unknown reasons the water level in the Caspian Sea is rising at an average annual rate of some 25 cm during the last years. This phenomenon commenced in 1975, be it at a less important rate of sea level rising. The alarming rise in the Caspian Sea level creates major difficulties in operating the ferry service. The ferry terminals in both ports will to be out of service within some 3 years if the sea level continues to rise.

Against this background the Governments of Azerbaijan and Turkmenistan obtained technical assistance from the European Commission under the TACIS - TRACECA programme for a survey of the Caspian Sea water level rise and its influence on the operating conditions of both ports. The project included a survey of infrastructure in both ports and an attempt to forecast the future traffic flows. This technical assistance was carried out by the group of consulting engineers Sofremer, HPC and Deti. The

final report is expected any time (May 1995). The study confirmed the urgent need to rebuild the ferry terminals in both ports.

The European Commission committed itself under the TACIS - TRACECA programme to prepare the redesign of the ferry terminals in both ports and to prepare the international tender documents for their reconstruction. Terms of reference for this study are under preparation.

Both projects deal with the immediate physical needs to keep the ports operational.

Since the dissolution of the Soviet Union, all ports of the New Independent States have to work in a new, free market oriented environment. The new environment has forced and still forces the Port to adapt new policies and work methods, and to think commercially. The Caspian Sea crossing and the TRACECA route have now to compete with other land traffic routes.

In this competitive environment a port must generate sufficient income from its business to cover its running costs and to keep its infrastructure and equipment in good working condition. Sufficient benefit should remain available to renew infrastructure and equipment and to safeguard future expansion. A financially independent and flourishing Port is a basic element in a country's economy, being no burden for the national budget.

The Port management has to tackle these new challenges. Exchange of ideas and experience between the management of the port of Baku and professionals in the port business from the European Communities can be beneficiary. This project insures this exchange of ideas and experience in the form of a training and management assistance programme.

2. OBJECTIVES

The general objective of this project is to support the Seaport Authority in transition to the market economy.

The specific objective of this project is to strengthen the Ports management in introducing new policies and working methods and to cope with the new challenges resulting from the new market oriented environment.

The areas of assistance and training focused by the project are:

- Development of strategic planning and marketing strategy
- Institution building
- Tariff structure and related cost covering of Port activities
- Port operation
- Costing and accounting system
- Human resources policy

Moreover, the programme includes the preparation of a legal framework to define the relations between Baku Seaport Authority, several specialised users and other interested parties. It includes the implementation of a modern financial management system to analyse all investments for short, medium and long term periods.

The successful and effective implementation of the proposals can only be achieved by high qualified experts, working side by side with officials of Seaport Authority and supported by a training programme.

The identified programme requests the following experts:

1. Assistant to General Manager of Seaport Authority
2. Assistant to Financial Director of Seaport Authority
3. Assistant to Port Operations Director
4. Management Training Adviser

3. SCOPE OF WORK.

1.1. ASSISTANT TO GENERAL MANAGER OF SEAPORT AUTHORITY

The Assistant to the General Manager will assist the General Manager of the Seaport authority as required, and in particular he will advise and assist on all matters concerning:

- Strategic Planning for the Port

This entails the preparation and follow-up of the long term strategic view for the port. The long term strategic view shall take into account the economic evaluation of the country and its natural (land borne and sea borne) hinterland, as well as the follow-up of changes in (i)shipping and its environment, (ii)new techniques of transport and (iii)new commercial attitudes in the world towards ports.

- Medium and Long Term Planning

A long term planning shall be derived from the strategic vision developed in the country. The long term planning section will encompass and guide the short term plans (foreseen within 3 to 5 years). In view of the fast changing economic environment these plans will be developed in easily adaptable form, will follow the lines set out by Government and will incorporate realistically possible developments.

- Structural Investments

The future major infrastructure investments, identified in the long term and medium term planning, will be set out and justified according to internationally recognised assessment methods.

- Institutional Changes

All relevant information for the port will be gathered in order to stimulate and attract private investment. This material will be made available as well to local investors as to internationally interested parties. Modifications to existing legislation and publication of information aiming to promote private investments will be suggested to the authorities concerned.

- Computerisation

Define a programme for the setting up of modern computer information and management systems for the different departments in the port and linking of the port to the international shipping information systems.

- Commercial and Marketing

Defining the commercial policies of the port and work out a strategy for land use, port handling and storage pricing. Prepare a marketing plan for the port in view of attracting new clients.

- Supervision of investments

Preparation of tenders, control of offers and follow-up and evaluation of budget control.

- Follow all accounting services (general and analytical) and see to the consistent relation between operations, accounts and cash in-outflow.

- Making in close collaboration with the Financial Department a detailed analysis of the tariff structure and propose such changes as might be found necessary to achieve sufficient margin and financial soundness of the Port's activity.

- Assist in the organisation and control of training programmes for personnel at all levels and of the setting of pay scales.

Profile

The Assistant to the General Manager will have experience in shipping and/or port for at least ten years at a level of manager, controller, or legal advisor. He will have a university degree in Economics, Engineering or Law, with additional training and/or practical experience in management. The Assistant to the General Manager is a high level posting in this difficult period of conversion of the economic environment. The personal assets required to function effectively will include good skills in human relational, an aptitude for communicational and firmness if necessary.

Duration

12 working months

A knowledge of Azerbaijani or Russian would be a major asset.

3.2. ASSISTANT TO FINANCIAL DIRECTOR OF SEAPORT AUTHORITY AND PAYMENT SCHEME ADVISER

The expert will have two areas to cover

1) As Assistant to the Financial Director he will assist the Financial Director as required- Specific tasks will include:

- Preparation of the financial sections of all investments' plans at medium and long term.
- Preparation of capital and operational budgets and their consistent follow-up during the year.
- Preparation of all financial documentation required for negotiations with all parties involved in lending operations (banks, bilateral or multilateral organisations) and private enterprises interested in direct investments (local or foreign). The financial documentation for the renewed ferry terminal shall be prepared in close co-operation with the designers.
- Preparation of balance sheets at the required intervals.
- Daily treasury management in local and foreign currencies.
- Making in close collaboration with the General Management of the Port a detailed analysis of the tariff structure and propose such changes as might be found necessary to achieve sufficient margin and financial soundness of the Port's activity.
- Preparation and control of training schemes for financial officers

2) Part of his job will be to advise on new payment schemes

It appears that the present incentive schemes are failing to achieve the desired level of port performance. Norms are increasingly difficult to define for different product handling and the introduction of containers and of Ro-Ro traffic make practical implementation nearly impossible. The present scheme discourages initiative and thus the development and use of improved cargo handling methods

The task of the Payment Scheme Adviser will be to advise the Manager of the Port on:

- Designing and implementing a workable flat pay system or equivalent system that is acceptable by dock labour whilst at the same time permitting normal profit

levels for the stevedore and encouraging change and innovation to improve port performance.

- Preparing for the changes in advance by explaining and persuading management, supervisors and the dock workers the purpose and benefits of changes.
- Designing and implementing training programmes for supervisors and dock workers in preparation for a new pay system.

The task will therefore consist of an in depth study of the existing system so as to be able to suggest possible economic alternatives on the one hand whilst keeping social peace on the other.

The suggestions made will have to possess sufficient vision as to take account of the possibility that different parties other than the public port authority will make use of dock labour.

Profile

The candidate Assistant to the Financial Director and Payment Scheme Adviser will have a university degree in Finance and/or Economics with the preferable major in international finance. He will have at least five year of experience at financial management level of a medium sized company, involved in shipping or ports matters as well as a large number of years of experience in Port Pay systems either as Stevedore Manager or other senior role. He should have extensive negotiation skills between labour unions and management and be capable of making economically viable suggestions to all parties. He should have first-hand experience of training schemes for supervisors and workers, and will be required to liaison closely with the Management Training Adviser. Knowledge of financial negotiations at bilateral or multilateral level will be an asset.

The Assistant to the Financial Director and Payment Scheme Advisor requires to possess a good ability of training skills.

Duration

12 working months

A knowledge of Azerbaijani or Russian would be a major asset.

3.3. ASSISTANT TO PORT OPERATIONS DIRECTOR

The Assistant to the Port Operations Director will assist the Port Operations Director as required. His particular objectives will be to analyse port performance and to advise on and implement ways of improving performance, including schemes for improving co-ordination with rail and road transport. His involvement will include:

- All daily port operations planning, i.e.:
 - Ship berth allocation.
 - Gang (dock labour, tally) and equipment allocations.
 - Warehouse and storage area follow-up.
 - Contacts with ship's agents and forwarders and contacts with land transport organisations (rail, road) for removing import or bringing export-cargo.
- Productivity of all entities in the port.
- Control of all maintenance, storage areas, warehouses and equipment.
- Preparation of investment requirements in equipment and construction.
- Preparation and control of operational budgets and making suggestions for capital budget requirements
- Preparation of commercial handling contracts with shipping companies and shippers.
- Together with the Finance Department, preparing and controlling the follow-up of contracts to insure their profitability.
- Preparation and control of training scheme for the staff of the Operation Department.

Profile

The Assistant to the Port Operations Director should have at least five years of previous experience in port operations at management level. The ideal candidate would be a former stevedore company manager who is familiar with Ro-Ro and ferry services and who acquired more detailed management skills later.

Duration

5 working months

A knowledge of Azerbaijani or Russian would be a major asset.

3.4. MANAGEMENT TRAINING ADVISER

The Management training Adviser will assist and advise the Port Manager on all aspects of management training.

Management training is required to ensure a smooth transition from the very centralised form of control and management to more delegation of authority and acceptance of responsibility through all levels of management. These new responsibilities require the development of new skills at all management levels:

- Communication
- Delegation of authority
- Acceptance of responsibility and accountability
- Personnel instruction
- Leadership qualities

His tasks will be:

- To undertake the assessment of training needs for management.
- To arrange and assist in setting up training programmes inside the Port and in recognised training centres elsewhere in Baku and possibly abroad.
This task includes:
 - Engage trainers (Azerbaijani and foreigners as may be needed or suitable).
 - Arrange the training locations and related logistics and facilities.
 - Lead and supervise the training sessions.
 - Measure the effect of implemented training programmes, conclude and fine tune future programmes.
- To identify those personnel who could themselves become trainers in the long term and prepare (train) these trainers for their future task.
- To prepare a programme of permanent training and formation of the Port's personnel, including the set up of a proper structure inside the Human Resources Department of the Port.
- To start implementing the programme of permanent training and formation of the Port's Personnel.

He will be required to liaise closely with the other experts and especially with the Payment Schemes Adviser.

Profile

The Management Training Adviser will have at least five years experience in management training in a port or port related industry. He will have a university degree or equivalent educational achievement.

Duration

5 working months

A knowledge of Azerbaijani or Russian would be a major asset.

3.5. ORGANISATION OF TRAINING PROGRAMMES

The Consultant is responsible for the organisation of the training programmes identified and detailed as mentioned above.

The Contractor assigns and remunerates those trainers that cannot be found inside the Port's organisation. These trainers can be Azery or foreign specialist as may be suitable.

He must provide interpreters according to needs.

Three types of training programmes shall be worked out and organised:

1. Training programmes for lower management levels and for the Port's personnel

Familiarisation of new management attitudes, new working methods, on job training, familiarisation with the new payment schemes, etc. will be organised inside the Port or nearby in Baku town as may be suitable. The Contractor is to provide the necessary equipment and organisation, trainers and interpreters, etc..

2. Training programmes for middle management levels and for future trainers:

These training sessions should transfer to the participants sufficient background, information and enthusiasm for the proposed new management attitudes and working methods. The participants will be the future advocates for assuring continuity in the implementation period.

These seminars are to be organised outside the port environment at a suitable location in Baku town.

The Contractor provides the necessary equipment, accommodation, organisation, trainers and interpreters, etc..

3. Study trip to the EU for the senior management:

The study trip should last about ten days and cover about five participants. Arrangements including payment for accommodation and travel to and inside the EU by participants are to be made by the Contractor.

The aim of this trip is to allow the senior port managers to meet their counterparts of European harbours and other high level professionals.

In depth discussions should be organised about the following topics:

- Strategic port planning and related management policies
- Medium and long term planning
- Long term investment planning and related financial justification and planning

- Institution building aspects
 - Commercial and marketing attitudes in ports
 - Relations between a port authority and private firms operating inside the port
 - Cost and cost control - tariff strategy
 - Human resources aspects in ports
 - Etc.
3. The Contractor shall allow for sufficient high qualified interpreters to make individual meetings and discussions of the participants with EU professionals possible.

4. EXPERTS, DURATION, TIME TABLE OF THE PROJECT AND REPORTING

The Consultant will present the following information for the four key experts:

- The names and job-titles of staff to be made available as well as their position within the firm, with a detailed CV and description of their experience, including recent experience in countries of the Former Soviet Union.
- A work programme covering the periods of time during which each expert will be allocated to the project.

The duration of the project should not exceed 16 months. The total input of key experts for the project is 35 man/months. The Consultant can propose to shift some tasks from the scope of work of one (several) expert(s) to that of an (several) other expert(s), according to the background of the experts. He can propose to reduce the time one (several) expert(s) is (are) made available and increase the availability of one (several) expert(s) accordingly. In all cases the experts must work together as one team. The total time experts are made available should not be reduced.

The Consultant will present in his offer a work plan and a bar chart covering the input, methodology and expected results for the proposed four positions.

The Consultant will produce the following reports:

- An Inception report after one month
- Interim reports after 6 and 9 months
- A Final Report

The report will give an overview of tasks performed by each expert and of the results achieved. For each report an executive summary will be made.

All reports will be submitted for approval of the Ministry of Transport, and the TACIS - TRACECA staff at the Commission of the European Communities. English is the language of the contract governing the Consultants work and all reports shall be issued in English and Azery or Russian. Total number of reports should be 10 in English and 10 in Azery or Russian.

5: EQUIPMENT

The Consultant should allow for the provision of office equipment, including computers, computer software and equipment for communication and for the training sessions, necessary to carry out the assignment. Details should be included in his proposal.

At the end of the project, this equipment will be transferred to the Port Authority for further use.

6. LOCAL STAFF

The selected company should make arrangements with local bodies, organisations or consultants' firms, individual interpreters and trainers to set up suitable local staff and facilities for the training sessions. Provision should also be included for translation cost. The budget (reimbursable) for the sub-contracting of local expertise should be included in the offer.

2.4 COMMENTS ON THE TERMS OF REFERENCE

The Government of Azerbaijan receives Technical Assistance from the Commission of the European Union under the TACIS Programme. The Technical Assistance Programme to be provided is aimed at supporting and promoting the on-going economic reform process of the country and the region and its integration into Europe.

The Consultants have very carefully reviewed the Terms of Reference, the details in the Letter of Invitation and in the received documentation and find that they clearly and concisely describe the activities and the work to be carried out in the project. We have, however, at this stage a few minor comments on particular aspects of the Terms of Reference, and these are included below:

2.4.1 Project Appreciation

Since the dissolution of the Soviet Union and the independence of Azerbaijan the government has laid particular emphasis on the rehabilitation and modernisation of transport infrastructure, as Azerbaijan will play a major role as a transit point in the TRACECA transport corridor.

The Port of Baku occupies a key commercial position on the Caspian Sea for the movement of cargo and passengers from and to the countries of Central Asia, Russia, Iran and Turkey.

At present the port's ability to fully fulfill its role is hampered by the rising of the sea level of the Caspian Sea, which threatens to destroy port facilities, and by the major political and economic developments that take place in the region and that will result in major changes in the composition of cargo, in the modes of transport and in their origins and destinations. Also, as the port until recently was mainly an inland port, it now has to operate in an international environment. The port organisation, the management and staff, the rules and procedures and the commercial experience are not geared up to the new demands and challenges.

The wider objective of the proposed project is, therefore, to take the Port of Baku into the next decade with good planning and operating procedures,

up-to-date financial management and sufficient trained staff to meet the anticipated commercial and economic changes and to reap the benefits of the large investments that are being intended to be made in the port.

The specific objectives of the project are to strengthen port management in introducing new policies and working methods and to cope with the new challenges resulting from the new market-oriented environment. They include the following areas of assistance and training:

- (a) Development of strategic planning and marketing strategy
- (b) Institution building
- (c) Tariff structure and related cost covering of port activities
- (d) Port operations
- (e) Costing and accounting system
- (f) Human resources policy

2.4.2 Comments

The Consultants are in agreement with the aims and objectives of the project as stated in the Terms of Reference.

In view of the rapid changes that have occurred in the region and in Azerbaijan and that might have influenced the assumptions and preconditions on which the activities of the project were based, the Consultants plan to conduct a LogFrame project planning workshop at the commencement of the project (see section 3.3.3.1.2). The results of this workshop will be included in the Inception Report

Within the particular sections of the stated Terms of Reference, the following specific comments are made which may serve to improve the overall appreciation of the proposed study.

-
- 2.4.2.1 Tasks of the Assistant to the General Manager
- Additionally to the tasks mentioned, the Director General wishes the expert to aid him in the procurement of investment funds by completing the required documentation and assisting in negotiations with the government and other financiers. He also wished him to investigate the formation of a free port in Baku -
- 2.4.2.2 Tasks of the Assistant to the Financial Director and Payment Scheme Advisor
- no specific comments -
- 2.4.2.3 Tasks of the Assistant to the Port Operations Director
- no specific comments-
- 2.4.2.4 Tasks of Management Training Advisor
- no specific comments-
- 2.4.2.5 Organisation of Training Programmes
-no specific comments-

3. ANNEX B: ORGANISATION AND METHODS

3.1 OBJECTIVES

3.1.1 The TACIS - TRACECA Programme

3.1.1.1 Introduction

The Technical Assistance (TA) Programme for the Commonwealth of Independent States (CIS) has been established by the European Union (EU) to support economic growth and democratic development, based on political freedom and market orientated economies, of newly established republics of the former Soviet Union. This aim shall, inter alia, be achieved with the establishment of lasting links between the new republics and the countries of the EU.

Via its supporting efforts the European Union aims, inter alia, to integrate the CIS countries into the world's political, economic and trading systems. Thus the programme aims at developing domestic skills and know-how through the provision of advice, expertise, training and practical experience which is required for the acceleration of the reform process. The main target areas are the sectoral institutions which need to undergo structural and organisational changes. Significant improvements in the efficiency of their management to function competently and productively by applying the principles and standards of a market based economy are also required. Also included is assistance with the development of the private sector.

Among others (Human Resources Development, Energy, Financial Services and Food Distribution) a key sector for the economic development of the CIS-countries is the transport sector. Therefore the European Union decided to lay special emphasis on the reorganisation and development of transport infrastructure and management. In order to improve the overall system of transport and communication between the Newly Independent States and the EU Member States the promotion of the development of trans-European network corridors is a main objective of the TACIS

programme.

Hence a TRACECA conference was initiated by the EU and held in Brussels in May 1993, which was attended by representatives of the Southern Republics of the CIS. This conference was concerned with the development of the transport sector of the above mentioned countries and the development of the links between these republics, their immediate neighbours and with West Europe.

The outcome of the conference was an agreement signed by all parties agreeing to cooperate on transport matters. There was a common understanding that transport should be treated as a regional matter and that its development should be harmonised between the different countries. The conference also promoted the idea of a trans-Caucasian route between the region and Western Europe, which is considered to have fundamental potential for the future development of international trade.

The TRACECA conference was a unique opportunity to discuss transport problems and future development between the region and Western Europe. It fosters a harmonised approach in the transport sector and a deeper mutual understanding of the parties involved.

On the basis of mutual understanding and awareness of each others problems relations can evolve and trade will increase. In order to cope with the increasing trade, efficient international transport networks have to be established.

Organisations, institutions and companies involved in the transport sector are supported in the Technical Assistance Programmes within the TACIS-TRACECA projects to contribute to the achievement of the above mentioned objectives.

3.1.1.2 Transport - a Key Sector

With regard to its transport sector the CIS is facing severe technical and institutional constraints including the lack of appropriate technical transport

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capacity and infrastructure as well as fundamental institutional problems. These constraints hamper the newly independent states' efforts to transform both their transport systems and their economies in general.

The development of domestic and world trade, which are seen as main criteria for economic growth and stabilization, is currently severely affected by a lack of efficient technical capacity and by ineffective institutions. As such, critical problems have emerged in the CIS' efforts to transform the transport sector.

The transition process from a centralized to a decentralized system by adopting the principles of a market-orientated economy requires close cooperation between individual transport modes (rail, road and waterborne) and the coordination of related planning and improvement activities. Since the disappearance of the centralized system, cooperation and coordination have ceased and productivity levels in transport services have declined along with industrial production and output. Consequently, cargo and traffic volumes have dropped significantly. Security is also poor resulting in relatively heavy losses.

The TACIS programme focuses on the improvement of the following main activities, with the objective to encourage and develop trade and enable transport operators to make more efficient use of existing capacity by:

- The removal of transport bottlenecks
- The development of increased intermodal traffic
- The restructuring of transport institutions including private sector development

3.1.2 Specific Objectives of the Project

The Port of Baku is the main seaport of the Republic of Azerbaijan. Due to the political circumstances and the economic breakdown of many industries since the dissolution of the former Soviet Union, the cargo turnover has considerably dropped. Thus the port has to bear a major decrease in income.

The objective of this project is to support the Port of Baku in the transition

from a centrally planned to a market orientated working company. A major focus is laid on the strengthening of the port management's commercial thinking and on assisting in introducing new policies and working methods, thus enabling the port to cope with new challenges and find new markets.

Another important aspect regarding the economical development of the port is the non-existence of a clearly defined legal framework, concerning the relationship between the port authority, the country's and the city's government, port users and other interested and involved parties. Therefore another objective is to assist the port in setting up a draft legal framework regulating these relations.

The Port of Baku plays a key role in the transport along the TRACECA Corridor. Due to the changes in the political situation since the dissolution of the Soviet Union the cargo handled in the port of Baku has changed considerably concerning the origin and destination as well as the kind of cargoes. The port facilities and the attitude of the port towards customers will have to change accordingly, in order to cope with these new challenges. The project "Development of the Port of Baku" aims at supporting the port in developing and introducing new technologies and management and operations techniques, so that in the future the port will be better equipped to meet the requirements of the new economic situation.

3.2 BACKGROUND

3.2.1 Introduction

Within the Caucasus region, Azerbaijan is the country with the biggest economic potential. Being nearly self-sustained in agriculture, owing vast crude oil reserves and having diversified industries with a big potential of high-skilled workers and engineers, the principal economic prerequisites for a rapid development are doubtlessly favourable. On the other hand, there are major difficulties which lead to a sharp deterioration of the industrial output and the Gross Domestic Product.

The armed conflict between Azerbaijan and Armenia over the self-proclaimed Nagorny-Karabakh Republic continues since 1988 and became

a heavy drain on the Azerbaijan national budget, estimated by experts as being about USD 250 million p.a.. Worse than the economic burden of the military conflict itself is the fate of the about 700,000 people, who became refugees. As the help of the international community for these refugees was comparably small, Azerbaijan also had to carry the cost burden to feed and to habitat them.

Fortunately, the Nagorny-Karabakh conflict started to calm down recently. A cease fire was imposed and negotiations started. Although, it does not appear to be realistic that the conflict will be solved within the short run, both sides now try to identify a peaceful way to settle the problems. Such a solution is driven by the economic interests of Azerbaijan and Armenia as the routing of a pipeline to export Azerbaijan crude oil via Armenia would be the cheapest solution. Turkey, who aside of Russia is a major political factor in the region, already considered the changed situation by lifting partially the imposed blockade of Armenia.

The second major difficulty for the economy was the collapse of the inner-CIS trade which followed the dissociation of the USSR. The former USSR principle of division of labour which saw to it that no one province or republic was to have the means of manufacturing sophisticated products from components produced within that province or republic has come to an abrupt end. Consequently, many assembly lines stand idle in Azerbaijan since the flow of components has been disrupted, not least because the various members of the CIS now regard each other as foreign countries, expecting payment in hard currency and levying import duties on goods before moving freely and unimpeded inside the former USSR.

Thirdly, the economic policy of the Azerbaijan Government sometimes tries to keep mechanisms out of the times of a planned economy which hinders quick developments of market-oriented activities. Examples are the license system for exports or that there still exists no privatisation law in Azerbaijan.

The decrease of GDP during 1994 arrived at a level close to one third of the level obtained during 1990, the last year before independence. Considering that already the 1990 level of economy was not very high compared to west European conditions, attempts to overthrow the current Government are not surprising.

But, with the conclusion of a contract on oil extraction with a western consortium, the prospects of the Azerbaijan economy started to look much brighter. A first positive effect of this cooperation is that Azerbaijan became self-sustained for natural gas, which forms the basic energy supply to households and industries. Basically, western technologies are now used to exploit the natural gas which was up to now burnt at the offshore oil fields.

3.2.2 The Azerbaijan Economy in Transition

Azerbaijan's major trade partners for extra-FSU trade are Iran and Turkey and for inner-FSU trade Russia. As per tonnage and during 1993, the major export cargoes were oil products, pipes, iron ore, aluminium oxide, vegetables, cotton fibres and tobacco. Major import cargoes were foodstuff, cement and machines, mainly from extra-FSU countries. Regarding the cargoes traded some major changes appeared recently:

- * The export of oil products refers to a refinery in Baku which was designed to process 20 million tons of crude oil per year. As the oil exploration decreased sharply parts of this refinery had to be shut down due to corrosion. The present capacity of less than 10 million tons p.a. does not allow to export substantial volumes, if the national demand will be satisfied first.
- * Regarding exports of aluminium oxides to Magnetogorsk in Russia, the difficulty appears that the raw material bauxite must be available in a sufficient quantity and quality. Presently, the import of bauxite is interrupted as the responsible company is not able to pay transport costs charged in Georgia.

Besides these negative trends, there are several positive tendencies:

- * Cotton fibres are now manufactured more and more within Azerbaijan (Joint venture with Turkish firms). Regarding foreign trade this manufacturing will reduce the volume, but increase the value of exports.
- * Another positive example was the rehabilitation of a big pipe factory

specialized in pipes for oil business. Nowadays, Azerbaijan is able to meet a substantial share of the demand for pipes in countries located around the Caspian Sea.

Summarizing the tendencies in the economy, Azerbaijan for sure will be forced to export mainly raw materials within the forthcoming future, but on the other hand there is a growing tendency to keep value-added services within the country. Secondly, Azerbaijan already has a much broader mix of trade partners than under the Soviet Union's regime. Basically, the orientation of the economy started to be much closer to the world market.

3.2.3 Transport

During the times of the Former Soviet Union (FSU), the transport system focused on inner-FSU trade and the transport mode rail. Accordingly, overland road infrastructure is generally poor and rail connections to countries like Iran or Turkey are either missing or hardly maintained. The track which would be the direct connection of Azerbaijan to Iran is only constructed up to Astara, located close to the border of Iran. Therefore, rail transports to Iran must be routed via Culfa in Nakhitshevan, which distance is several hundreds of kilometres longer.

Azerbaijan's main rail tracks go from Russia via Baku to Georgia, a routing which was used in former times to serve the whole Caucasus region, i.e. Georgia, Armenia and Azerbaijan and therefore, had a strong transit component.

Since the dissociation of the Soviet Union, several political conflicts in the region blocked the available transport routes:

- (1) Within Georgia, there was civil unrest up to 1993, which blockaded the access to the Georgian ports at the Black Sea and therefore hindered Azerbaijan's foreign trade. Since 1994, this conflict started to be solved and the extensive use of the TRACECA route becomes more and more probable.
- (2) The conflict between Azerbaijan and Armenia blocked the rail connections to Iran and Turkey. Especially, with regard to Iran, but

also to a lower extent with regard to Turkey, trucking substituted rail.

- (3) Finally, there is the conflict concerning Chechenya, which blocked Azerbaijan's rail connection to Russia. In order to solve this difficulty Russia already started to construct a 80 km long by-pass, which would avoid the use of Chechenyan territory.

Regarding the port of Baku, the above mentioned blockades had several effects partially adverse to the promotion of the handling volume. Especially, the difficulties within Georgia led to a shift from international transports via the TRACECA route to the use of the Volga-Don canal. Consequently, river-sea going ships with cargo destined to or originated in Inner Asian countries sailed directly to Turkmenbashi or Akhtau and the transit volume via the port of Baku became neglectably small.

Nowadays, the political difficulties in Georgia calmed down and the routing via Georgian ports started to recover. Consequently, a recovery of the transit volume handled by the port of Baku can be expected.

3.2.4 The Port of Baku

The port of Baku was created at the beginning of this century and significantly developed during the period between 1922 and 1939. At that time the general cargo terminal which is called the "main complex" was constructed. Ferry terminal, passenger terminal and the oil terminal in Apsheron followed during the 60ies. During the 70ies, the so-called Timber Terminal was built, which facility was intended to replace the over-aged main complex.

Due to the unexpected increase of the Caspian Sea water level starting in 1977, the infrastructure constructed latest is endangered most seriously to be flooded. The Timber Terminal already cannot be used and the ferry bridges work at the maximum level possible to transport railcars. One consequence of this situation is that the port's general cargo operations are forced to use the oldest infrastructural facility.

The Main Complex is about 380 m long and 200 m wide, accommodating

three berths on each side and one additional at its top. There are 13 cranes of various capacity at the quay side and 5 additional in the back. These cranes of Takraf (former GDR) and Ganz (Hungary) are fairly old, but are still kept in working condition. Altogether, six rail tracks serve the area, two of which are located under the cranes. It is typically for the time the main complex was constructed, that the space for handling is very limited and that several small sheds (in Baku six) hinder an efficient operation.

The Ferry Terminal was constructed in 1963 to serve rail traffics, but the facilities can be used for trucking as well. Each of the two berths is equipped with a 87 m long mobile bridge consisting of three steel spans surfaced by wooden sleepers and four rail tracks. Construction design of the ferry terminal in Baku is identical with those of the other ferry terminals at the Caspian Sea, i.e. in Turkmenbashi (Turkmenitsan) and Aktau (Kazakhstan). Presently, one of the bridges at the ferry terminal in Baku port is out of order which hinders any increase of the number of ferries serving the shuttle traffic to Turkmenbashi. A second difficulty is that road transports by ferry increased sharply as opposed to rail traffic. As the access by road was not designed to serve many trucks, no parking space is available and accordingly congestions on the narrow road belong to the daily difficulties.

Close to the head of the Ferry Terminal there is a single jetty pier which can accommodate one ship. This pier is used to load tankers with fresh waters required in Turkmenitsan. Although the facilities are old and corrosion is visible at the pipes, the working conditions seem to be sufficient.

South of the Ferry Terminal there are facilities to serve passenger vessels, the so-called Passenger Terminal. Due to the rise of the Caspian Sea the coastal protection in this area is not sufficient under stormy conditions (the 130 m long quay wall was constructed in 1969 (!)). In order to reduce inconvenience of the passengers, the port of Baku recently heightened the wall, but vessels are only able to berth under calm weather conditions.

Finally, there is an Oil Terminal located about 50 km east of the town of Baku at the peninsula Apsheron, close to the big refinery of Baku. This Oil Terminal often is called the Port of Apsheron although the Port of Baku has

a small branch within the operation department dealing with this oil terminal. It seems that this terminal works under the aegis of the Oil Refinery. The role of the Port of Baku in this case is limited to ensure navigation safety and environmental protection as far as vessels are concerned. Handling facilities at Apsheron Port are three piers each equipped with two pipeline systems. Therefore, six tankers can be handled at the same time.

Handling statistics of the Port of Baku are divided into dry cargo handling via piers (i.e. handling of the main complex) and ferry traffic. Compared to 1987, the dry cargo handling via piers dropped down to about one third, i.e. about 430,000 t during 1994. This figure means that only about 120 ships are annually berthing at the Main Complex.

The ferry traffic via the Caspian Sea which transported up to 6 million t of freight during the 80ies dropped down to about 550,000 t during 1994. During 1992, the ferry connection to Aktau was cancelled as there was not sufficient cargo and the number of ferries working was reduced from eight to four, time-wise even to two.

Despite this unfavourable development, which is influenced by political induced difficulties e.g. in Georgia, prospects for a recovery of the cargo volume appear to be positive and the Port of Baku should be prepared to increase productivity as well as to serve an increasing trade volume.

Altogether, the Port of Baku is a small port which urgently requires reconstruction and reorganisation in order to meet the requirements connected to its key function within the TRACECA route and the role to bundle transports via the Caspian Sea for transshipment to Western Europe. Earlier attempts of the port itself to meet these requirements, i.e. the construction of a new terminal (the Timber Terminal), failed due to the unexpected rise of the Caspian Sea water level.

3.3 SCOPE OF WORK AND METHODOLOGY

3.3.1 Underlying Principles of Work

The planning, development and subsequent implementation of improvement measures within the Port of Baku should be governed by, inter alia, the following underlying principles:

The key function of transport for effective trade

Efficient transport capacity and services are a prerequisite for the effectiveness of regional trade, foreign trade with Western Europe in particular and with the world in general, which in turn are vital for the economic growth and stabilisation of the economy of Azerbaijan.

Reorganisation and commercialisation must be in line with the country's economic reform programme

The improvements in the Port of Baku should be in line with the objectives as adopted for the on-going economic reform process in order to increase the system's service quality and productivity levels.

The requirement for regional cooperation and modal coordination

The development of the Port of Baku should be harmonised and coordinated with similar efforts undertaken by neighbouring countries in the region, in order to enhance regional stability and to encourage and facilitate foreign trade. Coordination of planning and activities among the ports and all transport modes is urgently required in the course of development.

The requirements for transfer of know-how and experience of the EU

The objectives established, the know-how accumulated and experience gained in the EU and its efforts to establish a "future development of a common transport policy in the EU" and other similar development programmes should be applied the project, as far as possible in this rather early stage of modern transport development in Azerbaijan.

Extended use of existing capacities and services

Emphasis shall be placed on the use and improvement of existing port capacity, rather than on investment in new capacity. This will necessitate the advancement and, to a certain extent, the remodelling of institutions and services through appropriate improvement measures.

Incorporation of work results of previous and on-going similar projects

The experience, results and conclusions achieved in the TACIS programme to date including the conclusions of Conferences organised by the EU and their related resolutions as agreed upon, will be integrated into the project work.

The principles and methods of regional transport systems and network planning, the improvement and extension of multi-modality in cargo traffic, the diversification of modern port services and logistics, the protection of the environment, increasing traffic and work safety, effective measures of trade facilitation as well as the principles of free trade as adopted in and promoted by the EU for a common transport policy will thus bear on the work to be effected within the frame of this project.

Project organisation and work methods need to be practical in their approach, consistent in planning and realistic in results and conclusions. Only then will the required outcome and the efficient implementation of improvements and strategic plans be achieved. The aspects of work approach, planning consistency and practicality will be closely related to the project tasks. At the same time, possible constraints and time requirements should be recognized in the Consultants' work performance which may be due to logistics, given particular requirements of the authorities in Azerbaijan and the EU. This will require the Consultants to maintain a high degree of flexibility in the delegation of experts and in their work execution. Nevertheless, the Consultants expect to meet the objectives of the technical assistance programme within the proposed project duration of 16 months.

The work to be carried out comprises four specific task components:

- To assist the port management in developing new working methods and a strategic plan for the future development of the Port of Baku.

- To assist the financial director to set up an efficient cost and accounting system and introduce a new payment scheme.
- To assist the director of operations in increasing the efficiency and profitability of port operations.
- To advise the management in human resources development and assist in developing a short term and a permanent training programme.

3.3.2 COMMENTS ON APPROACH

This section of the proposal sets out details of the working methods that will be adopted for the project, together with the rationale behind them.

From a work point of view the project will be broadly divided into four parts:

- Inventory of the existing situation
- Design of a development and improvement strategy
- Assistance with the implementation of improvement measures
- Development of human resources development measures

It is appreciated, however, that there is a close interrelationship between the four parts and the tasks of the four experts, and thus activities on each part would be closely coordinated. Close contact would also be maintained with any organisation working on other relevant Technical Assistance projects.

Each component is discussed more in detail below, preceded by some general comments on the approach to be adopted.

The handling of cargo in a port is complex both administratively and technically. Technical aspects are well known but perhaps administrative requirements, i.e. commercial, financial, legal etc. less so. Merely to provide sufficient technical handling capacity would not achieve efficiency in port operations. Equally important is the need to secure administrative efficiency, i.e. to establish a high standard of organisational and commercial practices that meet internationally adopted norms. Only with

the implementation of the required "software" aspects involved in cargo handling, can ports work efficiently and satisfy customers' needs.

Furthermore, the handling of cargo is not an end in itself but must be seen as one link in the chain of logistics. The world's industrial, agricultural, mining etc. and trade demands require logistics and transport to be carried out on the basis of reliable, secure and cost effective services.

This aspect is the more significant as Azerbaijan's economy is in a crucial stage of reform and development. Every effort to stimulate, stabilize and secure the on-going reform process must be made. Trade, especially foreign trade, including the effective distribution of commodities at either end of the chain is of immense importance to support economic reorientation efforts. The aspects of information handling and telecommunication, documentation, customs procedures, banking and forwarding, cooperation and coordination in transport planning and development, organisation and management, etc. will in terms of priority be as important as the development of physical elements and components in transport and logistic services, such as capacity and operational methods.

3.3.3 Overall Working Programme

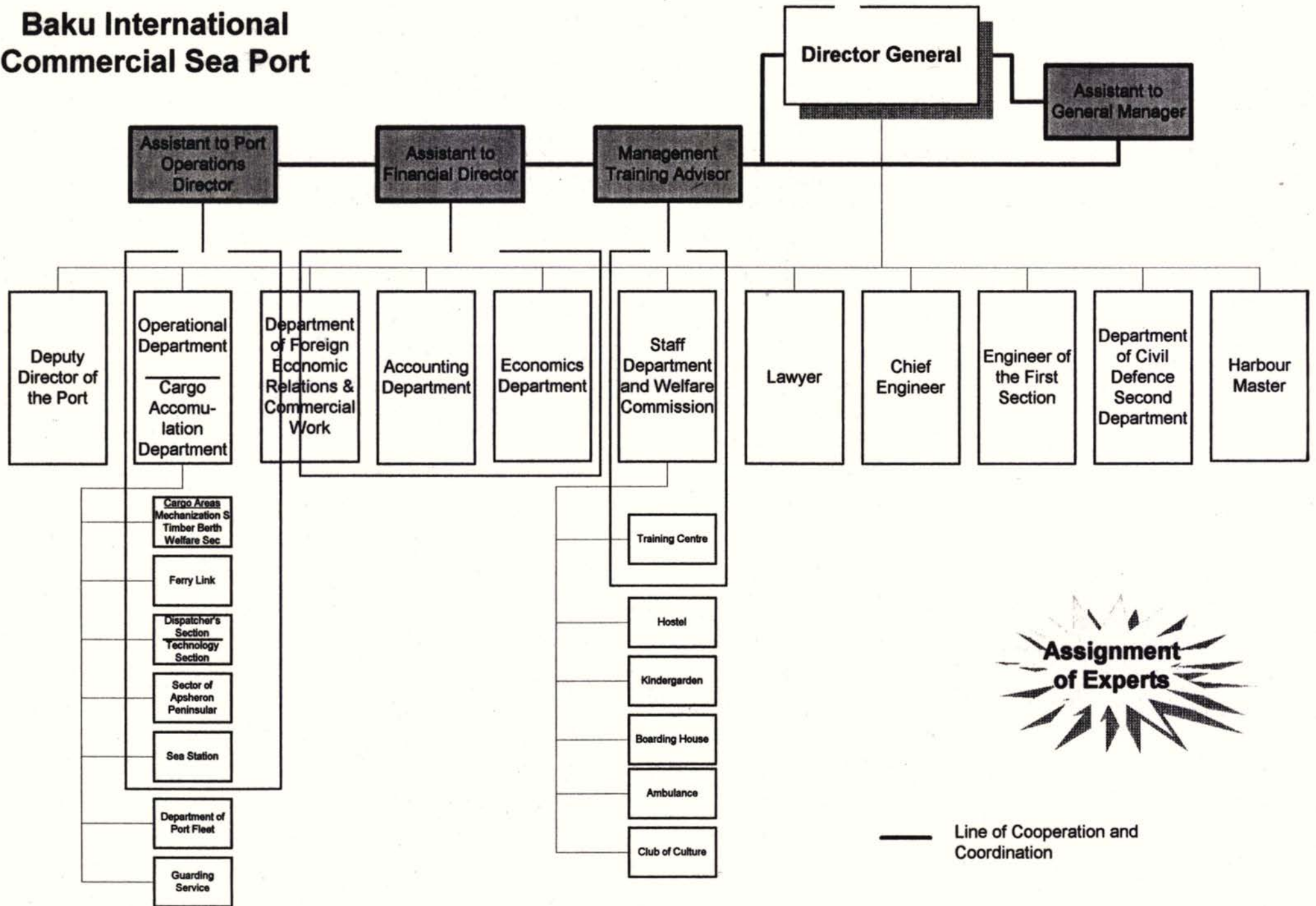
3.3.3.1 Introduction

3.3.3.1.1 Team Composition and Tasks Assignment

The Consultants consider that the expressed aims and objectives of the European Commission, as indicated by the comprehensive nature of the Terms of Reference, can result in a significant improvement of the competitive potential of the port in realigning its competitive position in the regional redistribution of market shares.

In view of the importance of the planned project the Consultants, therefore, propose to comply with the expressed and implied requirements of the Terms of Reference by providing the following categories of expertise:

Baku International Commercial Sea Port



The Assistant to the Director General

The Assistant to the Director General is a person that is skilful and experienced in the conceptualization and formulation of strategic views, economic long-term and short-term plans, investment proposals and organisational changes.

He has already ample experience in advising ports and transport undertakings in the transformation process from centrally-planned administrations to market economic enterprises.

From his professional background and past experience he has in-depth knowledge of the maritime system of the former Soviet Union as well as practical experience with the western market-oriented system. As he has worked in many advisory capacities similar to the one of this project, he possesses the necessary diplomatic tact and sensitivity to advise on necessary changes without hurting the feelings and the pride of his partners.

He is of sufficient professional standing to defend his opinions and proposals but he is, on the other hand, very able to work in a team, to reach consensus and to respect mutual decisions.

The Assistant to the Financial Director

The Assistant to the Financial Director is likewise an experienced international consulting expert. Through his involvement in the TACIS Project for the Caspian Shipping Company, he already possesses in-depth knowledge about the financial situation in Azerbaijan in general and in the port of Baku in particular. From our investigations it appears that the port of Baku has not changed its accounting and financial management systems since becoming independent from the Caspian Shipping Company earlier this year.

He has a sound knowledge about cost accounting and a good ability to design and implement cost accounting and financial management systems in environments that have no or very limited knowledge of such systems.

As he has also worked on payment schemes before, he will have sufficient experience and understanding of the difficulties involved in designing a new system and especially in implementing it in an acceptable manner.

The Assistant to the Port Operations Director

The Assistant to the Port Operations Director has ample international experience in port operations, cargo handling and port organisational matters. Some of this experience he has gained in eastern European countries. Lately, he was engaged in a technical assistance project for the ports of Poti and Batumi in Georgia and the experience he made there will bear positively on his work in Baku, as one of the main transit landroutes to be expanded in future within the TRACECA-project will be the landcorridor between Baku and the Georgian ports.

Through his work experience, both in port of industrialized countries and in developing countries, he will be able to focus any suggestions or proposals he makes on the explicit needs of the prevailing situation in Baku.

The Management Training Adviser

The Management Training Adviser has conducted numerous training courses for port and transport experts from formerly centrally-planned countries, both in Hamburg and abroad. Through this involvement, she has not only developed a clear understanding of the professional necessities and the demands port experts from eastern Europe make on training, but she has also gained an insight into the personal demands, the individual participants make on training. In her work she has on one hand conceptualized, managed and organized many training programmes, on the other hand she has consulted on training and manpower development matters as well as conducted manpower audits as a basis for formulation of long-term training programmes.

Through her international and cross-cultural experience, she will be able to design training programmes and courses in such a way that they are acceptable to the participants and bring the planned results for the organisation.

All experts have been chosen not only because of their outstanding professional competence but also because of their far reaching experience with people from former socialist countries and their experience of working on location.

Project Director

A Project Director will be based in Germany. He will control and coordinate the activities and efforts of the experts while on location in Azerbaijan and in the home office and also the support and back-stopping efforts which will be required from the home office.

Backstopping and Support Staff (Home office)

In view of the complexity of some of the items involved the team members will be given additional technical back-up and support from specialist staff who will be based in the Consultants' home offices in Germany and which will be assigned to work on defined tasks using the wide range of resources available through the home office organisation and its international business contacts.

It is planned that major input will come from an expert who has gained tremendous experience in the design of training courses for the ports and shipping industry, both on an academic and on a professional level.

More information on the experts can be found in Section 4.1

3.3.3.1.2 Project Planning

In view of the rapid changes that are occurring in Azerbaijan and the region and in view of the time that has passed from the conception of the project the Consultants feel it necessary to briefly review at the beginning of the working phase all facts, assumptions and preconditions that led to the formulation of activities under that project .

It is intended to conduct a project planning workshop according to the LogFrame methodology in the second week of the experts' stay, after they had a week's time to get acquainted with the location, the organisation, their counterparts and the most salient features of their future tasks to execute. The workshop will be moderated by a professional with experience in moderating international and cross-cultural audiences. It should be attended by the experts, the Project Director from the home office, the experts' counterparts, one or two other key officials of the Port of Baku and, if possible, by staff members of the European Commission from Brussels. During this workshop the participants will, according to the LogFrame methodology, identify all participants to the project, analyse the problems that led to this project, work out the objectives to be reached and especially identify all assumptions and preconditions that bear on the results of this project.

The outcome of the workshop will be a project planning matrix that specifies the objectives, the activities necessary to reach these objectives, the required inputs, the assumptions and preconditions, and factors that ensure sustainability.

Based on this project planning matrix an accurate and time-phased plan of operations for each expert will be devised.

The project planning matrix as well as the plan of operations will be presented to the EU in the Inception Report. Any deviations from the Terms of Reference will be discussed and according to the EU's wishes included in the workplan.

The Consultants feel that this approach of conducting a very intensive project planning workshop with the active involvement of the key staff of the Port of Baku will not only assist in developing a sense of ownership of the project in the staff members of the organisation but also will result in the formulation of activities that are feasible and attainable within the course of this project.

It will also assist the Commission in monitoring the project closely.

3.3.3.2 Assistant to the General Manager of the Seaport Authority

3.3.3.2.1 Introduction

The Port of Baku is in a period of tremendous change. The reliable, predictable structures of a centrally planned command economy have gone, the new structures of a market economy have not yet emerged clearly. Whereas the port hitherto has mainly been an inland port within the Soviet Union system (with the exception of some Iranian cargoes), it now is an international port being visited by vessels from several of the new independent nations surrounding the Caspian Sea. The old commercial links have disappeared and with them also the traditional transport routes. For the port that means new cargoes, new customers and a presently unpredictable future. At the same time the port has to go through an internal restructuring programme, in order to comply with the new commercial and financial demands placed on to it.

For this task it requires the assistance of outside experts. One of these experts will assist the General Manager of the Port and offer his experience and professional knowledge in several areas that are new for the organisation.

3.3.3.2.2 Long-term Planning

Planning in an economical sense is an entirely different activity in market orientated enterprises than it was in the former centrally planned economies.

The expert will develop together with the Director General a strategic view on the future development of the economy of Azerbaijan, the economies of the countries in the region as well as the economies of the trade partners of the new regional states. He will assess the changes to the port's traditional land-based and sea-based hinterland that are brought about by the new political and economic order. New economic activities will start in the region while old activities might die, both leading to a change in the import and export pattern. This again has an effect on transport.

The perceptions of the strategic view of the future development will be

translated into long-term and medium-term plans. These plans will be dynamic in nature and designed in such a way that they can easily be updated or amended if some of the assumptions of the strategic view change. The results of these plans will guide the organisation towards necessary investments in infrastructure and suprastructure in the port. These investments must be investigated very carefully as normally investments in ports have a rather long lifespan and can seldom be put to alternative use should they not be required for their original purpose any longer. The port itself will not be able to finance all these investments out of its own funds and is therefore depending on outside investment funds.

These funds will partly come from international lending organisations. These organisations require very rigorous assessment methods, which the expert shall prepare for presentation. Additionally, the port might like to attract private investment.

3.3.3.2.3 Organisational Reorientation

The port expert will also assist the General Manager in the reorientation of the organisation. First and foremost he will, together with the Assistant to the Financial Director, design and implement new financial management and cost accounting systems as these form the basis for all future decision making of the port management. He will make sure that these systems are simple but effective, operational, serve the purpose of the authority, consistent and reliable, and be implemented in an efficient and acceptable manner.

In order to maintain the profit generating capability of the port, he will investigate the present tariff structure and, if necessary, design and propose alterations or amendments to the tariffs. Especially, he will see to it that the tariff charges are related to the actual costs incurred.

The port as a service industry is very dependent on its customers. So far, the port was not in need to find customers nor to care for them in any particular manner. Even today, the port's main customer is its former parent company the Caspian Shipping Company. If the port wants to become an important part in the transshipment business within the TRACECA transport corridor between Central Asia, the Caucasus and the rest of the world, it

must offer prime services to importers, exporters and transport operators alike. Many of these clients will live outside of Azerbaijan. Therefore, the company needs clear, commercial policies and an efficient marketing system. Hand-in-hand with this demand goes the requirement of efficient communication and documentation procedures in the organisation which today are not possible anymore without the utilization of computers and international communication systems.

The port will not be able to survive by relying on cargo handling activities alone. From the strategic view some ideas should emerge for alternative and additional activities that the port can offer to clients to generate additional income. These activities might include leasing out facilities, engaging in storage and distribution activities and offering additional services around the cargo. Here, the expert should guide the port with his professional experience and vision.

3.3.3.2.3 Activity Sheets

ACTIVITY SHEET 11

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		A Strategic Plan is Developed	
STAFFING:			
Expatriates:	1.	Assistant to the General Manager	
Counterparts:	1.	General Manager	
	2.	Manageress of Economics Department	
DESCRIPTION OF ACTIVITIES:			
11.1	<i>Prepare economic evaluation of the country</i>		
<p>The dissolution of the Soviet Union that brought independence to Azerbaijan at the same time had a detrimental effect on the country's economy. Former trade links have vanished to a greater extent and the country has yet to fully adjust to the changed conditions. Recently, several studies have been completed as well as new trade links established and development projects started. These, together with information gathered in the country and elsewhere, will be taken into account in the economic evaluation of Azerbaijan.</p>			
11.2	<i>Evaluate the country's natural (land and sea) hinterland</i>		
<p>Next to Azerbaijan other Caucasian and Asian republics of the former Soviet Union have also gained independence. This had lead to a change in the traditional land- and sea-based hinterland of the port. These changes will be identified and evaluated taking into account the political and economic changes that occurred in the region.</p>			

11.3 *Identify changes in shipping and its environment*

Shipping in the Caspian has experienced major changes in recent times. While formerly shipping inside the Caspian Sea as well as into and out through the Russian inland waterways system was inland shipping, now it has become international with all the associated sovereignty, administrative and financial implications. These changes will be identified as they effect the commercial operation of the port of Baku.

11.4 *Identify new techniques of transport*

All modes of transport in the region have been effected by the recent changes. Private road transport operators are rapidly establishing themselves in the market and will, with improved revenue, introduce new and more efficient techniques into the system. This will have an effect on shipping and the ports by possibly a demand for extended and faster ferry services as well as new handling technologies. Shipping itself might employ more efficient tonnage, leading to pressure for improved efficiency on the port side. Also, changes in the contractual side of transport will occur fast. More and more goods today are carried intermodally, making the port only one link in the transport chain, where routing decision are made in view of the total chain and not any individual link. Performance pressure will then come not only from the final client but from the other partner in the chain, too. Such new technologies and contractual developments will be identified and their possible effects on port operations in Baku established.

11.5 *Identify new commercial attitudes in the world towards ports*

Ports of late have come under tremendous pressure world-wide to operate on a commercial basis. Port administrations are being replaced by port managements. Presently, there is no universal agreement on how much of its total costs a port must earn. But consensus is slowly emerging, advocating a separation of port infrastructure (= social overhead costs) and port suprastructure costs. While the government shall be responsible for the first, private enterprise (or commercialized sections of a public enterprise) shall be responsible for the latter. These trends will be described and suggestions for the conditions in Baku developed.

ACTIVITY SHEET 12

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		A Medium and Long-term Plan is established	
STAFFING:			
Expatriates:		1.	Assistant to the General Manager
		2.	Assistant to the Financial Director
Counterparts:		1.	General Manager
		2.	Manageress of Economics Department
DESCRIPTION OF ACTIVITIES:			
12.11	<i>Deduce from the strategic plan tasks and goals for long-term plans</i>		
12.12	<i>Deduce from the strategic plan tasks and goals for mediums-term plans</i>		
<p>Taking the strategic vision as the basis, planning goals for the development of the port of Baku will be identified for a long-term and short-term (within 3 to 5 years) perspective. In view of the fast changing economic and political environment of the region all planning should be flexible and easily adaptable to changing conditions. The plans will describe the goals, their justifications and the preconditions for reaching them. Alternatives, due to changed circumstances, will be identified as far as possible.</p>			
12.2	<i>Obtain the government's planning guidelines</i>		
<p>Strategic planning for the port must be consumerate with the objectives and goals of the government for overall economic planning. Therefore, it is necessary to obtain either established planning guidelines of the government or, if such guidelines are not available, an indication of the government's perspective in this matter.</p>			

12.31 *Identify realistically possible developments*

12.32 *Incorporate government's planning guidelines into long-term and medium-term plans*

All planned developments must be desirable and realistically possible and consumerate with the long-term prospective of the port and the national economy. Therefore, from the long-term goals, only such activities can be selected for detailed planning that complies with these requirements and with government guidelines. Therefore, all development projects will be carefully measured against these yardsticks.

12.4 *Identify major infrastructure investments*

It is highly probable that the future development of the port of Baku entails major infrastructure investments. These investments must be carefully identified in line with the long-term and short-term development plans. Great care must be taken when identifying these investments as they normally have a very long life period and cannot be easily changed once they have been put into place.

12.52 *Identify internationally recognized assessment methods*

12.52 *Justify financially infrastructure investments according to internationally recognized assessment methods*

As the port will require outside finance, both nationally and internationally, for its major infrastructure investments, these investments must be assessed according to a recognized method. An appropriate internationally recognized assessment method will be identified and the investments assessed accordingly. The assessment results will then be acceptable to both national and international landing organizations. Also, it will make port personnel aware of the international demand for very rigorous justification of investments.

12.6 *Prepare a time-phased investment plan for major infrastructure*

The correct time-phasing of infrastructure development is an essential part to good investment management. A proper time-phased plan will prevent facilities to come on stream before they are needed, thus incurring unnecessary finance costs, as well as preventing them from coming on stream too late, thus incurring costs due to lost revenue and inefficient alternative arrangements.

ACTIVITY SHEET 13

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	Institutional Changes to Attract Private Sector Investments are Supported
STAFFING:	
Expatriates:	1. Assistant to the General Manager
Counterparts:	1. Legal Department
DESCRIPTION OF ACTIVITIES:	
13.1	<p><i>Suggest to authorities modification to existing legislation</i></p> <p>In order to attract private sector investment into the port, it might be necessary to amend or change certain legal or regulatory instruments of the country. An investigation of such instruments will be made, necessary modifications identified and changes to be implemented proposed to the relevant authorities. This will be discussed with them in view of attaining a new legal framework that supports private sector investment.</p>
13.2	<p><i>Suggest to authorities publication of information on promotion of private investment</i></p> <p>Once the new legal or regulatory framework has been established, the authorities should be supported in preparing a publication of this information to be made available to concerned parties.</p>

13.3 *Collate an information brochure for the attraction of private investment into the port*

All important details that concern investments in the port out of the above described new legal framework should be collated into an information brochure together with suggestions where private sector investment in the port of Baku is feasible and wanted. This brochure should also describe in details the necessary steps to be taken by prospective investors, together with any additional commercial or economic information that makes investments in the port more attractive.

13.4 *Distribute the information material locally and internationally*

The information brochure should be printed in an attractive format. Advice will then be given on how to distribute this brochure locally and internationally. Especially, potential investors will be identified and presented with the brochure. Also, advertisements should be run in the local and the international trade press, advising interested parties that such information can be obtained from the port.

ACTIVITY SHEET 14

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	A Modern Computer-Based Management Information System (MIS) is Established
STAFFING:	
Expatriates:	<ol style="list-style-type: none"> 1. Assistant to the General Manager 2. Assistant to the Financial Director 3. Assistant to the Port Operations Manager
Counterparts:	<ol style="list-style-type: none"> 1. General Manager 2. Deputy Director (Port Operations) 3. Department of Foreign Economic Relations and Commercial Work 4. Economics Department

DESCRIPTION OF ACTIVITIES:

14.1 *Identify information needs of top management*

14.2 *Identify information needs of the different departments*

A management information system shall supply up-to-date and reliable information on the organisation's financial and commercial situation at regular intervals and when required to the decision makers of the organisation. In order to design such a system, it is first necessary to identify the information needs of the different decision makers. As the managers of the company are still in the transformation process from a centralistic dominated administration to a commercial enterprise their information needs will change with their professional development and the transition speed of the organisation. The management information system should take account of this fact. It will be unadvisable to establish a comprehensive, market economic condition based MIS immediately, as the decision makers will be overburdened with information and be unable to use it properly. Rather, the MIS should grow with the requirements of the managers and the organisation. Therefore, it must be designed on a modular basis, being able to supply basic information first and then slowly progress to a more complex system, without needing any major changes to its structure.

14.3 *Identify computer needs in the individual departments*

Presently, there is only one PC-computer in use in the organisation for a very limited application. A project to introduce computers into the organisation had been started some years previously but was abandoned due to political reasons. There is a requirement for computer assistance in several departments, this has to be identified also in view of the integration of these computers into the MIS.

14.4 *Identify international shipping information systems*

In the medium-term at least the port must link itself into the international shipping information system. In order to do that and to make optimum use of such systems, it is necessary to identify international shipping information systems, their requirements and their operation procedures, in view of hardware as well as software and organisational requirements. A decision has then to be made, which system is the most appropriate for the needs for the port of Baku.

14.5 *Design a modern computer-based management information system*

Once the questions about information needs, computer needs and information shipping linkages have been settled, an MIS system, based as outlined above, will be designed and proposed for implementation. This system should be designed in very close cooperation with the future end-users. It is envisaged that the system requirements are specified by the end-users and that the computer experts are solely responsible for systems design. It should be avoided that computer system experts design the system for the end-users to except.

ACTIVITY SHEET 15

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		A Commercial Policy is Defined	
STAFFING:			
Expatriates:	1.	Assistant to the General Manager	
	2.	Assistant to the Port Operations Manager	
	3.	Assistance to the Financial Director (for activity 15.5)	
Counterparts:	1.	General Manager	
	2.	Port Operations Manager	
	3.	Manageress of the Department of Foreign Economic Relations and Commercial Work	
	4.	Manageress of Economics Department	
DESCRIPTION OF ACTIVITIES:			
15.1	<i>Identify the ports customers</i>		
<p>The port as a service organisation has as its prime obligation to satisfy the needs of its customers. To do so, it has first and foremost to clearly identify its customers. Due to the recent political and economic changes, the old customer base has changed and it is therefore necessary to reevaluate who are the customers of the port. This investigation not only has to identify the direct customers, i.e. the customers who use the port at present, but more importantly all potential customers as well. The identification of potential customers is necessary as the port will be required to develop new services in order to stay or to become economically healthy. Customers do not only include cargo dispatchers and receivers but also all transport operators, especially in view of the trend to increased intermodal operations.</p>			

15.2 *Identify the needs of the ports customers*

Once the port customers have been identified, it is necessary to try and work out their needs in view of the port's services. Here, it will be necessary to make a comprehensive analysis of the customers' total transport requirements in order to identify exactly the areas where the port can offer its clients services, both services that have been offered in the past and services that might be developed in the future. These needs should be identified with a view to sensitivity to costs, time, security reliability, speed, documentary and commercial requirements, and other factors that are of concern to the customer.

15.3 *Develop a strategy for land-use*

With the change in the political and commercial environment the historic flows of goods have totally changed in size and composition. A decision must therefore be made how to utilise the port's land area in future. Due to the rise of the sea level of the Caspian Sea, a major area of the port, the former timber terminal, is presently flooded and therefore inoperational. The ferry berths will suffer the same fate, if nothing is done, within the next 2 to 3 years. The general cargo area is also starting to suffer. Major investments are required to counteract these developments. Because of the immense size of the required investments, it is of utmost importance to develop a strategy of the most efficient use of port land. This strategy should also specify what areas can be made available for private sector investment and private sector operations.

15.41 *Develop a strategy for cargo handling pricing*

15.42 *Develop a strategy for port service pricing*

15.43 *Develop a strategy for storage pricing*

In a commercial environment conforming to market economic conditions, pricing of services has to be flexible to a certain extent. To be able to implement such flexibility, a general pricing strategy for the different areas of service has to be developed. These pricing strategies take into consideration the anticipated or planned future development of the port, the services the port will offer and its comparative contribution to results as well as any government policy on that matter. With these prerequisites in mind, pricing strategies for cargo handling, port services and storage will be developed.

15.5 *Prepare a marketing plan*

To attract customers and to develop further service activities, it is necessary to have a comprehensive marketing plan for the entire marketing organisation. The outline of such plan must be established as the basis for individual plans to be worked out by the different departments involved. The marketing plan should be designed in such a way that it will become more and more refined in the course of time in line with the commercial development of the organisation and the requirements of prospective clients. It should be of a dynamic nature and be able to be revised and updated regularly.

ACTIVITY SHEET 16

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		All Investments are Properly Supervised	
STAFFING:			
Expatriates:		<ol style="list-style-type: none"> 1. Assistant to the General Manager 2. Assistant to the Financial Director (for activity 15.2) 	
Counterparts:		<ol style="list-style-type: none"> 1. Chief Engineer 2. Port Operations Manager 3. Lawyer 4. Economics Department 	
DESCRIPTION OF ACTIVITIES:			
16.1	<i>Prepare tender documents</i>		
<p>Once all development plans have been devised and agreed with the relevant decision makers and finance has been secured for investment, tender documents must be prepared. As a considerable amount of finance will come from international lending agencies tender documents should be prepared along the guidelines of those agencies. (i.e. the World Bank's Sample Bidding Documents for the Procurement of Goods and Services). Technical specifications should be in line with international standards. The expert should also assist in the compilation of lists of prospective bidders and be involved in prequalification procedures.</p>			

16.2 *Assist in the evaluation of offers*

Once offers have been received, they have to be evaluated from a technical and a financial viewpoint. Such evaluation will need the expertise of different professionals, but general advice on the establishment of a ranking system, on control of plausibility, on weighing of different technical or financial solutions can be given by the expert.

16.3 *Establish an investment project coordination unit*

Depending on the amount of investment projects and their relative size it might be necessary to establish a project coordination function or unit. The task of this function or unit is to follow all investment projects, supervise their progress, monitor compliance with legal and contractual obligations, check and release payments, liaise between contractors, consulting engineers, borrowers, the government and the organisation.

16.4 *Monitor budget compliance of investment projects*

Investment projects have major financial implications, therefore, close monitoring of budget compliance is of utmost importance. The daily monitoring will be done by the project coordination unit or function, but the expert will be required to do his own monitoring at specific intervals. Especially, he will be concerned with identifying as early as possible any cost increases, find out their reasons and devise ways of preventing them if possible. Also he will see that expenditure is dispersed according to plan and in compliance with construction progress. Additionally, he will assist the organisation in matching the disbursement of funds from the lending institutions with the contractual outflow of funds into the projects.

ACTIVITY SHEET 17

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	A Consistent Relation Between Operations, Accounts and Cash-in and -out-flows Exist
STAFFING:	
Expatriates:	1. Assistant to the General Manager
Counterparts:	1. General Manager
DESCRIPTION OF ACTIVITY:	
17.1	<i>Monitor all accounting services</i>
	The expert will monitor all accounting services on a permanent basis and at regular intervals to see that the new developments to the accounting function are being implemented and that there is a consistent relation between operations, accounts and the cashflow of the organisation. On deviations, he will suggest remedial action.

ACTIVITY SHEET 18

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	A Financially Sound Tariff Structure is Implemented
STAFFING:	
Expatriates:	<ol style="list-style-type: none"> 1. Assistant to the General Manager 2. Assistant to the Financial Director 3. Assistant to the Port Operations Manager
Counterparts:	<ol style="list-style-type: none"> 1. General Manager 2. Port Operations Director 3. Manageress of Economics Department 4. Manageress of Department of Foreign Economical Relations and Commercial Work
DESCRIPTION OF ACTIVITIES:	
18.1	<p><i>Make a detailed analysis of the present tariff structure</i></p> <p>The present tariff structure has recently been implemented and has replaced the old tariff structure of Soviet times. By the time the expert start their work, the port will have made some experience with the new tariff structure. The structure itself and the experiences in applying it will be analysed and discussed with the responsible people in the organisation. Also, the tariff structure will be scrutinized in view of its applicability to modern port operations, especially in view of the internationality of the port's customers and the trend to multi-modal operations.</p>

18.2 *Find out the government's financial expectation concerning the port*

It is the government's policy that the port will operate on a commercial basis in future and generate sufficient funds for its continuous operation. The exact financial expectations of the government concerning the port must be ascertained in order to take account of them when proposing a new traffic structure. Here, the information gained in activity 11.5, concerning the decision about infrastructure and supra-structure investments, will be taken into account.

18.3 *Propose necessary changes to tariff structure*

A new, commercially oriented tariff structure with sufficient flexibility for commercial negotiations will be designed and proposed as a joint effort by the assistant to the general manager, the assistant to the finance director and the assistant to the port operations manager. It will take into account the future commercial direction of the port, business opportunities identified in activity 15 (a commercial policy is identified) as well as the decided pricing strategy worked out in activity 15, too. The new tariff structure, once agreed by the general manager and any governmental authority (if necessary) will be explained in depth to the concerned managers of the authority and assistance will be given in applying it to the market.

ACTIVITY SHEET 19

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	A Decision Concerning the Establishment of a Freeport or a Freezone Has Been Made
STAFFING:	
Expatriates:	1. Assistant to the General Manager
Counterparts:	1. General Manager
DESCRIPTION OF ACTIVITIES:	
19.1	<p><i>Investigate the feasibility of establishing a freeport or a freezone.</i></p> <p>Under the former political regime nearly all cargo (with the exception of Iranian cargo) was internal transport, complying with the same financial, fiscal and commercial regime. With the establishment of the new independent states in Central Asia and the Caucasus, most of the cargo handled now at Baku port is international cargo and subject to customs and security procedures. As most of the cargo will be transit, using the port of Baku just as a nodal port, customs and other administrative requirements hamper a smooth trade flow. Therefore, the general manager of the port is contemplating the idea of establishing a freeport or a freezone in Baku. The preconditions of such a freeport as well as the legal and organisational requirements will be investigated and reported.</p>

19.2 *Prepare a proper organisation structure and operational procedures*

If the feasibility study described above indicates that the establishment of a freeport or a freezone in Baku is advisable, a proper organizational structure including detailed operational procedures for the operation of such zone will be devised and proposed to port management.

19.3 *Design necessary regulations for government approval*

Once port management agrees with installing a freeport and with the proposed organisational structures and operational procedures, the expert will design the regulations that are necessary for the establishment and the operation of a freeport for government approval. He will be guided especially by the rules that have been developed in the European Community on freeports and freezones. The expert will assist the port management in the negotiations with the government, with the aim of obtaining their approval for the establishment of the freeport.

19.4 *Liaise with other government authorities in setting up procedures*

Once the government has agreed to the establishment of the freeport, it is necessary to liaise with other government authorities, especially the customs, the taxation and the foreign economic affairs departments in procedures to set-up the freezone and make it operative. In order to encounter the least possible resistance to this project, it is envisaged that these authorities will be included in the discussions and in the planning at a very early stage and that their justified demands are properly taken into account.

19.5 *Promulgate the freezone to clients*

Once the freezone is established and operational it is very necessary to inform the port's clients of the new services and the advantages it brings to their operations. For that purpose, a major marketing drive should be designed and implemented.

3.3.3.3 Assistant to Financial Director of Seaport Authority and Payment Scheme Adviser

3.3.3.3.1 Introduction

Accurate and up-to-date financial data are a vital necessity to manage and control the operational and commercial activities of any company including a ports authority. Proper financial data must be readily available to management as the basis for decision-making be it short, medium or long. In this respect finance and accounting functions represent an essential tool for the management of the Authority.

In addition to these internal functions, the financial department has to produce standardized reports i.e. balance sheets and profit and loss account with explanatory annexes for the information of the supervising bodies and, if legally requested, for the public regarding the financial status of the company. Furthermore, such figures are used by financing institutions to establish the company's credibility, by the tax authorities to assess tax payments etc.

As Baku Seaport Authority has to maintain its position in a changing, free market oriented environment, accurate and detailed information on the financial situation of the Authority is indispensable for proper evaluation of individual corporate operations or of the company as a whole. Therefore, technical assistance in the finance and accounting functions will have to consider all internal structures and procedures as well as external conditions and regulations.

The required investment for the protection of Baku Port (piers and ferry terminal) against the devastating effects of the raising sea level necessitates good financial performance of the port in order to attract sufficient funds. Moreover, it requires accurate financial data as the basis for sound project planning and implementation.

3.3.3.3.2 Cost and Financial Management

Planning and Budgeting

Based on actual revenues and costs and on actual and planned activities Baku Seaport Authority is in a position to establish financial plans for the future. Normally plans for the next year of operations and a long-term plan (e.g. five years) has to be established. Such plans shall also highlight necessary budgets for financing of activities.

Short-term and long-term plans have an effect on the company's strategy as the profitability of planned activities within the company's objectives become apparent. Therefore, capacity and also financial planning is a basic requirement for the future development of the company. Such plans will also mirror the company's performance goals (e.g. increase of productivity, cost reduction programmes etc.). Financial planning is of peculiar interest when it comes to servicing of long-term debts and raising funds for financing of infrastructure, buildings and equipment.

Statistic Departments of state entities of the former Soviet Union are usually very competent and elaborate a good number of statistics and analyses. However, their work often suffers from a general lack of orientation and battles against the devastating effect of an eroding monetary value, which makes all forecast figures, budgets and analyses (and the managerial decisions based thereupon) most problematic. In view of the present uncertainties in Azerbaijan a good number of entities have ceased preparing explicit long-term planning and reduced their planning to a one-year period.

After the breakup of the former Soviet Union very often no specific investment policy had apparently been developed by state enterprises; planning and budgeting was limited to current operations and short-term operational forecasts at best. Systematic market research or at least results of interviews with potential and actual costumers are uncommon. Access to foreign sources of information other than Russian is often extremely limited.

Even under the present circumstances a tentative medium-range (5 years) investment plan shall be elaborated. This requires the determination of at least a broad outline of the companies policy. Market information have to be gathered.

Considering the increasing devaluatory tendency of the Manat the zero-base budgeting approach should be introduced in order to reduce the risk of understating figures. Zero-base budgeting implies that at the beginning of each budgetary exercise all assumptions and quantity frameworks for the budget are reworked from the very basis without taking anything for granted. Thus the notorious " five percent increase syndrome" is avoided upon which budgets are elaborated in many cases. Though involving more work his method offers more realistic figures in a changing and inflation-ridden environment like in Azerbaijan.

Introduction of modern spreadsheet calculation and appropriate software models for budgetary purposes after proper instruction of staff is planned.

Accounting Function

The establishment of balance sheets and profit and loss accounts is one of the backbones of the accounting functions of any commercial port. There exists a compulsory general chart of accounts instituted for all Azerbaijan companies, published on 26.2.1993 and elaborated with the assistance of UN consultants. This new chart of accounts itself is at least partly based on the old general chart of accounts of the former Soviet Union.

Within the existing legal framework and based on international standards the Assistant to the Financial Director shall analyze and improve

- chart of accounts, adequacy of existing accounts and cost type structure;
- structure of balance sheet and profit and loss account;
- multi-currency and inflation accounting;
- valuation of assets;
- accounting debtors and creditors.

In this context the information flow and processing of accounting documents within the Authority shall be improved as well as other routines providing basic documents i.e. inventory procedures.

According to the Consultants' experience balance sheets and profit and loss accounts in the maritime industry of Azerbaijan are generally struc-

tured according to accepted international standards, thus allowing for ready analysis and direct comparison. However, accounting figures are often severely distorted by the rampant devaluation of the national currency Manat against the US Dollar going hand in hand with a high inflation in the country. If considerable shares of revenues and expenditure are incurred in foreign exchange, translation of these figures into Manat creates severe problems. Sometimes, the accounting output figures in Manat are so seriously affected that their use for meaningful analysis and subsequent decision is extremely limited.

In order to counteract the inflationary effect, the Azerbaijan Government instituted at irregular intervals (approx. once a year) official revaluations of the asset side of the balance sheet. Thereby the accrued assets are inflated by allowing the correspondent constitution of a "revaluation fund" on the liabilities side. This revaluation is done by the application of a coefficient stipulated by Government regulations to each asset type and its pertinent depreciation. Assets are normally not evaluated in any other form, e.g. by market value survey.

Up to now, the straight-line depreciation method is allowed only. The consultant understands that the depreciation methods, rules and rates were just being reviewed by Government.

One major problem of any accounts system in Azerbaijan is the rampant inflation in the country. This basically means that traditional, historical cost accounting does not any more 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. So, if no corrective action is taken the company's assets are slowly taxed away and/or distributed to shareholders as dividends not actually earned.

During the last decades the problem eliminating the described effects of inflation from the accounts was discussed in all developed countries without any general consensus or binding legal stipulation of how to deal with it. National accounting regulations reflect this uncertainty; the approach spreads widely from Germany where hardly any inflation-compensatory exercises are allowed to Great Britain, which allows measures as long as they do not collide with the overruling "true and fair view" approach.

The Assistant to the Financial Director shall therefore explore the possibilities to implement the "Current Cost Accounting" (CCA) approach developed mainly in the Anglo-Saxon countries. This method, although controversial, can improve the Authority's accounting and financial situation. Basically it calls for "a restatement of some balance sheet assets and four adjustments to historical cost profit" as follows:

1. Depreciation adjustment: to bring the total charge up to a basis of current values - generally equivalent to replacement costs;
2. Cost of sales adjustment: to charge materials or stocks used at the prices prevailing when they are used rather than when they were bought;
3. Monetary working capital adjustment: a charge to reflect the higher net monetary investment in trade debtors and creditors when specific prices increase;
4. A gearing adjustment: crediting back to profit a proportion of the other three adjustments in the ratio of borrowed funds (liabilities) to shareholder's funds.

It must be noted that nearly all suggested adjustments will not be restricted to accounts but have strong effects on the entire companies' operation. For instance higher depreciation involves the reduction of profits and demands for consequently counteracting operational measures. Cost of sales adjustment means delays in settlement of creditors invoices. Working capital adjustments require strict debtors and creditors management, etc. So these measures involve the establishment of a new financial strategy and consequent coordination of all departments involved.

The successful implementation of this recommendation highly depends on the cooperation of the governing legal authorities in Azerbaijan. Accounting rules and regulations would have to be changed accordingly and this should preferably be done with the assistance of a reputable international firm of chartered accountants. The reaction of the relevant government authorities might not be favourable since the introduction of current cost accounting tends to reduce the profit of companies and subsequently taxes paid to the budget.

Financial Operations Function

The availability of sufficient liquidity is a pre-requisite for day-to-day operations of any entity. A well organized financial department is even capable of earning additional profits or at least to avoid unnecessary losses.

The financial dispositions, payment procedures and policies within the Authority shall be improved. Systems for short-term liquidity forecasts and control should be in place. Reliable banking connections are a prerequisite for smooth and fast payment procedures. Functioning banking facilities will have also an effect on the placement of surplus funds and the control of financial results.

The process of decentralizing the former Soviet Union's maritime activities had far reaching and immediate effects on the Authority's financial operations. Within a short time not only the banking infrastructure had to be adapted to changing circumstances but the Authority also had to take over tasks which had been performed centrally before. Subsequently, advanced aspects of modern financial funds management have to be introduced.

The Assistant to the Financial Director shall institute PC-based weekly, monthly and quarterly liquidity forecasts in order to allow for an improved cash management and an active debtors/creditors gearing policy in order to minimize exposure to inflation.

Based on the long-term investment plan and the annual budget yearly cashflow projections should be prepared and the exiting budget monitoring should be adapted accordingly. This means will enable the Authority to assess the impact of short-term fluctuations on the achievement of medium-term company goals and to ensure the company's liquidity at any time.

For the time being, the INTERNATIONAL BANK OF AZERBAIJAN (IBA) in Baku is the only bank allowed to carry out foreign currency operations of state-owned enterprises. For these transactions so-called "internal rates" are applied to Government companies, whereas private companies are allowed to carry out their financial operations at free market-rates. Usually the "internal" rate is far below the market-rate.

Foreign exchange are fairly liberalized although government controlled. Bureaucratic procedures can lead to long delays in effecting payments specifically when officials suspect advance payments, which are forbidden. Acceptance of presented supporting documents by government officials then seems to turn somehow arbitrary. The Assistant to the Financial Director shall address this situation.

Cost Accounting

Cost accounting is an internal function to produce a clear picture of the sources of costs in terms of quality and quantity, and is a prerequisite for defining cost based tariffs and prices, etc. Management requires reliable cost accounting systems to trace the origin of a company's results. This enables management to assess the profitability, or otherwise, of any particular activity. Among other things such as data and prices based thereon permit management to decide whether to provide certain services from within the company or whether to procure same from third parties (the 'make or buy' decision).

3.3.3.3.3 Port Tariffs

Changing traffic pattern and high inflation rates require a constant review of port tariffs. Building up a realistic and adequate pricing system should be based on three major principles, i.e.

- covering costs of the services provided,
- optimizing the utilisation of facilities and
- gaining from the willingness and capability of the traffic to pay ("what the traffic can bear").

The cost aspect of port pricing requires a detailed and accurate cost accounting, as already mentioned above. Some important assets, such as port infrastructure, which once constructed, have no alternative use, have no economic cost. However, port pricing has to consider two aspects of investments already undertaken, i.e.

- financing cost of the investment, which leads to cash outflows and
- provision for the replacement of such investment.

Port pricing can promote the better utilisation of a port's assets. If facilities are in short supply, high charges could encourage port users to minimize the use they make of the assets. Where facilities are abundant, low charges constitute an incentive to port users to increase their use of these assets.

The benefits derived by the port users from the port installations determine the upper limit of the tariffs to be charged, in order to increase the viability of the port.

Very often, changing traffic and cargo pattern have led to additions of port tariffs and special tariff positions. Therefore, many port tariffs are fairly complicated. This frequently creates misunderstandings between the port operator and the user as well as mispostings, wrong invoicing, etc. A thorough tariff revision should therefore aim at simplifying the tariff in order to avoid such problems.

3.3.3.3.4 Data Processing Facilities

Modern EDP-Systems are a prerequisite for any efficient accounting and management information system. This aspect, including the various functions within the financial department (payroll, debtors and creditors, financial accounting, cost accounting, other systems) shall be carefully scrutinized and improved by the Assistant of the Financial Director.

As already mentioned above, until recently the port of Baku was part of Caspian Shipping Company (CSC). Apparently CSC incepted a good number of EDP activities some time ago in the context of intensive central planning in the former Soviet Union. This early introduction of EDP has

created an outfit which is no longer in line with modern approaches.

Separation of EDP activities of CSC from those entities formerly belonging to the shipping company (e. g. Baku Port Authority) has not yet been fully implemented. As they partially use the same database (e.g. staff data), wages, salaries and traffic statistics are still computed by the EDP Department of CSC on a time-sharing basis.

Nearly all EDP activities of CSC centre around one mainframe IBM 43/81 with storage additions by ROBOTRON (RAM 32 MB, storage capacity 4 GB). This equipment is installed in an air-conditioned room in a specific building near the port area of Baku. Conditions in this building are poor. Nowadays as IBM has no representation in Azerbaijan spares and services have become a real problem. The ROBOTRON equipment has been more prone to technical problems which now are very difficult to overcome since that company does not exist any more. The financial software on the mainframe had been supplied more than 10 years. As the source files and later updates are not available any more, any alterations or additions to this software are most problematic.

The Port of Baku should become fully independent from the antiquated CSC facilities. Considering the recent developments in the EDP industry which is characterized by:

- availability of increasingly powerful PCS at continuously decreasing costs;
- the interconnection of these PCS to sophisticated networks according to the individual requirements and possibilities of each user and
- the availability of modern standard software at reasonable prices

It is advisable, to introduce up-to-date EDP-facilities based on modern PC-work stations and LAN technology. This should be complemented by the acquisition and introduction of well-tested state-of-the-art financial software like for instance R/3 from SAP (Germany), SUN ACCOUNT from SUN SYSTEMS (Great Britain) or ACCPAC PLUS from COMPUTER ASSOCIATES (USA). All these software offer very flexible, open and

integrated solutions adaptable to the needs not only of the Finance Department as also of all other departments dealing with figures.

This process would be facilitated by the institutionalization of a permanent inter-departmental coordination group under the leadership of an EDP-specialists. This committee shall study in a company-wide approach the implications of the organisational structure, propose EDP-adequate solutions on all organisational levels and follow-up their implementation.

Moreover it is suggested to select young promising staff in all number-processing departments and their introduction in the possibilities of modern software by EDP-staff in order to enable them to discover new applications for their specific work.

3.3.3.3.5 Review of Payment Scheme

A revised payment scheme, based on the findings and recommendations of the Consultants during the inventory phase and the manpower audit, will be designed that takes into account the relative "worth" of a job to the commercial result of the organisation. It will also take into account comparable pay offers by other employers, especially where an easy transfer between employments is possible.

The new structure should be as simple as possible and as comprehensive as necessary.

The new payment scheme should be performance and responsibility based and should reflect and instill into the employees the understanding that the well-being of their organisation is also in their personal interest.

Any suggestions and recommendation made by the experts will be accompanied by comprehensive calculations showing the financial effects on the individual and on the organisation. This will permit the port management to select those recommendations which do not violate the Port's ability to pay. An implementation strategy will be modelled according to the selected approach.

3.3.3.3.6 Training of Financial Staff

Effective financial management is vital for port organisations of any legal status. Therefore, training for staff of the financial department will be developed and executed. The training in this area will give a thorough introduction to port financial management and introduce the new methods and procedures proposed for the financial departments of the port.

In the beginning basic concepts of cost accounting will have to be explained, since the staff of the Port of Baku is so far not very familiar with modern cost accounting. Additionally, the basic terms like revenue/ expenditure, profit/ loss and output/ costs etc., will have to be introduced and defined, because judging from the experience with other participants from former socialist societies, the definitions of terms vary, so that even if a term is known to participants it does not always mean that the understanding is as it is in western societies.

Furthermore, concepts of cost centre accounting and cost unit accounting will be introduced and discussed to make the financial staff understand that they form basic requirements and prerequisites for cost control and the design of port tariffs.

A study of the value of money over time will lead to a discussion on the discounting of money, which is an integral part of most investment appraisal techniques. Different techniques shall be introduced and their applicability to port investment discussed.

During the training the participants will also receive instruction in the use of personal computers and standard software as well as in specialised edp applications for cost management and cost control.

Additionally to the general training in financial management training courses in the newly developed payment scheme will be prepared and executed. In these training courses the management and the staff of the Port of Baku will learn the differences to the old scheme as well as the reasons for revising the payment scheme and the advantages resulting from the revision.

3.3.3.3.7 Activity Sheets

ACTIVITY SHEET 21

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	Financial Sections for all Investment Plans are Prepared
STAFFING:	
Expatriates:	1. Assistant to the Financial Director
Counterparts:	1. Manageress of Economics Department 2. Manageress of Accounting Department
DESCRIPTION OF ACTIVITIES:	
21.1	<i>Define financial section requirements of long-term investment plans</i>
21.2	<i>Define financial section requirements of medium-term investment plans</i>
	In order to compile all long-term and medium-term investment plans in a consistent and concise manner, it is necessary that the requirements for the financial sections of these plans are properly defined and binding prescribed. This is necessary on one hand to make the plans easily comparable and on the other hand to give a consistent picture to supervising authorities, international lending organisations and other investors.

ACTIVITY SHEET 22

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES: Budgets are Prepared and Followed-up	
STAFFING:	
Expatriates:	<ol style="list-style-type: none"> 1. Assistant to the Financial Director 2. Assistant to the Port Operations Manager (for activity 22.1)
Counterparts:	<ol style="list-style-type: none"> 1. Managers of Economics Department 2. Port Operations Manager (for activity 22.1)
DESCRIPTION OF ACTIVITIES:	
22.1	<p><i>Prepare operational budgets</i></p> <p>The present operational budgets need to be thoroughly scrutinised and their underlying assumptions identified. Based on these investigations, proper, dynamic and commercially-oriented operational budgets must be designed, discussed with the port operations section and the responsible managers, and implemented accordingly.</p>
22.2	<p><i>Prepare capital budgets</i></p> <p>The present capital budgets need to be thoroughly scrutinised and their underlying assumptions identified. Based on these investigations, proper, dynamic and commercially orientated capital budgets must be designed, discussed with the relevant departments and the responsible managers, and implemented accordingly.</p>

22.3 *Continuously follow-up budgets*

Presently budgets are already followed up on a continuous basis. The underlying principle of this follow-up has to be identified and evaluated in view of commercially-oriented operations. Thereafter, a continuous follow-up procedure for all budgets will be designed and implemented. The expert will instruct the responsible managers in the follow-up of budgets and in the decisions of necessary activities when deviations are identified.

ACTIVITY SHEET 23

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	All Documentation for Financial Negotiations are Prepared
STAFFING:	
Expatriates:	<ol style="list-style-type: none"> 1. Assistant to the Financial Manager 2. Assistant to the General Manager
Counterparts:	<ol style="list-style-type: none"> 1. Manageress of Economics Department
DESCRIPTION OF ACTIVITIES:	
23.1	<p><i>Prepare documentation for negotiations with private investors</i></p> <p>In order to attract private investment into the port, certain documentation for negotiation purposes must be prepared in advance. The format and the contents of this documentation shall be identified and the documents prepared accordingly. They should address all possible questions that can arise in negotiations and offer sufficient background material for the negotiators to rely on it in the process.</p>
23.2	<p><i>Prepare documents for negotiations with lending institutions</i></p> <p>Negotiations with lending institutions like banks, bilateral or multilateral organisations, require comprehensive documentation. The contents of these documents as well as the format of presentation must be designed, the documents prepared and discussed with the decision makers of the organisation before being issued in their final form. The expert will be guided in the preparation of these documents by internationally excepted standards.</p>

23.3 *Prepare financial documentation for the reconstruction of the ferry terminal in cooperation with the designers*

The reconstruction or rehabilitation of the ferry terminal is of outmost importance for the operational ability of the port. In preparing the financial documentation, close coordination should be kept with the designers of the ferry terminal in order to include special features and special requirements of the construction process into the documentation.

23.4 *Assist in securing investment funds*

The expert will assist management in the preparation of negotiations and, if required, in the negotiations itself in securing investment funds for the rehabilitation and the development of the port areas. He will establish preliminary contacts, supply the necessary preinvestment information and assist in formulating investment requests according to the standard demanded by the lending organisation.

ACTIVITY SHEET 24

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		Balance Sheets are Prepared at Re-quired Intervals	
STAFFING:			
Expatriates:	1.	Assistant to the Financial Director	
Counterparts:	1.	Manageress of Accounting Department	
	2.	Manageress of Economics Department	
DESCRIPTION OF ACTIVITIES:			
24.1	<i>Establish required format for balance sheets and suggest improved format</i>		
<p>The presently prepared balance sheets still comply with the requirements of the former Soviet Union. In view of the commercialization process of the organisation and its very close future financial links with international finance institutions, the balance sheets will be required to be established in a new format. The expert will investigate the necessary format and propose it for implementation.</p>			
24.2	<i>Establish intervals for preparation of balance sheets</i>		
<p>The intervals for the preparation of balance sheets today still result from Soviet requirements. The expert will investigate the different requirements of all parties who have a right to the balance sheets and establish the proper intervals for the preparation of such.</p>			
24.3	<i>Assits in the preparation of balance sheets</i>		
<p>Once the format is agreed upon, he will train the relevant personnel in applying this format for future balance sheet preparations.</p>			

ACTIVITY SHEET 25

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		A Functioning Cash and Liquidity Management System is in Place	
STAFFING:			
Expatriates:		1. Assistant to the Financial Director	
		2. Assistant to the General Manager	
Counterparts:		1. Manageress of Economics Department	
		2. Manageress of Accounting Department	
DESCRIPTION OF ACTIVITIES:			
25.1	<i>Check daily liquidity</i>	<p>Liquidity of an organisation is of outmost importance for its continuous well-being. It appears from discussions that the payment moral of the port's customers is presently pretty low. In future, liquidity shortages will incur bank finance costs and may prevent the organisation from purchasing urgently needed materials as well as from paying their staff on time. Therefore, a tight liquidity cash management system must be put into operation.</p>	
25.2	<i>Manage the currency accounts</i>	<p>The port keeps foreign currency accounts in United States Dollars, German Marks, and Russian Rubles. The organisation is permitted to spend foreign currency on certain purchases, but it needs the explicit permission of the relevant government authority. Because of the increased importance of the foreign currency accounts in future, a comprehensive management system of these accounts must be installed and the expert must assist the relevant staff in managing these accounts properly.</p>	

25.3 *Propose an efficient payment and invoice control system*

From discussions it appears that at present there is no efficient payment and invoice control system in place. Invoices should be issued according to a standardized procedure and payment advise be given to the responsible manager as soon as payments have been received. Such a system needs to be designed and implemented.

25.31 *Monitor daily open-entry litsings*

The amount of presently outstanding money of the organisation starts to threaten their financial stability. In order to force debtors to pay their invoices, open-entry litsings have to be monitors daily and an efficient reminder procedure set into motion. It appears, that outstanding mon- eys are of major concern to the organisation at present but that effi- cient systems of retrieving this money have not been designed and put into action yet. Here, the expert's advise can lead to an improvement of the situation.

25.4 *Suggest ways of avoiding defaulting and non-paying clients*

At present, the organisation is troubled by and increasing number of defaulting and non-paying clients. Because of the changes in the politi- cal and the commercial environment in the country, fraudulent practis- es are at the increase. Together with the operations director and the directress of the commercial department, ways and systems of avoid- ing such clients must be devised. For this purpose the present status of national bank guarantees, letter of credits and similar financial secu- rity measures have to be investigated and evaluated. Also, responsible persons dealing with clients must be aware of the commercial require- ments, so that they do not counteract in good faith the organisation's efforts to avoid financial losses through defaulting and non-paying cli- ents.

ACTIVITY SHEET 26

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		Advise on a Payment Scheme is Given	
STAFFING:			
Expatriates:	1.	Assistant to the Financial Director	
	2.	Assistant to the Port Operations Manager (for activities 6.22 and 26.23)	
	3.	Assistant to the General Manager	
Counterparts:	1.	Manageress of Economics Department	
	2.	Manager of Staff Department and Welfare Commission	
	3.	Manager of Port Operations Department	
	4.	General Manager	
DESCRIPTION OF ACTIVITIES:			
26.1	<i>Obtain information on government's policy regarding new pay schemes</i>		
	<p>Before a new pay scheme can be designed it is necessary to obtain information on the government's policy concerning the instalment of new pay schemes. As the country is still in the process of economic and social transformation, there might exist some guidelines and regulations on the government side concerning payments to workers and staff in parastatal organisations.</p>		
26.2	<i>Analyze the existing payment system in depths</i>		
	<p>The existing payment system, which is still from former Soviet times has to be analysed in depths and all characteristics stated. This is necessary to find out later on where a new pay scheme differs from the old one and how the new proposals compare to the old.</p>		

26.211 *Examine the job classification and job groups*

The present job classifications and the grouping of jobs has to be investigated to ensure that a new payment scheme has appropriate job classifications, descriptions and gradings and is consistance with the proposed future manning level, which certainly will be much reduced from the present one.

26.212 *Compare payment system to other payment systems in the transport industry*

Before a new payment structure can be designed it is necessary to define suitable relationships to comparable payment structures paid by other employers, especially in the transport sector linked with port activities. For competitive reasons, inter-industry payment systems should be on a comparable basis.

26.23 *Assist in relating job contents to payment structure*

In order to have an acceptable payment scheme it is necessary that the job contents relate to the payment structure. Therefore, in the old system it is necessary to identify in how far job contents and payment structure are related and where the greatest diversion occur. These diversion, on one hand must be rectified an new structure, on the other hand will be the areas of the most severe opposition from the personnel affected by it.

26.24 *Assess jobs to ascertain their relative worth*

One of the underlying preconditions of a new payment scheme should be a knowledge of the relative worth of jobs to the organisation. This assessment, which will need a considerable input from the port operations department, will lead to a structure that is as far as possible fair in the sense of ensuring equal pay and should, thus, be acceptable to management and employees.

26.3	<i>Advise a new payment scheme</i> This activity will be a joint effort by the Assistant to the Financial Director, the Assistant to the General Manager and the Assistant to the Port Operations Manager. They will work as a team and bring their specific profession knowledge and experience into the deliberations.
6.311 6.312	<i>Suggest a modern work organisation</i> <i>Suggest a flexible gang structure</i> The Assistant to the Port Operations Manager, with the help of the other two experts, will devise and suggest a more modern work organisation especially in the operations department. This will include new gang structures, flexible personnel allocation, multi-skilling of labourers and a reduction of the hierarchy as well as a transfer of responsibility further down to the operational level. As this is a major deviation from the hitherto very rigid command-orientated structure prevailing in the port, considerable sensitivity has to be displayed by the experts. All important decision makers have to be included in the deliberations at a very early stage. The implementation of such new structure will only be successful if possible opposition can be identified and negated beforehand.
26.313	<i>Develop performance indicators</i> The Assistant to the Port Operations Manager, with the help of the other two experts, shall develop performance indicators that can measure the success or else of the new working arrangements and also can be used in future budget preparation activities. Experience from other ports and internationally devised indicators will form the basis of his efforts.

26.321 *Prepare written information material for the new scheme*

Once the new scheme has been accepted by management for implementation, information material outlining the new scheme and its underlying assumptions as well as the changes it brings for the employees should be comprehensively outlined in specially prepared information material. This material should be prepared in such a way that it fosters acceptance of the scheme and addresses any possible opposition in a positive manner.

26.322 *Prepare and organize events on the proposed scheme*

The organisation's staff should be thoroughly informed of the proposed scheme and have the opportunity to raise questions about it, its underlying principles, the effects it has on individuals and the way it will be implemented.

26.33 *Design training programmes on the new scheme*

The new scheme should be introduced by the immediate superior of each work group. In order to assist them with this rather complicated task, standardized training programmes should be prepared and assistance should be given in the presentation of these. A standard programme and a standard presentation is urgently necessary to assure that the scheme is introduced on the same lines to all employees and not interpreted through the lack of in-depth knowledge by the different presenters, leaving a different perception with different groups.

26.331 *Train decision makers in the implementation of the new scheme*

26.332 *Train staff in preparation for the new scheme*

Training and information events must be executed before implementing the new scheme. The experts shall assist in such events.

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26.331 *Train decision makers in the implementation of the new scheme*

26.332 *Train staff in preparation for the new scheme*

Training and information events must be executed before implementing the new scheme. The experts shall assist in such events.

3.3.3.4 Assistant to the Operations Director

3.3.3.4.1 Analysis and Advice on Improvement of Port Performance

The task to support operation in the Port of Baku, targeting, at the end, to implement ways of improving performance, must be performed within a difficult environment. Major difficulties which must be faced are

- (1) the current deteriorated status of infrastructure due to age and the rise of the Caspian Sea water level.
- (2) the old fashioned design of the Main Complex inappropriate to modern handling procedures.
- (3) the breakdown of one of the two ferry bridges.
- (4) the partly over-aged handling equipment in connection with a poor standard of maintenance due to missing spare parts.
- (5) the financial inability of the port itself to invest even in small items.
- (6) the institutional set-up, i.e. the missing of a Transport Ministry in combination with an only partially independence of the port.
- (7) documentations required, i.e. the system of export licences.
- (8) the missing legal framework for port companies.
- (9) the missing trade agreements with the neighbouring countries which hinder to perform the transit function without delays caused by customs.
- (10) the contracts of the staff, who already worked for the port under the old system, hinder to deploy anybody of them.

Moreover, it should be considered that the pressure to increase productivity always requires support from port customers, i.e. shippers and shipping lines. But, as Caspian Shipping Company as the main shipping line gets special tariffs in Baku port and the cargo volume transported by

this shipping line sharply declined to about one tenth of the former volume, no major pressure on the increase of productivity can be expected from this side.

Support to increase productivity could come from foreign shipping companies others than from the CIS, but up to now and with the exception of Iran and Turkey, these companies do not pass the Russian inland waterways.

Therefore, the only remaining main pressure group would be the shippers. But, as e.g. Azerbaijan companies are still state-owned, no major support can be expected from the local side and reference will have to be made to west European shippers and shipping companies.

A basic logistic difficulty which must be improved is the transfer from trains to the ferry and vice versa. A train usually consists of up to 60 railcars, but one ferry is only able to carry up to 28 rail wagons. Assuming that a complete train arrives from a Georgian port whose railcars are all destined to Inner Asian countries, three rail ferries will be required. As the coordination between rail and ferries presently is very poor, as there is nobody who understands the logistic requirements of both transport modes, railcars again and again stand idle waiting for several days and rail tracks become congested.

Within the past, this logistic difficulty led to the situation that the railway routed about two third of its railcars to Inner Asian countries not via the ferry connection, but north around the Caspian Sea.

In order to increase productivity of the ferry operations, a coordination mechanism as well as in advance information on coming numbers of railcars and trucks between the shipping line, port, railway and trucking companies is indispensable to increase productivity on the TRACECA route.

3.3.3.4.2 Activity Sheets

ACTIVITY SHEET 31

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		Port Operations are Improved	
STAFFING:			
Expatriates:	1.	Assistant to the Port Operations Manager	
	2.	Assistant to the Financial Director (for activity 31.6)	
Counterparts:	1.	Port Operations Manager	
DESCRIPTION OF ACTIVITIES:			
31.1	<i>Analyse present port performance</i>		
<p>In order to get a good overview of operations in the port at present, it is necessary to analyse the performance of different port activities like ship handling, stevedoring, working in the storage areas, storing in warehouses, dispatch and delivery, railway operations, truck operations, as well as ferry operations in detail. This analysis should be conducted in close cooperation with decision makers of the port operations department. The experts should take account of the fact that port performance norms were mutually agreed between management and workers and that all operations were geared towards a centralized command structure. It should also be taken into account that the future cargo structure might be very different from the past one and that, therefore, some of the historical data is already invalid.</p>			

31.2 *Advise on ways to improve performance of operations*

Based on the outcome of the present port performance analysis, the expert will advise on ways to improve the performance of operations in the light of modern organisational and managerial techniques. He will spell out to the decision makers the shortcomings of present operations, suggest ways of improving them and assisting with implementation. He will not try to force any system on to them but rather develop in close discussions with the decision makers appropriate ways for the port of Baku.

31.3 *Advise on efficient berth allocation*

Correct berth allocation assist in the improvement of operational efficiency. The expert will investigate the present system, and if necessary, suggest improvements for the future.

31.4 *Assist in implementing better warehousing and storage area utilisation*

A good utilisation of storage areas and shed space can lead to great increases in operational efficiency, especially when the occupancy rates of these spaces are very high. Presently, there is not very much cargo in the port, so that immediate effects are not easily achievable. On the other hand, the low occupation rate will allow the decision makers a certain degree of testing the new system and be familiar with it when cargo traffic through the port picks up again.

31.5 *Assisting in improving labour productivity*

Labour productivity appears at present rather low compared with ports in other industrialized countries. This is mainly due to the old Soviet system with standard work norms and a lack of incentives to increase efficiency. Also, work organisation was based on very rigid lines of structure and command.

31.51 *Suggest modern work organisation*

31.52 *Suggest a flexible gang structure*

31.53 *Develop performance indicators*

These very important activities are necessary for improving labour productivity. Also they are a prerequisite for the development of a new payment scheme. Therefore, they have already been described in activities 26.31

31.54 *Assist in implementing improved personnel and equipment allocation*

A further efficiency affecting factor is a proper allocation system for personnel and equipment. Hitherto, personnel and equipment have been allocated according to standard practise without taking into consideration the actual immediately requirements of the jobs in hand. Frequently, because of operational constraints, a more flexible allocation procedure will result in greatly improved efficiency. The expert together with the decision makers of the operations department will investigate the current allocation system and develop a new system that takes account of changing utilisation patterns.

31.6 *Monitor regularly productivity of all entities in the port*

Together with the Assistant of the Financial Director the port operations expert will regularly monitor the productivity in the port. A decision on productivity is the base for establishing operational budgets as well as deciding contractual conditions. Therefore, the productivity must be monitored and any negative deviation from it identified and rectified as soon as possible.

31.7 *Design an improved cargo delivery and dispatch system*

Presently, cargo arrives in the port or is requested for delivery without any pre-advise. This results in delays, in inefficient allocation of manpower and equipment, in problems in the utilisation of area and warehouse spaces and as a consequence in a deterioration of the client satisfaction. The port operations expert will design a system that will improve the movement of cargo in and out as well as inside the port area, in order to save cost and to increase client satisfaction.

31.8 *Establish a cargo information procedure with transport operators*

Once an efficient cargo delivery and dispatch system inside the port has been established, the clients of the port, mainly the transport operators, will be contacted in view of establishing an efficient cargo information system that will satisfy the requirements of both parties. For the client it should result in reduced waiting and handling times, for the port it should result in a better utilisation of men, material and equipment. An investigation, in how far modern information systems like telefax, electronic mail or computer connection will be necessary and can be offered by the port will be conducted, too.

ACTIVITY SHEET 32

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		Maintenance is Carried out Regularly and as Required	
STAFFING:			
Expatriates:	1.	Port Operations Expert	
Counterparts:	1.	Port Operations Manager	
	2.	Chief Engineer	
DESCRIPTION OF ACTIVITIES:			
32.11	<i>Conduct a condition survey on cargo handling equipment</i>		
32.21	<i>Identify reasons for condition deficits on cargo handling equipment</i>		
<p>The conditions of the present cargo handling equipment is extremely wanting. The port has numerous brands of equipment, some of them out of production, and all of them requiring foreign currency to purchase spare parts. Also, the repair and maintenance facilities are technologically rather aged. Before maintenance and repair plans can be established, it is necessary to conduct a survey on the present condition of the equipment as well as an identification of the reasons for condition deficits.</p>			

32.12 *Conduct a condition survey on civil installations*

32.22 *Identify reasons for condition deficits on civil installations*

Most of the port's civil installations are in a sorry state of repair, too. One reason is surely damage done by the rise of the sea level of the Caspian Sea, but a lack of maintenance also seems to play an important role. Additionally, it appears that some civil installations have capacities that are below the operational requirements of the port operations that are carried out in the port. A survey on the conditions of all installations, storage areas, quay walls, sheds, ro-ro ramps, oil transfer installations, etc. should not only establish the present condition of these installations but also try to identify the reasons for the condition deficits.

32.3 *Specify repairs and necessary improvements*

Some of the installations have deteriorated to such an extent that they need to be repaired or rehabilitated to be useful for port operations again. These installations and equipment units should be identified, the necessary work specified and a plan of repair activities established in close coordination with the anticipated development of future operations. On one hand, it must be avoided that future operations are hampered by shortages of equipment and installations, on the other hand it must equally be avoided that scarce financial resources are spent on installations and equipment that are not yet or no more required.

32.4 *Design maintenance plans and schedules*

In order to keep installations and equipment in operational conditions at all times proper maintenance plans and schedules must be developed and implemented. The expert will design such plans and schedules in close cooperation with the operations managers and the engineering staff. These plans should be designed in such a way that future additions of equipment and installations can easily be integrated into the existing plans.

32.5 *Develop financial requirements for repairs, improvements and maintenance*

Together with the Assistant to the Financial Manager the port operations expert will develop financial requirements based on the earlier established plans for repairs and improvement as well as for running maintenance. He will negotiate the financial implications of these plans with the finance department and adjust the repair and maintenance plans according to allocated budgets. In this, he will clearly state the cost and revenue penalties that arise out of insufficient maintenance and repair.

ACTIVITY SHEET 33

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	Investment Requirements in Equipment and Constructions are Defined
STAFFING:	
Expatriates:	<ol style="list-style-type: none"> 1. Assistant to the Port Operations Manager 2. Assistant to the Financial Director
Counterparts:	<ol style="list-style-type: none"> 1. Port of Operations Director
DESCRIPTION OF ACTIVITIES:	
33.11	<i>Define future requirements for civil constructions</i>
33.12	<i>Define future requirements for equipment</i>
	<p>Based on the long-term and medium-term development plans the future requirements for civil constructions and cargo handling equipment are defined in quality and quantity. In this decision, the insecurity prevailing at present through the immense changes in the commercial and social environments must be taken into account by specifying alternatives for change scenarios.</p>
33.2	<i>Develop a time-based investment schedule for capital constructions and equipment</i>
	<p>The requirements, defined in the previous activities, have to be investigated as to their most appropriate implementation time. In doing this, the anticipated development of port activities as well as lead times in purchasing and construction must be taken into account. Again, over or under investment due to wrong timing must be avoided at all costs.</p>

33.3 *Assist finance in establishing investment budgets*

In close cooperation with the finance department, investment budgets for the required equipment and construction items have to be developed. As it will most probably not be possible to satisfy all requirements due to lack of funds, priority areas have to be identified and decided with all concerned. Thereafter, the investment plans have to be modified accordingly.

ACTIVITY SHEET 34

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES: Operational Budgets are Implemented	
STAFFING:	
Expatriates:	<ol style="list-style-type: none"> 1. Assistant to the Port Operations Manager 2. Assistant to the Financial Manager
Counterparts:	<ol style="list-style-type: none"> 1. Port Operations Director 2. Manageress of Economics Department
DESCRIPTION OF ACTIVITIES:	
34.1	<p><i>Assist in the revision and redesign of present operational budgets</i></p> <p>The present operational budgets will be revised and redesigned to take the requirements for commercial operations on a cost-covering and revenue-generating basis into consideration. The expert will propose the budgets and discuss their contents and implications with the finance and operations staff members.</p>
34.2	<p><i>Control operational budgets</i></p> <p>Together with the decision makers of the port operations department, the expert will continuously control compliance with operational budgets and will investigate any deviation experienced. He will assist the port operations personnel in rectifying situations that have led to over-spending on budgets.</p>

ACTIVITY SHEET 35

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	Standardized Commercially and Legally Sound Handling Contracts are Concluded
STAFFING:	
Expatriates:	<ol style="list-style-type: none"> 1. Assistant to the Port Operations Manager 2. Assistant to the Financial Director 3. Assistant to the General Manager
Counterparts:	<ol style="list-style-type: none"> 1. Port Operations Manager 2. Manageress of the Department of Foreign Economic Relations and Commercial Works 3. Lawyer 4. Manageress of the Economics Department
DESCRIPTION OF ACTIVITIES:	
35.1	<p><i>Develop and propose standardized commercial contracts</i></p> <p>Through the new commercial regime the port will deal in future with a multitude of national and international clients. This necessitates that commercially and legally sound contracts need to be concluded. The port operations expert will develop and propose a format for standardized contracts for the different port activities for acceptance by port managements. These contracts should on one hand conform to international standards, on the other hand take into consideration local requirements.</p>

35.2 *Design a standard contract conclusion procedure*

In future, many contracts will be negotiated, especially the financial terms included in them. Nevertheless, standard contract conclusion procedure must be designed to safeguard as far as possible the interest of the organisation without reducing necessary commercial flexibility. The expert will advise on a contract conclusion procedure and discuss it with top management for adoption.

35.3 *Design a system of transforming contractual obligations into operational directives*

Commercial contracts are confidential and it will not be possible to make the contents of such contracts known to all people. Therefore, it is necessary to transform the contracted obligations into operational directives for the decision makers to adhere to. These directives must be clear and pinpointed to the fulfilment of the contract. They must lend themselves to periodical monitoring and checking against the contract obligations. The expert will design such system and offer it top management for adoption.

35.4 *Design a contract performance control system*

Once a contract has been concluded its performance must be monitored and controlled. Together with the financial expert, the port operations expert will design a contract performance control system to be implemented in the organisation. This control system will address contractual obligations as well as financial results. Its character should rather be guidance than control.

35.5 *Assist finance in the profitability control of contracts*

Together with the financial expert, the port operations expert will constantly monitor the profitability of the concluded contracts and adjust future contracts as well as operations accordingly. Every contract performed should be investigated as to the weaknesses and strengths encountered in execution in order to learn for future operations.

3.3.3.5 Management Training Adviser

3.3.3.5.1 General Approach

According to the terms of reference a management training adviser will be provided by the consultants. He shall assist and advise the port manager on all aspects of management training.

The transition of the Baku International Commercial Sea Port from a centrally-orientated, Moscow dependent organisation to a market-led enterprise requires a change of attitudes in all management levels. The port management must realise the necessity to establish management and decision structure within which the individual managers can make decisions without referring to above and have to take full responsibility for the results. Thus managers of all levels will have new responsibilities and they will themselves delegate tasks and responsibilities to their subordinates.

An essential prerequisite for the introduction of new management systems and structures is the development of new skills at all management levels, especially in the area of leadership and decision making.

Vital among these skills are:

- Communication
- Delegation of authority (-> develop new styles of leadership)
- Acceptance of responsibility and accountability
- Personnel instruction (-> full information from above to below and vice versa)
- Leadership qualities

All these are skills which in the past were not considered to be of much interest, because influence of the company's management on decisions was either weak (tasks were dealt with by higher authority) or restricted (because of dictated policies or lack of resources).

Due to the fact that first of all new behaviour and attitudes must be trained next to training of specific professional knowledge, e.g. in finance, training and particularly management training programmes cannot be developed along the established lines of market-economy

the transformation process in an optimal way. The uncritical transfer of established course curricula, that have been developed for a market-society clientele, cannot yield the required results.

One feature that is far less relevant in established training programmes but of great importance here is the active "un-learning" of hitherto not only accepted but demanded behaviour and activity patterns. In future, managers at all levels will have to make decisions without referring to above and take responsibility for the results, they will have to transfer responsibility down the hierarchy and trust their staff in execution, they will have to deal with customers on a service-quality basis and acknowledge the threats from competition, they will have to pursue actively personnel management and manpower development activities, and they will have to give up life tenure but become accountable and personally responsible for the organisation's success or failure. Until they really accept these new facts of their professional lives, training in market-orientated management techniques will be superficial.

Next to "un-learning", training in basic management concepts is necessary. These concepts must be addressed and included in all teaching subjects as they are the foundation on which market-economic management and business administration rests. They include:

- Market-oriented Economics
- Corporate and Strategic Planning
- Financial Management
- Personnel Management and Manpower Development
- Marketing.

The aim of the managerial training under this project is the development of the qualifications of the managers in question, to equip them for their present and future tasks. The training shall contribute to the improvement of the effectiveness of the organisation as well as improve work satisfaction and give the staff the possibility for personal development. This training shall, generally,

- solve a problem (= be problem-orientated)
- close gaps between the requirements of the job and the abilities of the employee
- serve the development of the employee by preparing her or him for new or extended duties in future.

3.3.3.5.2 Assessment of Training Needs for Management

The management training adviser will start with an assessment of training needs for the management. He will therefore closely cooperate with the assistant to the general manager, the assistants to the financial and the operation directors as well as with the respective managers of the Port of Baku.

The experts on site will collect information and data. It is expected that management and staff from the Port of Baku will be designated to act as counterparts to the management training adviser and that full discussions of observations by the other consultants and comments from local staff will be incorporated into all recommendations and conclusions.

An understanding of the structures of the Port of Baku is the base for all further and more detailed information and future measures all to be taken.

Manpower Audit

Apart from the understanding of the structure an exact knowledge of the operational and administrative procedures on all levels within the International Commercial Sea Port of Baku is necessary. The relevant data and information will have to be obtained by appropriate and approved methods. The main procedure to collect and evaluate the information will be

- * interviews of staff and operative personnel according to a questionnaire or a standardized interview sheet. These documents will be prepared in advanced and harmonized with the management of the Port of Baku at the beginning of the field research. The evaluation of the interviews will be computer-based.
- * investigation of the operational and administrative procedures on all levels from the operative employees to the executive officers.
- * comparison of actual and theoretical status of the main procedures on administration and operations.

- * analysis of the actual structure of information, decisions and responsibilities including a review of the requirements.
- * analysis of the cooperation among the different levels and departments of the Port of Baku

Based on the results of the above study training needs of the management of the Port of Baku will be determined.

The Manpower Audit that will be conducted will determine the training required to close the gaps between actual management skills and knowledge and the skills required under the new economic conditions. It is in fact an inventory of the ports' human resources. In addition to each employees name, job title and position in the organisation, information on age, length of service, educational background, skills, training record, performance evaluation and promotial potential will also be obtained. This information is needed to obtain a true picture of the manning of the port.

3.3.3.5.3 Human Resources Development

The manpower audit and organisational investigation will yield information on the present personnel and organisation structure of the Port of Baku. Based in the manpower and skills available and the requirements indicated by the Consultants and their counterparts when developing the new policy and working methods a gap analysis will be performed. In this analysis the jobholders' profile will be compared with the actual requirements of jobs, especially regarding the future development strategy of the port. Thus, shortcomings will be identified.

In the next step the management training adviser will suggest how to close the gaps through education or training of the jobholder.

Based on the outcome of an analysis of exitsing training and manpower plans in the Port of Baku and the outcome of the analysis of training needs an appropriate training programme for improving the managerial, technical and operational capabilities of the management and staff of the port will be designed and proposed .

The manpower development and training investigation described above will yield a vast amount of information. This information will not only be used for this project, but will also be of value to the Port of Baku for operational purposes. The survey data which will give comprehensive information on the existing personnel is of special value for a long term personnel planning.

The manpower audit that will be conducted will determine the types of jobs and the number of employees in each job of the port. It is in fact an inventory of the ports' human resources. In addition to each employee's name, job title and position in the organisation, information on age, length of service, educational background, skills, training record, performance evaluation and promotional potential will also be obtained. This information is needed to obtain a true picture of the manning of the port.

Based on the manpower audit and the approximate need of manpower in the future a manpower plan can be developed. This plan will indicate for each job category the number of staff which would be necessary in the following years. It will take account of promotion, redeployment and recruitment.

Promotion, redeployment and recruitment often demand training for new jobholders. Therefore, in the medium run a training forecast, identifying the number of staff that should receive training, be it initial training, in-service training, external training i.a., can be set up.

3.3.3.5.4 Activity Sheets

ACTIVITY SHEET 41

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	Training Needs for Management are Assessed
STAFFING:	
Expatriates:	1. Management Training Advisor
Counterparts:	1. Director of Staff Department and Welfare Commission
DESCRIPTION OF ACTIVITIES:	
41.1	<i>Conduct a manpower audit</i>
	In order to obtain a picture of the present staff in the organisation, a manpower audit will be conducted. This audit, which is questionnaire-based, will give an inventory of all staff members. Also, it will yield information on education, training and job tasks. Additionally, information on the employees' present jobs and responsibilities will result. The evaluation of the audit will be computer-based and the results will be used for future human resources planning as well as for the identification of training requirements.
41.2	<i>Deduce from the strategic plan the future demands on management</i>
	The strategic plan will spell out the future course of the organisation. It will indicate which commercial activities will be performed and on what level and at what intensity. It will give an indication about the quality and the quantity of management personnel needed.

41.3 *Identify new skills necessary to fulfil the future demands on management*

By comparing the personal profiles of management personnel, which have been established in the manpower audit, with the future demands on management, which have been deduced from the strategic plan, it will be possible to identify the additional skills management needs in future to perform their new tasks and responsibilities. The outcome of analysis will be the basic input to the future management training plan.

ACTIVITY SHEET 42

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	Management Training Programmes are Set-up
STAFFING:	
Expatriates:	<ol style="list-style-type: none"> 1. Management Training Advisor 2. Assistant to the Financial Director 3. Assistant to the Port Operations Manager
Counterparts:	<ol style="list-style-type: none"> 1. Manager of Staff Department and Welfare Commission
DESCRIPTION OF ACTIVITIES:	
	<p>All the following activities will be executed by a concentrated team effort by the management training advisor, the port operations expert and the financial expert. They will work as a team and prepare a comprehensive training scheme.</p>
42.1	<p><i>Design training programmes</i></p> <p>Based on the results of the training needs assessment, training programmes for all levels of management will be conceptualised. The programmes will be designed in contents and probable outcome and a decision on priority will also be made. The final result of this activity will be a comprehensive management and training scheme that includes budget requirements and financial sources.</p>

42.2 *Identify possible training venues*

The individual training events stipulated in the training programme will be of different duration and different intensity. Some of the programmes can be run at port premises, other programmes will most probably be conducted outside the port. Certain programmes might even be conducted outside Azerbaijan. The management training adviser will identify possible training venues for all individual training courses and investigate their suitability.

42.3 *Engage trainers*

Some of the training programmes will be conducted by the different experts, others will be conducted by senior port staff. Still, the majority of the training programmes will be conducted by external trainers, either locally or internationally. The training advisor will identify suitable trainers, ascertain their suitability and engage them as required.

42.4 *Arrange training locations and related logistic facilities*

According to the comprehensive training scheme, the training advisor will arrange the entire preparation and logistics of training courses, together with the staff of the staff department.

42.5 *Lead and supervise training sessions*

The training advisor with the assistance of the Assistant to the General Manager will lead and supervise all training sessions and assure that they are conducted in an efficient, effective and cost-conscious manner.

42.6 *Conclude and fine-tune future programmes*

Based on the experiences of the conducted programmes, the training advisor will fine-tune future programmes to obtain an even higher efficiency and to make them even more pinpointed to the real requirements of the organisation and the participants. For that purpose, standardized assessment procedures for trainers as well as for the participants will be employed. Periodical training reports will be issued to top management.

42.7 *Measure the effect of implemented training programmes*

All four experts, together with their counterparts, will periodically measure and evaluate the effect of the training programmes, especially in view of the attainment of the training objectives. This shall be a formalised, periodic session which will give guidance to the continuation and further development of the training scheme.

ACTIVITY SHEET 43

TACIS - TRACECA		Technical Assistance to the Development of Baku Port	
Project No. TELREG 9304		Management Assistance and Training	
OBJECTIVE OF ACTIVITIES:		Inhouse Trainers are Trained and Available	
STAFFING:			
Expatriates:	1.	Management Training Advisor	
	2.	Assistant to the General Manager (for activity 43.2)	
	3.	Assistant to the Financial Director (for activities 43.2 and 43.4)	
	4.	Assistant to the Port Operations Manager (for activity 43.2)	
Counterparts:	1.	Director of Staff Department and Welfare Commission	
DESCRIPTION OF ACTIVITIES:			
43.1	<i>Identify personnel with potential and willingness to become trainers</i>		
<p>For the continuous training programme it is necessary to have inhouse training experts available for the most recurring training events. Once these recurring training events have been identified in the design of the training scheme (activity 42.1) it will be necessary to identify suitable members of staff who would be prepared to act as trainers in future. Together with the other experts and the decision makers in the different departments, the training advisor will identify such staff members and comment on their suitability.</p>			

43.2 *Design training programmes for inhouse trainers*

Before the inhouse trainers can start to perform their new job, they need an intensive training first. As they will be professionals who will most probably conduct training in their area of professional expertise the training they will receive will mainly concern modern adult education systems, modern didactics as well as training in motivating trainees, in lesson planning, in preparation of training material and in presentation. The training advisor will design suitable training programmes.

43.3 *Establish a training budget*

Once the training requirements for the inhouse trainers have been established, the training advisor, together with the financial expert, will establish a training budget on a medium-term basis. This budget will be submitted to top management for agreement.

43.4 *Train inhouse trainers*

Once the training budget has been agreed upon, training for inhouse trainers can commence. Some of the training will be conducted by the experts, some by top executives of the organisation, and some by outside trainers. The training advisor will organize, lead and supervise all training sessions and make sure that the inhouse trainers are available for their new duties as soon as possible at the least cost but well qualified.

ACTIVITY SHEET 44

TACIS - TRACECA Project No. TELREG 9304	Technical Assistance to the Development of Baku Port Management Assistance and Training
OBJECTIVE OF ACTIVITIES:	Human Resources Development Function is Established
STAFFING:	
Expatriates:	<ol style="list-style-type: none"> 1. Management Training Advisor 2. Assistant to the General Manager 3. Assistant to the Financial Director 4. Assistant to the Port Operations Manager
Counterparts:	<ol style="list-style-type: none"> 1. General Manager 2. Manager of Staff Department and Welfare Commission
DESCRIPTION OF ACTIVITIES:	
44.1	<p><i>Design a proper organisational structure for a human resources department</i></p> <p>The present human resources department includes the training centre but no manpower development function. For a process of continuous staff development it is necessary that a new organisational structure is developed and implemented. The training advisor together with the manager of the department will devise such structure and discuss it with top management for implementation.</p>

44.2 *Develop a scheme of permanent training and formation*

The personnel and human resources development function will play an increased important role in the organisation in future. Together with the other experts and the decision makers of the main operations departments, the training advisor will develop a scheme of permanent training and formation which is consistent with the medium and long-term strategic plan, the commercial objectives of the organisation and the operational requirements of the future. This plan will be submitted to top management for implementation.

44.3 *Establish budget guidelines for human resources development*

Once the scheme of permanent training and formation has been agreed upon in principle by top management, budget guidelines for its implementation will be developed together with the financial expert. Once these guidelines have been agreed to by top management, the human resources development plan can be put into action. The training advisor will assist in its implementation.

3.3.3.6 Organisation of Training Programmes

3.3.3.6.1 Training for port management and staff

The training programmes to be implemented will contain training activities that are necessary to satisfy urgent, most pressing needs at an ad hoc basis as well as training activities that need to be conducted over an extended period as part of a long-term staff development project.

Development of Courses

Once the course topics for the longer term course programmes have been determined and accepted by the port management the experts will assist in developing outlines for different course curricula. These curricula outlines will be developed from courses that have been conducted elsewhere successfully. They will be modified in the light of the Baku experience and discussed with management, concerned department heads in the port, local experts and other involved people.

The outline curricula will give general information on the contents of the courses but will stipulate already the length of each course, the target audience and the training aims to be achieved. They are meant as discussion papers.

From each outline curriculum detailed lecture targets will be developed and the lecture contents for each target specified. Also, the method of presentation, the duration of each lecture, the type and frequency of assessment, and the media to be used will be decided. The entire course will be planned and prepared in detail, including teaching material, handouts, assessment forms and other necessary materials. During this process the consultants and the local experts will work as a team, each contributing his specialised knowledge and experience to the joint effort. Major attention will be paid to the development and the practice of the mode of presentation as this is an area where local trainers are still in the learning and experiencing stage.

Each course will be designed in such a manner that it can be presented, after an introductory period, by trainers other than the original developers.

3.3.3.6.2 Training for Middle Management Level and Future Trainers

The objective of training for middle managers and future trainers is to equip the participants with sufficient background knowledge, information and enthusiasm for the proposed new management attitudes and working methods. The participants will be among those who propel the port into the future and they will in the future assure the continuity in implementing new procedures and strategies.

Training in Port Management

The improvement of managerial and operational capability of the port management staff is an important and urgent matter. In the training needs analysis the most urgent areas for improvement will be identified and tackled immediately by suitable short-term seminars. These training sessions will be backed up by longer training interventions in the medium run.

The training seminars will be selected from a list of topics which together form a comprehensive port management course. The sequence of presentation will be decided according to current requirements.

- *Introduction to Port Management and Port Economics*

The basic principles of management as well as special management functions are introduced first, followed by lectures on corporate planning and the interactions of management with its clients, employees, customers, supervising bodies and the general public.

Considerable time will be spent on costing, production functions, pricing, and operational cost efficiency

These rather general lectures form the foundation of the subsequent lectures on port subjects, like port and operations planning, port finance, tariffs, marketing, and information requirements

- *Introduction to Management Techniques*

In order to execute his numerous tasks efficiently and effectively a modern manager must have knowledge of modern management techniques and experience in applying them correctly. The lectures under this heading will introduce to the participants the most common and universally applied techniques and practice their application in a controlled environment. They will also introduce management tools and their use in task execution. The lectures will give valuable impulses for the participants' professional and personal development.

Topics in these seminars will be skills of leadership, discussion and communication

techniques, office and work organisation and project management.

The lectures will be highly participatory and require the full involvement of the participants.

- *Port Financial Management*

Effective financial management is vital for port organisations, both private and public. Therefore, the lectures under this heading will give a thorough introduction to port financial management.

After explaining the basic concepts of cost accounting, the terms revenue/-expenditure, profit/loss and output/costs will be defined, explained and discussed. This is followed by lectures and workshops on types of costs, cost centres and cost units. The important concepts of cost centre accounting and cost unit accounting will be extensively developed and discussed in workshops and group work, as they form the basic requirements and prerequisites for cost control and the design of port tariffs.

A study of the value of money over time will lead to a discussion on the discounting of money, which is an integral part of most investment appraisal techniques. Different techniques will be introduced and their applicability to port investments discussed.

During these lectures the participants will also learn about the use of personal computers and standard software as well as in specialised edp applications for cost management and cost control.

- *EDP-Support in Terminal Operations*

Modern port management and operations today depend to a great extent on edp support, not only in accounting, but also in documentation processing, terminal operations and international data exchange.

The participants will receive a thorough grounding in the general aspects of data processing, before being confronted with a multitude of computer applications in a modern sea port.

- *Engineering Aspects of Cargo Handling Equipment*

Modern port terminals are highly mechanised and, therefore, very capital intensive. In order to guarantee a satisfactory level of equipment availability effective and comprehensive maintenance and repair systems must be employed.

The participants will be introduced to several such systems and will learn the contributions these systems make to overall terminal efficiency. They will also have the opportunity to identify the role of a proper spare parts procurement and stocking system.

- *Port Safety and Environmental Protection*

Port safety is a vital subject and area of concern for every port management. It concerns first and foremost the protection of human life but also the safeguard of port installations, port equipment and the environment.

The participants will be acquainted with many aspects of port safety in order that they can draw their own conclusions for the work in the port of Baku.

Training in Marketing

A very important aspect of the transition to market economic conditions concerns the new relationship between the port and its customers. This relationship needs to be defined from a service sector point of view and placed on sound commercial footing. Therefore, knowledge of marketing of port and transport services in a national and international perspective is an urgent requirement for the future profitability of the port of Baku.

As this is a subject area that has hardly been addressed under the former system it is of paramount importance that a large number of personnel receive an introduction to the range and scope of marketing activities.

During this training interventions it will not only be necessary to present factual marketing knowledge to the participants but, as a matter of even greater urgency, to instill into them the kind of service attitude and customer responsiveness that is necessary in modern service organisations.

The individual training seminars offered under this programme shall at one hand satisfy the most urgent and pressing needs of the port and other organisations engaged in international commodity exchanges and transport but also form part of a more comprehensive stream of study. The following topics could be presented as seminars within the marketing stream:

- *Introduction to Marketing Management*
This is an introductory programme for participants new to marketing management. It will especially appeal to non-marketing personnel who want a better understanding of marketing and how it effects their daily operations. This seminar will aim to present a broad understanding of marketing as practised in the port, shipping and transport markets.

- *Marketing Plan*

This program will give knowledge of the process of marketing planning and the necessary skills required to enable the participants to prepare their own strategic marketing plans or to ensure that others do it efficiently

- *Marketing for Transport Business*
This seminar will be for personnel who seek to learn more about the concepts, approaches and special challenges relevant to international transportation, shipping and the port industry.

- *Strategic Marketing Management*
This seminar will give the participants the opportunity to enhance their existing marketing skills and to update their knowledge on the latest concepts and approaches to marketing strategy and competitor analysis. It will be designed in such a way that it provides a forum for the participants to compare their own experiences with those of colleagues of other transport related organisations.

- *Directing Sales Operation*
This seminar is designed to develop the participants' practical skills and concepts to improve their effectiveness in their sales operations. It will also enable them to better manage the organisation's key customers.

- *Commercial Negotiation Skills*
This seminar will place emphasis on the development of practical skills in achieving improved negotiation outcomes. It will provide a greater understanding of the principals and techniques for effective negotiation.

- *Marketing Strategies and Information Technology*
This seminar will introduce to the participants, who will come from the marketing as well as the communications fields, the advantages that can be derived when marketing and communication technology are intelligently combined.

Training in International Forwarding

International Forwarding is a very involved and complicate process. Within the scope of this project, it will not be possible to train participants to a level of professional competence consumerate with the requirements for international freight forwarders. Therefore, the training interventions under this heading can only give an introduction to international forwarding in general and then address very specific subjects in the context of the requirements of the port of Baku.

Within one to three days seminars topics that satisfy the most urgent and pressing needs of the port and other organisations will be addressed. The following topics could be presented as seminars within the international forwarding stream:

- *Introduction to International Freight Forwarding*
This is an introductory programme for participants without prior knowledge and results in a better understanding of international freight forwarding and how it effects the daily operations of the port, the shipping and the transport industries. The seminar aims at developing a broad understanding of international freight forwarding as it is practised worldwide and as it is effecting operations in the region.
- *International Aspects of Freight Forwarding*
This seminar will give knowledge of the legal requirements for foreign trade, international sale and purchase, international contracts as well as arbitration and litigation. It will give the participants a general overview of the subject matter and develop their sensibility for possible pitfalls. It will also introduce international and multilateral organisations concerned with trade and freight forwarding and their specific roles.
- *Financing, Credit and Payment*
This seminar will address the most important topics concerning financing of imports and exports including guarantees and bonds, international credit regulations and the influence of the international currency market on trade relationships. A further topic is an introduction to international banking as well as the regulations and the practices of documentary credits.
- **The INCOTERMS**
This seminar give the participants a thorough introduction and grounding in the INCOTERMS, their requirements and their application in international trade. Important clauses will be discussed and areas sensitive to interpretation will be identified.
- *Transport Insurance*
This seminar will introduce international transport and storage insurance, discuss some of the important insurance contract clauses, talk about average in shipping and the role insurance companies and P & I Clubs play. A discussion on cargo damage prevention and claim submittance will be included.
- *International Road Transport; International Rail Transport; Shipping; Air Transport; Inland Waterway Transport*
Every mode of transport will be treated in a separate lecture. The characteristics of the modes will be presented. Their role in the international commodity exchange especially as it concerns the port of Baku will be discussed with the participants.

The seminar aims at developing in the participants a broader view of the transport industry as a whole, especially the interlinkages and interrelationships as well as possible areas of cooperation and of competition.

- *Documentation and Communication*

This seminar will place emphasis on the introduction of all major documentary requirements at the European and international scene. It will provide a greater understanding of the principles and techniques for better documentation, the necessity for simplification and the importance correctly and timely processed documents have on the efficiency of the entire transport chain. This seminar will also show how important reliable and efficient international communication systems are as the backbone of modern commodity exchanges and trade links.

Training in Logistics Systems

Logistics Systems play an ever increasing role in modern trade and transport. The competitiveness of many industries depends on efficient and effective logistics systems. This requirement effects all parts of the transport chain, especially, in the context of international transport, the port interface. Many ports in Western Europe have taken advantage of this fact and successfully offered additional services to importers and exporters by taking over and executing some of these organisations' logistics activities.

A knowledge of the working of logistics systems and their influence on the total operations of manufacturing industry, as well as the associated service requirements are an important knowledge for port and transport managers when designing their operations and new services. Also, it will enable them to investigate and possibly successful offer additional services based in the port, using port resources and port experience. This has been an important aspect in many Western European ports, especially in view of the pressure to reduce staff members due to an increase in automation and mechanisation on one hand and the demand for a guarantee for job security by labour and their representatives on the other hand.

As logitsic systems are not very well advanced in Azerbaijan yet, logistics knowledge and experience could place the port in a comparatively advantageous position enabling it to attract additional logistics activities into the port.

The foreign training experts will offer under this programme short, introductory seminars on logistics design and operations:

- *Introduction to Logistics*
This is an introductory programme for participants new to logistics managements. It aims at presenting a broad understanding of logistics as practised worldwide. It will enable the participants to identify possible futures contributions to logistics systems.
- *Warehousing and Logistics*
This seminar will give knowledge of the warehousing process and how it integrates with logistics systems. Special features of logistics chains like "just-in-time" or "zero stock" will be discussed with the participants.
- *Logistics and Information Technology*
This seminar will introduce to the participants the important role communication technology and data processing play in the development of efficient logistisc chains.
- *The Role of Intermodal Transport and Logistics*
This seminar will introduce the participants to the development of international and intermodal freight transport and the key role it plays today in the international commodity exchange. It will introduce the container concept, types of intermodal movements, intermodal through carriage documents, liability rules and documentation facilitation as well as marketing in intermodal transport.
- *Providers of Logistical Services*
This seminar will place emphasis on the development of logistical services by different providers, i.e. warehouse operators, freight forwarders, transport operators and specialized logistics companies. It should enable the participants to define possible future roles for their organisation in the development and establishment of logistisc chains.

Training of future trainers

The training courses that need more regular delivery and frequent repetition will be developed to be included in the personnel development plan of the port of Baku.

One special task to be executed concerns the training of a trainer team.

Untill now, it appears that training in the port of Baku has been executed by the operations staff in case of need, e.g. to train dockers in the use of new

equipment. The training centre in the port is only used for teaching of new employees in operations. Teaching material is rather old fashioned and worn, new didactic and pedagogical means are not applied. The teaching style practised under the old system as well as the curriculum design and the presentation of lessons, that was based on strict hierarchical orders do not fit modern requirements in adult education.

Adult education under this project has to move away from a pure and formalistic presentation of factual knowledge towards a participative training situation where different concepts are introduced, discussed, challenged, and accepted or refused for implementation by the participants. The programme must aim at changing the participants' attitude towards work, improve their motivation and commitment, develop their decision-making capabilities as well as their sense of responsibility, and make them clearly aware of their position in the organisation, the role they perform therein, and how their actions and decisions effect their superiors, colleagues, staff and the success of the organisation as a whole.

This necessitates that the trainers in the port of Baku who will participate in future in the training for the port will need some instruction in modern didactics and pedagogic methods for adult education.

Additionally, they will through participation in the above described training courses themselves experience modern didactical methods.

3.3.3.6.3 Training for Lower Management Level and Port's Personnel

The courses are normally of shorter duration, of a practical nature, highly participative and in the main aim at the improvement of work habits or motivation of efficiency.

They shall familiarize the participants with new management attitudes and working methods, applied under the conditions of market economy. Thus they will be able to support the upper management in introducing new working behaviour and procedures and not hinder the implementation of new systems. Furthermore, on-the-job-training will acquaint the port's personnel with changes in the operational and financial procedures.

In the beginning of the project the training will also serve to rapidly improve basic knowledge in certain sensitive areas that were underdeveloped or neglected by the previous regime (i.e. brief introductions to market economic relationships, financial management, personnel management etc.) but at a later stage they mainly serve to strengthen the training-on-the-job.

The managers and personnel shall gain a general understanding of management techniques and new working methods. Therefore for them training courses in general management, marketing, logistics and freight forwarding as described above are also of great value.

Additionally to the already described programmes the participants will receive some more information on questions of cargo handling and maintenance and repair. Also, the training-on-the-job will be of importance. The consultants working in the port of Baku will support the introduction of more efficient working methods and practise together with their counterparts their practical introduction. Thus the participants of training courses will have the opportunity to experience the new work procedures and can get advise by the consultants.

General Cargo and Multi-Purpose Terminal Operations

Instruction under this heading consists of lectures in general cargo handling and multi-purpose terminal operations.

The participants will be introduced to advanced cargo handling as applied in modern international seaport and get acquainted with cargo handling techniques of different technological levels, from traditional to advanced. The efficient use of men, machinery and cargo handling gear for different cargoes and on different type of vessels will be explained in detail.

Work on the quay and in the shed will also be introduced, especially shed supervision, tallying and record-keeping.

The topics include all activities necessary for the handling of general cargo and dangerous goods.

Ferry and Passenger Handling

The management of ferry and passenger is different from normal operations management. The transport modes involved - passenger and cargo ferries, as well as the different cargoes involved require constant attention, punctuality, reliability, friendliness and consideration, and a high service quality.

During the training sessions special attention will be paid to the necessity of close coordination and communication between all parties involved, to the service requirements of passengers and vessels, and to the marketing aspects of attracting ferry and ro-ro vessels. The operational as well as the managerial aspects will be discussed.

Dry and Liquid Bulk Handling

After a discussion of the development of the dry bulk trades, of the trading volumes and of the resulting development of vessel sizes, the major traditional bulk and neo-bulk commodities will be introduced. Thereafter, the different trading and shipping arrangements will be mentioned and, especially, their influence on bulk port operations. This leads to a discussion of the technological characteristics of different types of dry bulk vessels.

Different dry bulk commodities require different terminal layouts and different storage arrangements. These aspects will be introduced in a general way first and then developed towards the specific requirements of the port of Baku. An introduction of different mechanical bulk handling equipment for discharging and stacking, and for reclaiming and delivering will follow, including quantity estimation and control, and edp assistance in handling and storage. Aspects of monitoring and control of productivity as well as quality control of the handled commodities will conclude this topic.

A discussion on the technological characteristics of different types of tanker vessels will introduce the next topic. Thereafter, the difference between the major groups of liquid bulk commodities will be explained in detail, especially in the context of their demands on terminal installations and operations procedures.

Liquid bulk terminals differ in the characteristics of their tanker jetties, their tank farm layout and their pumping and conveying arrangements. Different terminal configurations will be investigated in view of efficiency and safety. As good tank terminal operations depend on efficient and effective procedures, the requirements for checking, sampling and quality control, for quantity estimation and control, for contamination prevention and for environmental protection will be discussed.

3.3.3.6.4 Study Trip for Senior Managers

Target Audiences

The five participants shall be selected from the Baku port management. Nominated should be senior managers from the economics, commercial operations and technical departments. The consultants will gladly offer their advice and services to the selection process, should the management want to avail itself thereof.

The participants shall be from upper management, have a good academic background, some years of relevant professional experience and are seen as belonging to the group of decision makers that will propel the Baku International Commercial Sea Port into the future.

It would be a major advantage, if they possessed a working knowledge of English, the language of the international transport sector - this, besides the fact that each group of five managers will be accompanied by a Russian speaking training expert and, when appropriate, a competent and qualified interpreter will be provided.

Objectives

The programme will give the participants comprehensive insight into all aspects of port management in West European sea ports.

Within the study tour a holistic approach towards port management will be chosen. The programme will give the participants a comprehensive introduction into the organisational structures of ports. The port managers will gain insight into the division of tasks between the public and the private

sector and acquaint themselves with the different ways in which infrastructure and suprastructure in ports is planned and financed.

The participants will familiarize themselves with different aspects and levels of planning, e.g. strategic port planning, investment planning, and financial planning in ports. Also they will be introduced to efficient working relationships between private port enterprises and the port authority.

Another important aspect in effective port management is the exchange of information inside the port between different port sections as well as between port and the other parties involved in maritime transport. It will be demonstrated that only the quick and uncomplicated exchange of information and the early availability of data ensure thorough and valid documentation and are thus an essential prerequisite of undisturbed cargo flow and smooth operation. Availability of data is also an important feature of a functioning accounting system and effective and rational cost control. Therefore the participants of the study tour will be familiarised with edp- and edi-systems and the overall organisation of exchange of information. A major focus of the programme will be on the edp-systems used in financial and commercial departments. In addition the participants shall understand the output of a client-orientated marketing policy. They shall be aware of the fact that it is the market that determines the traffic and the cargo flow in West Europe, and not political decisions that steer the demand. The managers from Baku port will gain insight into tariff policy as one marketing instrument of ports and understand the implications of tariff and marketing policy for the successful work of the port.

Finally the participants shall build an awareness of the importance of personnel policy. They will understand that the decisive factor of success is well trained and skilled personnel and will familiarize themselves with personnel development and training systems applied in West European ports.

The study tour shall enable the participants to

- understand systems applied in Western Europe
- adapt them to conditions in Baku and implement them in the port and
- work effectively with European counterparts.

Methodology

In order to present a broad overview of European ports a study tour to various West in European ports will be conducted. In view of the seniority of the participants a highly practice-orientated approach is chosen.

Only in rare cases will the lectures be given in the traditional style, i.e. by verbal presentation of the lecturer and passive listening by the participants. Rather a free exchange of opinions and experiences will be stimulated after an organisation or a subject area has been introduced by the lecturer in a short and concise manner. All visits and presentations will be highly participative and demand from the participants constant attention, a willingness to take part in deliberations, open mindedness to new concepts and the readiness for critical but positive discussions.

During the study tour the participants will gain insight into basic administrative procedures in the West European port sector. They will be introduced to the the organisational structures of ports in discussions with leading executives and managers and by site visits to financial departments.

The site visits will develop the participants' sense of reasoning to identify in differently structured organisations, the fundamental technical and organisational requirements that are universal for efficient management and operations in the international port sector. Additionally, the participants will get first-hand information on the profit/ cost centre and controlling systems established in most European ports.

The visits will be organised in such a way that always sufficient briefing time is available and the participants can prepare for the discussions. During the visits the participants will discuss with practitioners and experts practical experience concerning management, marketing, financial and development aspects, short-term and long-term planning as well as the financing of investment, particularly with a view towards the unique tasks and responsibilities of management.

An important feature of this programme is that during the entire course time a Russian-speaking port training expert will permanently accompany the

group. He will always be at hand to guide the flow of information in quality and quantity in the interest of the participants. In discussions this programme director will be able to point out important aspects and to correct misunderstandings.

He will

- have permanent contact with the participants and guide them through work and life in the visited countries
- conduct and supervies tutorials, workshop session, presentations and site visits
- supervise regularly and formally the course and secure follow-up and feed-back of experience
- liaise with all organisations and institutions involved
- coordinate all training events
- assist the participants in understanding and mitigating any social and cultural difficulties they might encounter
- report regularly and in the requested manner to the Contracting Authority

After the discussions and visits of the study tour the participants will possess a deeper understanding of the port sector in Europe. This understanding should have a positive effect on their later work back home.

The travels within the study tour will be done by minibus. Thus, a maximum of flexibility and mobility can be achieved without being dependent on public transport.

Contents/ programme

Within the study tour four EU-countries are proposed to be visited:

Germany
Denmark
England
The Netherlands

The countries and ports are chosen with regard to the different legal framework defining the conditions under which the ports work.

The study tour for senior managers from the port of Baku in Europe will comprise the following locations:

Basic location as well as point of commence and end of the tour will be Hamburg. In Hamburg, organisation of a municipal port and the work of private port operators with special regard to port planning aspects will be presented to the participants through visits to port companies and lectures.

From Hamburg the tour proceeds to Aarhus, where the organisational structure of the port as well as questions of ownership will be explained.

In England the Ports of Felixstowe and Tilbury as examples for private ports will be visited.

All ports will be visited to demonstrate the participants the impacts of the legal structure governing the work of the ports and to point out the universal aspects of management in ports, regardless of the different structures of the ports.

The study tour will end with a training session in Hamburg, where a final discussion about the organisation port sector in Europe will take place, taking into account the new knowledge and experiences of the participants. Also a final evaluation of the study tour will be conducted.

Course outline

Date	Port
Sunday	Arrival in Hamburg
Monday	<p>The port of Hamburg</p> <ul style="list-style-type: none"> - Introduction to the organisational structure of the port of Hamburg: <ul style="list-style-type: none"> - The sharing of responsibility between the public and the private sector, with special regard to the planning and financing of port infra- and suprastructure - Basic information about strategic port and terminal planning - Introduction of accounting and cost control systems in port companies - Personnel training and human resources development - Port marketing: explanation of the marketing of the port of Hamburg and of private port operators - Visits to private port operators and stevedoring companies
Tuesday	<p>Transfer to Aarhus, Denmark</p> <p>The port of Aarhus</p> <ul style="list-style-type: none"> - The organisational structure of the port - Questions of ownership - Controlling systems in the port - Port marketing

Date	Port
Wednesday	<p>Arrival in Harwich, England</p> <p>The port of Felixstowe</p> <ul style="list-style-type: none"> - Legal Framework - The administrative structure of the port, with regard to financial and management responsibility for infra- and superstructure investments - Medium and longterm planning <p>Transfer to London</p>
Thursday	<p>Transfer to Tilbury</p> <p>The port of Tilbury</p> <ul style="list-style-type: none"> - The privatisation of the port and its impact for investment and financial planning - The organisational structure of the port and the structure of the financial department - EDP-systems used in the port - Port marketing - Human resources development
	<p>Transfer from Harwich to Hoek van Holland</p> <p>The port of Rotterdam</p> <ul style="list-style-type: none"> - Division of tasks between public and private sector - Port development and planning and financing of infrastructure and superstructure investment - The private companies: accounting and controlling systems, planning and financing of superstructure investments - Training of port personnel and management
Saturday	To the participants free disposal
Sunday	Transfer from Rotterdam to Hamburg

Date	Port
Monday	<p>The ports of Bremen and Bremerhaven</p> <ul style="list-style-type: none"> - Organisational and administrative structure of the port - The management organisation regarding strategic and investment planning - Accounting systems - Relations between the port authority and private operators - Planning and financial justification of infrastructure and suprastructure - The personnel development system in the port
Tuesday	<p>The port of Hamburg</p> <ul style="list-style-type: none"> - Summary of topics which have been covered during the study tour - Round table discussion between the participants and representatives from port companies and administration - Evaluation of the seminar
Wednesday	Departure of the delegation

3.3.3.7 Home Office Support

Backstopping Requirements

3.3.3.7.1 Responsibilities

The Project Director within HPTI will be responsible for overall conceptual and technical support and management of the project. This will enable the tasks assigned by the client to be implemented as efficiently as possible. The Project Director's duties will involve:

- development and harmonization of the consultancy approach in close collaboration with the Client
- coordination of management and evaluation activities

- assessment and appraisal of technical experience gained during the course of the project
- the execution of special tasks relevant to the project (task-force principle)
- the coordination of activities involving the use of expert knowledge drawn from HHLA Hamburger Hafen- und Lagerhaus AG, Uniconsult Universal Transport Consulting GmbH, HPTI Hamburg Port Training Institute, RECON S.A. and other independent institutions.

In addition the head of each relevant department within HPTI and Uniconsult will assume responsibility for the best possible support within his own area of expertise and will also perform the corresponding higher co-ordination functions.

3.3.3.7.2 The Need for Support

Multi-disciplinary teams in the field make precise demands on both the head office project management and support groups.

For the purposes of the project it will be necessary to draw up plans detailing a communications system capable of transmitting know-how between the domestic headquarters and the project team. The system must be responsive but should not lead to excessive outside control, so that the expert on-the-spot can count on quick and effective support from head office on all matters relating to project execution. In addition to this the support functions should be efficiently organized to permit a structured "feedback" of information to the overall benefit of the project.

3.3.3.7.3 Support Tasks

It can safely be assumed that no special form of technical preparation in Germany will be required for the experts who are recommended for the project.

The major support tasks that will be carried out by head office during the implementation of the project are as follows:

- speedy and efficient processing of technical questions raised by experts in the field and the taking of necessary measures in Germany (reactive backstopping)
- technical support of the staff on site through the transmission of relevant information and experience gained from other related projects (active backstopping). This will also involve the communication of methodological suggestions and ideas for solving problems which have already worked successfully elsewhere.
- evaluation and "feedback" of experience gained from the planning, implementation and control of consulting services in the fields of operations and training in general
- administrative and logistical support to project staff in the field
- the safeguarding, implementation and achievement of the objectives derived from the Logical Framework System and TOR
- orientation and support during the field visits
- ensuring that the Client is kept regularly informed of all relevant progress and developments.

Visits by head office staff to experts in the field have proved very effective and are an essential requirement of the project. Their main purposes are as follows:

- discussion of current questions relating to the cooperation with various institutions related to the project in Azerbaijan
- clarification of strategic and operational matters
- dealing directly with backstopping questions of a technical and administrative nature
- dealing with any personal matters relating to the project staff.

The Consultants have scheduled two such visits during the execution

phase to be made by the responsible Project Director from HPTI headquarters which should be sufficient for achieving the purposes mentioned above.

The Consultants attach great importance to the staff training and development. For this reason the support team will do their best to ensure that all important documents, relevant project information, publications and the like are passed on to the respective counterparts.

It is also both useful and necessary for the experience and results obtained during the course of the project to be systematically discussed and evaluated during and after the completion of work in the field. This task should be implemented by the experts and their counterparts involved in close cooperation with the support team of the head offices in Germany.

An experienced multi-disciplinary team of specialists is available in the Consultants' headquarters to ensure that the project is efficiently supported. Where necessary outside specialists experience from associated firms and institutions will be available to this team.

The full time staff at the Consultants' head office have between them many years of consultancy experience. Company's policies contributes to a constant extension of this experience in the following ways:

- rotation of regular staff between head offices and project work on site. This involvement ensures that personnel are constantly exposed to practical problems and their solution
- integration of experts into head office departments on completion of assignments overseas
- evaluation of particular experience gained during project work via an in-house reporting procedure
- close inter-disciplinary co-operation between head office departments
- training seminars and the exchange of technical experience in various subjects

- continual up-dating of all documentation.

The headquarters' staff also monitor closely innovations made internationally with regard to new project initiatives. They support the project team in the use of new technology and the improvement of project management techniques.

The Consultants also make qualified and experienced personnel available for technical consultancy in Europe and in developing countries for the solution of special problems. The companies are maintaining close contacts with various specialized technical consultants who can help to form work groups when necessary. In addition, when called for, the close working relationship with numerous independent technical and research institutions provide an effective addition to the Consultants's own resources.

The Consultants maintain a comprehensive documentation centre which is constantly updated with:

- economic and technical studies
- reports on experience gained in other projects
- information on development studies especially related to Eastern European countries.

The support of projects in the field of port operations and training consulting over many years has led to the development of a reference library of publications, handbooks, manuals and reports dealing with specific projects and problems. This assists effective project management and back-up.

Personal support for experts in the field is also considered important as the success of a project depends not only on their technical qualifications and experience but also on their motivation and readiness to work.

3.3.3.7.4 Cooperation with the Port of Baku

Projects in the field of port and manpower development require close co-operation between the Consultants and the Client. The reason for this is the nature of the work to be carried out; the tasks involved require a mutual understanding of problems and objectives.

Special working and communications relationships with clearly defined functions and responsibilities are also necessary due to the complexity of the support system.

In the Consultants' view such co-operation between client and contractor will lead to improved implementation of the programme particularly in the following areas:

- conceptual organisation and consolidation of the monitoring and evaluation system
- the development of the "logical framework"
- the deployment of experts best suited to the requirements of the project
- a mutual awareness and use of sources of international, regional and local knowledge.

In addition the exchange of information will ensure that the project work is adapted to meet changing needs and conditions.

The cooperation should be achieved through clearly specified responsibilities and tasks of partners on both sides. Communication and the exchange of information will be effected via the reporting system, which will be adapted to the practical requirements of the project.

Direct channels of communication are clearly important when urgent decisions are required and will be used to provide short-term solutions to problems as and when they occur.

3.3.3.8 Local Support, Facilities and Equipment

3.3.3.8.1 Counterpart and Support Staff

During the Consultants' earlier discussions with the Client it was mentioned that in addition to its wish to have the technical assistance carried out by well qualified specialists in their responsible fields it is the aim of the Client to benefit from the Consultants' accumulated know-how not only during the active project phase but also after execution of works by improved experience and understanding of up-to-date economic planning, port operations, financial management and human resources development techniques by his own personnel.

This will be achieved by a close cooperation between selected port staff members and the project team during field work, which will lead to a transfer of both practical and theoretical know-how to the Client's personnel concerned.

For this purpose the Client will nominate suitable counterparts who shall be available for the entire project period to accompany the Consultants' experts during the various work steps and to be integrated into the work.

This input has been taken into consideration when elaborating the work and time schedules. It should, however, be noted that the counterparts' involvement will also make some contribution to the productive work insofar as it will assist in providing additional information, statistics, reports and other documents required by the team as well as for making appointment and arranging for meetings within the port and other authorities, governmental bodies and organisations.

3.3.3.8.2 Facilities and Equipment

Completely furnished office space including telephone installation shall be made available by the Client as well as telex and telefax as far as possibilities exist.

It is of great importance to the success of the project that the experts are accommodated in the port's head office building in order to have direct

access at any time to all relevant decision makers. Also, it will foster the development of "ownership" of the project within the company when the experts are seen as belonging for the time of their stay to the "office community" of the port.

The Client will assure unrestricted access to all port facilities and port areas by all team members at all times and will assist the experts in arranging meetings with relevant officials and policy- and decision-makers in Azerbaijan.

The Consultants will arrange local transport and accommodation for their team. These expenses have been calculated in the offer.

3.4 REPORTING

In line with the reporting requirements of the project the Consultants will inform the Contracting Authority about the work progress, the encountered difficulties and recommendations for solution as well as suggestions for the improvement of the project performance according to the Terms of Reference.

All reports will be submitted in English and Russian to the Port of Baku, the TACIS Unit in Brussels, the EU-Coordination Unit in Azerbaijan and the official project monitor consultant, if appointed by the EU.

Inception Report

The Inception Report will be submitted within one month after the commencement date of the services and will give an account of the circumstances marking the mobilisation of the Consultants' team and which will be likely to effect the work performance. The report will define the overall plan of operations or work plan of the project and will provide a solid basis for the further project planning. It will allow to compare the activities as planned at the project start with the achievement at the end of the project period. The Consultants will follow the instructions of the tender documents in Annex B giving the exact timing, contents, format and responsibilities of the Inception Report by using the simplified version of

the "logical framework".

Interim Reports and Final Report

The first Interim Report will be submitted after month six, the second Interim Report after month nine. The reports will comprise a description of the work performance to date, of the results of the services rendered and of the Consultants' recommendations for the future procedures.

The Draft Final Report will be submitted four weeks after the completion of the programme and will contain the final results of the project scope of work.

The Final Report will be submitted one month after receipt of the comments on the Draft Final Report by the Contracting Authority or at the end of month sixteen, if no comments have been received.

3.5 Project Schedule

The attached deployment schedule indicates the assignment of personnel.

Additional schedules indicate the individual activities for each expert. Sofar, no times have been assigned to these activities as not sufficient information about local conditions is available. These schedules will be amended and completed by the Project Planning Workshop at the commencement of the project. The completed schedules will be included in the Inception Report.

the "logical framework".

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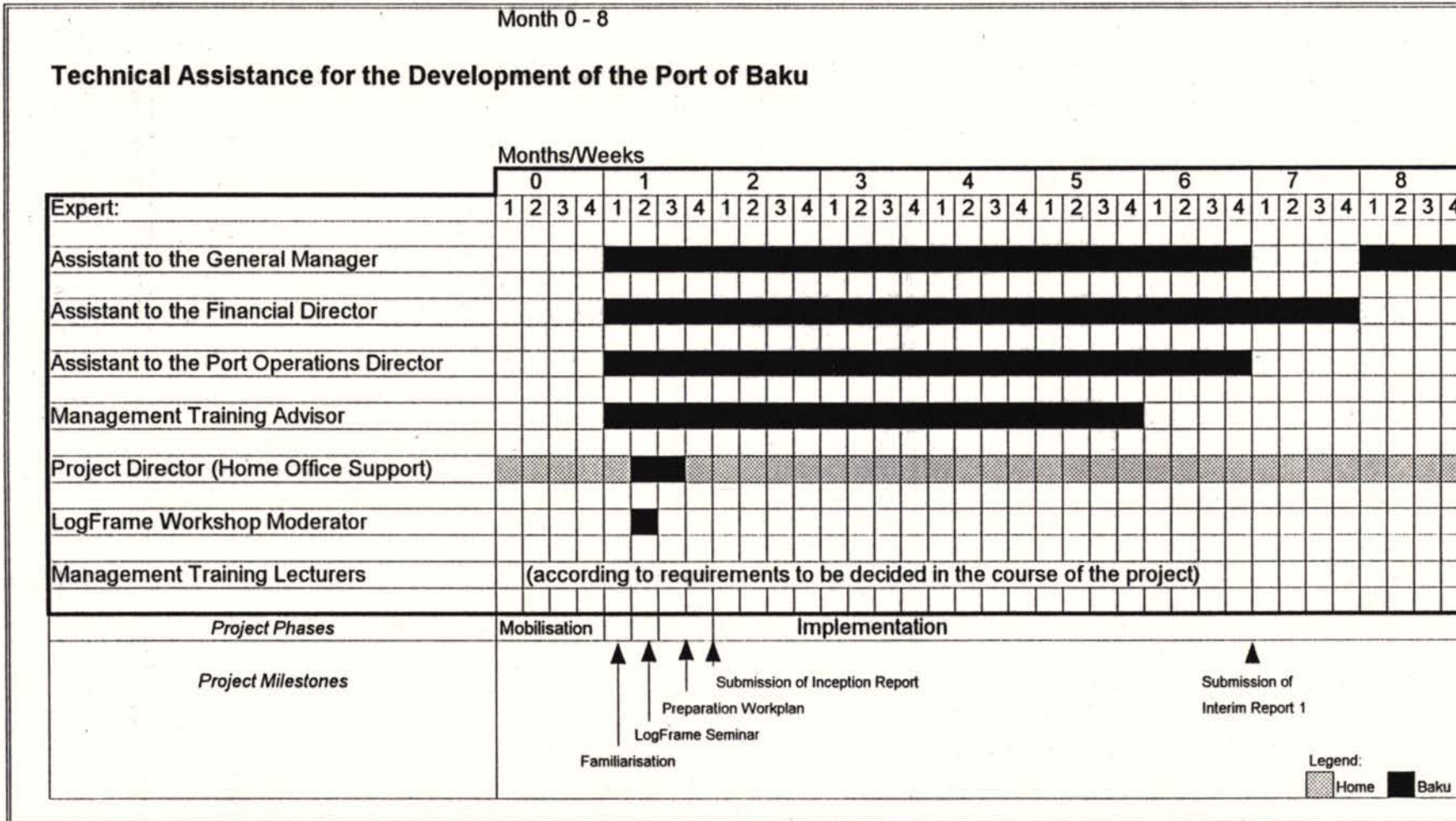
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3.5 Project Schedule

The attached deployment schedule indicates the assignment of personnel.

Additional schedules indicate the individual activities for each expert. So far, no times have been assigned to these activities as not sufficient information about local conditions is available. These schedules will be amended and completed by the Project Planning Workshop at the commencement of the project. The completed schedules will be included in the Inception Report.

3.5 Project Schedule



3.5.1 Project Schedule

Technical Assistance for the Development of the Port of Baku

	Months/Weeks															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	18
Expert: Assistant to the General Manager	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
A Strategic Plan is Developed																
Prepare economic evaluation of the country																
Evaluate the country's natural hinterland																
Identify changes in shipping and its environment																
Identify new techniques of transport																
Identify new commercial attitudes in the world towards ports																
A Medium- and Long-term Plan is Established																
Deduce from the strategic plan tasks and goals for long-term plans																
Deduce from the strategic plan tasks and goals for medium-term plans																
Obtain the government's planning guidelines																
Identify realistically possible developments																
Incorporate government's guidelines into plans																
Identify major infrastructure investments																
Identify internationally recognised assessment methods																
Justify infrastructure investments according to internationally recognised methods																
Prepare a time-phased investment plan for major infrastructure																
Institutional Changes to Attract Private Sector Investments are Supported																
Suggest to authorities modification to existing legislation																
Suggest to authorities publication of information on promotion of private investment																
Collate an information brochure for the attraction of private investment into port																
Distribute the information material locally and internationally																
A Modern Computer-Based Management Information System is Established																
Identify information needs of top management																
Identify information needs of the different departments																
Identify computer needs in the individual departments																
Identify international shipping information systems																
Design a modern computer-based management information system																
A Commercial Policy is Designed																
Identify the port's costumers																
Identify the needs of the port's costumers																
Develop a strategy for land-use																
Develop a strategy for cargo handling pricing																
Develop a strategy for port services pricing																
Develop a strategy for storage pricing																
Prepare a marketing plan																
All Investments are Properly Supervised																
Prepare tender documents																
Assist in the evaluation of offers																
Establish an investment project coordination unit																
Monitor budget complacency of investment projects																
A Consistent Relation between Operations, Accounts and Cash In- and Outflows Exist																
Monitor all accounting services																
A Financially sound Tariff Structure is Implemented																
Make a detailed analysis of the present tariff structure																
Find out government's financial expectations concerning the port																
Propose necessary changes to tariff structure																
A Decision Concerning the Establishment of a Free Port Has Been Made																
Investigate the feasibility of establishing a free port																
Prepare a proper organisational structure and operational procedures																
Design necessary regulations for government approval																
Ulaise with other government authorities in setting-up procedues																

3.5.3 Project Schedule

Technical Assistance for the Development of the Port of Baku

	Months/Weeks																																																																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
Expert: Assistant to the Port Operations Director																																																																			
Port Operations are Improved																																																																			
Analyse present port performance																																																																			
Advise on ways to improve performance of operations																																																																			
Advise on efficient berth allocation																																																																			
Assist in implementing better warehousing and storage area utilisation																																																																			
Assist in improving labour productivity																																																																			
Suggest modern work organisation																																																																			
Suggest a flexible gang structure																																																																			
Develop performance indicators																																																																			
Assist in implementing improved personnel and equipment allocation																																																																			
Monitor regularly productivity of all entities in the port																																																																			
Design an improved cargo delivery and dispatch system																																																																			
Establish a cargo information procedure with transport operators																																																																			
Maintenance is Carried out Regularly and as Required																																																																			
Conduct a condition survey on cargo handling equipment																																																																			
Identify reasons for condition deficits on cargo handling equipment																																																																			
Conduct a condition survey on civil installations																																																																			
Identify reasons for condition deficits on civil installations																																																																			
Specify repairs and necessary improvements																																																																			
Design maintenance plans and schedules																																																																			
Develop financial requirements for repairs, improvements and maintenance																																																																			
Investment Requirements in Equipment and Constructions are Defined																																																																			
Define future requirements for civil constructions																																																																			
Define future requirements for equipment																																																																			
Develop a time-based investment schedule for capital constructions and equipment																																																																			
Assist finance in establishing investment budgets																																																																			
Operational Budgets are Implemented																																																																			
Assist in the revision and redesign of present operational budgets																																																																			
Control operational budgets																																																																			
Standardized Commercially and Legally Sound Handling Contracts are Concluded																																																																			
Develop and propose standardised commercial contracts																																																																			
Design a standard contract conclusion procedure																																																																			
Design a system of transforming contractual obligations into operational directives																																																																			
Design a contract performance control system																																																																			
Assist finance in the profitability control of contracts																																																																			

3.5.4 Project Schedule

Technical Assistance for the Development of the Port of Baku

	Months/Weeks																																																																											
	1				2				3				4				5				6				7				8				9				10				11				12				13				14				15				16															
Expert: Management Training Advisor	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Training Needs for Management are Assessed																																																																												
Conduct a manpower audit																																																																												
Deduce from the strategic plan the future demands on management																																																																												
Identify new skills necessary to fulfill the future demands on management																																																																												
Management Training Programmes are Set-up																																																																												
Design training programmes																																																																												
Identify possible training venues																																																																												
Engage trainers																																																																												
Arrange training locations and related logistic facilities																																																																												
Lead and supervise training sessions																																																																												
Conclude and fine-tune future programmes																																																																												
Measure the effect of implemented training programmes																																																																												
Inhouse Trainers are Trained and Available																																																																												
Identify personnel with potential and willingness to become trainers																																																																												
Design training programmes for inhouse trainers																																																																												
Establish a training budget																																																																												
Train inhouse trainers																																																																												
Human Resources Development Function is Established																																																																												
Design a proper organisational structure for a human resources department																																																																												
Develop a scheme of permanent training and formation																																																																												
Establish budget guidelines for human resources development																																																																												

Annex C: Presentation of Consultants and Staff

4.1

Qualifications and Experience of Experts Proposed

4.1.1

Introduction of the Individual Experts

4. ANNEX C: PRESENTATION OF CONSULTANTS AND STAFF

4.1 QUALIFICATIONS AND EXPERIENCE OF EXPERTS PROPOSED

4.1.1 Introduction of the Individual Experts

4.1.1.1 Assistant to the General Manager of Seaport Authority

For the position of the Assistant to the General Manager of the Seaport Authority we propose **Dr. Karl Nehls**.

Dr. Karl Nehls is 56 years old, holds a Master degree in Science and Economy, a post-graduate Diploma in Maritime Transport Economics and a Doctorate in Economics. He has spent all his working life in the maritime and shipping industries, working in different capacities in governmental institutions, shipping agencies, shipping lines and ports. For several years, he represented German shipping interests in Moscow.

In recent years he has worked in different capacities as a consultant and an adviser to organisations and companies in several east European countries, advising them especially on privatization and organisational restructuring according to the demands of market economic economies.

For instance, he advised the port of Murmansk in the privatisation process including the reorganisation of infra- and suprastructure, the new requirements for economic and legal documentation within the process of privatisation, education of staff and organising of training courses in the field of market economics, foundation of enterprises, financing and controlling. He also advised the ports authority and the different privatised enterprises of the port in the reorganisation of management processes as well as in marketing and in the acquisition of new cargo flows. More recently, he has acted as the assistant to the port director of the port of Kleipeda in Lithuania. Within a PHARE project he advised and assisted in all matters concerning the commercial and organisational restructuring of the port. The tasks and duties of that project resemble in many ways the anticipated tasks and duties of the technical assistance to the Port of Baku. Dr. Nehls, thus, brings with him considerable experience from a just recently completed project of a very similar nature to the project in hand.

Dr. Nehls speaks **fluently Russian** and has consulted and negotiated in that language for many years.

From his professional background and his recent experience as well as from his personal composition, we believe that Dr. Nehls is the ideal candidate to fill the position as Assistant to the General Manager of Baku Port. We are confident that he will be able to perform the tasks entrusted on him in an efficient manner to the entire satisfaction of the Director General of the Port of Baku and the European Commission.

4.1.1.2 Assistant to the Financial Director

For the position of the Assistant to the Financial Director and Payment Scheme Adviser we propose **Mr Hartmut Schaale**.

Mr Hartmut Schaale is 54 years old and has a Master of Business Administration. He underwent extensive postgraduate training within a private investment bank in several of their European subsidiaries. During his professional life he gained extensive experience in financial management, analytical accounting, controlling as well as strategic budget planning operations. He has held various top level positions in shipping and in the ports industry.

Additionally, through long-term assignments in overseas projects, he has gained valuable experience in designing and implementing of financial management and cost accounting systems in organisations where these functions were underdeveloped or non-existent.

He was the Financial Expert within the TACIS programme "Developing of the Caspian Shipping Company". There, he gained very intensive insights into the structure and the operation of the finance and accounting functions as practised in Azerbaijan and in the Caspian Shipping Company especially. Since the Port of Baku has been a part of the Caspian Shipping Company until the beginning of this year, Mr Schaale is already well acquainted with the financial and accounting system of Baku port. This knowledge and experience will bear positively on his work.

As Mr Schaale speaks neither Russian nor Azery, we will deploy an

interpreter for his assistance. Our investigations in Baku have shown that some of the financial management information is in Russian and some in Azery language. Therefore, translating services from or into one or the other language would be required anyhow. We believe that the lack of language knowledge does not negatively affect Mr Schaale's work performance.

4.1.1.3 Assistant to the Port Operations Director

For the position as the Assistant to the Port Operations Director we propose **Capt. Friedrich Clauss**.

Capt. Friedrich Clauss is 48 years of age, holds a certificate of competency as Master Mariner Foreign Going and a Master degree in Economics.

He has an extensive professional experience in the shipping and transport industries, specializing in cargo handling operations and in transport and container logistics as well as in economic analysis of multi-modal transport chains. Before working as a consultant, he held management positions with a major shipping line, a shipyard and an international transport company. Capt. Clauss has worked on projects in many countries worldwide, especially in the fields of improving port operations, assisting in the re-organisation of port companies, establishing container terminal operations, designing and implementing multi-modal transport operations as well as developing strategic and masterplans for ports.

Recently he has been the project director of a technical assistance project for the rehabilitation and the development of the Georgian Ports of Poti and Batumi. As the Georgian ports are the opposite "bridgeheads" to Baku on a land corridor, the experience he gained in that project will bear positively on the work in Baku. Transshipment and land bridge operations will become a major facet of the operations of Baku Port and the contacts Capt. Clauss made in his last project could be of great value when expanding customer base of Baku Port.

Next to the port project in Georgia Capt. Clauss has been involved in other port projects in eastern European countries, too.

As Capt. Clauss neither speaks Russian nor Azery, we will deploy an interpreter for his assistance. We believe that the lack of language knowledge does not negatively affect Capt. Clauss's work performance.

We are confident, that his extensive professional knowledge, his unquestionable personal integrity, his intercultural abilities and his marketing skills will guarantee that Capt. Clauss will execute the tasks entrusted on him efficiently, effectively and to the entire satisfaction of the port management and the European commission.

4.1.1.4 Management Training Adviser

For the position as Management Training Adviser we propose **Ms Helga Wagner**.

Ms Wagner is 30 years of age and holds a Master Degree in Slavistic Languages and National Economics. For several years she has worked in the field of training and adult education in the ports and shipping sector. Her main duties have been the conceptualisation, management and organisation of training courses and manpower development programmes for port, shipping and transport experts from eastern European countries. Additionally, she has been involved in manpower audits and the design of training schemes as well as in organisational development projects. She has worked on location in Russia and has visited Azerbaijan on two occasions in the connection with the Caspian Shipping Company project.

Recently, she has been the Project Director in charge of the training component of the TACIS Caspian Shipping Company Development Project.

Ms Wagner is also a training expert and conducts management training sessions in the fields of marketing, leadership, personal development, project planning, train the trainer and communication.

Ms Wagner speaks **fluently Russian** and has conducted training in that language. The consultants believe that Ms Wagner's professional experience, especially with participants from eastern European countries, are perfectly matched to the most urgent requirements of the management training adviser in Baku are perfectly matched. We further believe that she

has the professional capability and the personal composition to design, plan and conduct training courses according to the needs of the organisation, in an efficient, acceptable and goal oriented manner.

4.1.1.5 Backstopping Support Experts

Additionally to the four experts introduced above, there will be home office support for the experts in the field. This support will be given by **Dr. Tzoannos and Capt. Wolfhard H Arlt.**

Professor Tzoannos has intensive experience in the organisation of vocational training courses in the areas of general management, finance, marketing, computer science for participants from different nationalities as well as in conducting academic courses for university graduates.

Capt. Wolfhard H Arlt will act as the Project Director and be responsible for the project in the home office. He is the Managing Director of HPTI Hamburg Port Training Institute GmbH and has extensive experience in shipping, transport and port affairs. Next to training and manpower development matters his professional experiences include institutional development in ports, shipping and transport industries, port operations and organisation, transport economics, strategic and port master planning, marketing in the port and shipping fields, corporate planning, general management and logistics. He gained his professional experience in active participation in numerous consulting projects worldwide. In an advisory capacity he has visited several ports in eastern European countries in recent times.

4.1.2 Calibre of Lecturers

We are proposing a pool of qualified lecturers and training experts to satisfy the demand for training in all mentioned subject specialisations. Depending on the outcome of the assessment of training needs it is planned that suitable persons introduced hereunder will actively participate in the project, other experts will be added on demand:

- **Dr. Klaus Wilkens; *Senior Lecturer in Accountancy and Financial Management***

Dr. Wilkens lectures at the University of Hamburg, where he heads the Financial Management Section in the Faculty of Economics. During his distinguished career he has advised many firms and administrations in designing and implementing advanced accountancy and financial management systems. Due to his very practical approach he has been invited to give seminars and training courses to a wide range of middle and senior management personnel. He has developed considerable expertise in the ports and transport industries and lectures widely on HPTI management programmes, both in Hamburg and on location. He lectured financial management, cost accounting and cost-benefit-analysis at all management courses for inland waterway port personnel and also counselled financial management staff in St. Petersburg.

Dr. Wilkens will hold all lectures concerning financial management, accounting and investment.

- **Britta Sommer; *EDP-Consultant and Computer Application Expert***

Ms. Sommer disposes of 5 years of professional experience in informatics and system analysis with special emphasis on the sector of maritime container transport (including forwarding). One focus of her professional work is the design and implementation of cargo and cost control systems. In

took part in the development and implementation of a PC-based Port Management System. Mr Jørgensen has undertaken various site supervisions and has successfully passed his knowledge during several training programmes. Being the former head of a planning and financial group within DSB, he is also well aware of the cost related side of harbour construction.

Mr. Jørgensen's lectures will cover the field of asset requirements.

Dr. Jürgen Sorgenfrei; Senior Consultant and Department Manager

During his professional career as transport economist and scientific analyst, Dr. Sorgenfrei has conducted and participated in the elaboration of various port and transport studies with special reference to competitiveness of ports and transport enterprises, scenario forecasting, free port/free zone affairs, privatisation of port functions, managerial efficiency and operational links in transport chains. He gained a vast experience in sea-going trade and in the development and implementation of port organisation structures and management of sea transport systems as well as in related methods and procedures of cargo handling and computer-aided operational procedures. He also participated in and supervised several consultancy assignments that were concerned with inland ports and inland waterways. He held positions as lecturer, team leader, senior project manager and as managing director of the R&D-project "ISETEC Innovative Seaport Technology". In addition, Dr. Sorgenfrei has local experience in the former USSR, in Russia, Belarus and the Ukraine.

Dr. Sorgenfrei will hold lectures concerning Strategy and Objectives and Organisational Structure

Capt. Dieter Zielberg; Managing Director of an inland Container Terminal

Capt. Zielberg has been involved in ports and shipping during all of his professional life, accumulating a wide range of international experience by establishing and managing container terminals in several countries. He manages the largest European inland container terminal in Duisburg. He has a broad knowledge in containerisation and in inland transport modes, on which he lectures frequently within HPTI management programmes.

Capt. Zielberg will hold lectures concerning Strategies and Objectives, Organisational Structure and Port Operations.

- **Dr. Klaus H. Plate; *Senior Lecturer in Management and Marketing***
Dr. Plate is a lecturer at the Hamburg University for Economics and Politics. He also consults and advises firms and organisations. The scope of his lectures is on all aspects of marketing, market analysis and the design of novel, practice-orientated approaches. He has considerable expertise in the port, shipping and transport sectors and has lectured on HPTI management training programmes for some years.

- **Mervyn John; *Senior Lecturer in Transport Economics and Logistics***
Mr. John lectures at the Centre for Transport and Logistics at the Cranfield Institute of Technology in England. During his long career he has been involved in matters concerning all modes of transport and their development, both as an academic and researcher and as a consultant to numerous national and international organisations. He also lectures at the British branch of State University (USA). His present interest is in the international freight sector, especially the development of logistics and the application of information technology. He has lectured on HPTI management training programmes for some years.

- **Gerhardt Muller; *Manager of Port Technology Assessment and Lecturer in Marketing and Intermodal Transportation***
Mr. Muller works since 25 years with the Ports Authority of New York and New Jersey and lectures for more than 13 years at the City University of New York and at the Nassau Community College. His main subject is intermodal freight transportation where he also published a highly acclaimed text book. Additionally, he lectures widely at the World Maritime University, at international conferences and also at HPTI management programmes.

- **Capt. Jochen Schönfelder; *Director of Warehousing and Logistics Division***
Capt. Schönfelder heads the warehousing and logistics division of the Hamburg Port and Warehouse Corporation. He has been instrumental in developing and successfully establishing logistics services in the port as well as in the application of edp and communications to logistics. He frequently lectures at international conferences, within logistics training courses and since many years at HPTI management programmes.

- **Reinhard Fenz; *General Manager of International Freight Forwarding***
Mr. Fenz heads the Hamburg office of a major German freight forwarding company. His firm is successfully engaged in international freight for-

warding and transports and has established itself through high quality and tailor-made services to its customers in the international market. Under his guidance the firm has developed some software tools that give them now a market edge over their competitors. Mr. Fenz lectures since several years on international freight forwarding as well as the transport of dangerous goods on HPTI Management programmes.

- **Capt. Walter Lattermann;** *Deputy Director of Multipurpose Container Terminal*

Capt. Lattermann has been involved with cargo operations and container handling for more than fifteen years. Through active involvement he gained considerable experience in the conversion of traditional cargo handling facilities into container or multipurpose terminals. He lectures frequently at HPTI management programmes and consults overseas.

- **Capt. Erling Fritsche;** *Managing Director of Stevedoring and Terminal Operating Company*

Capt. Fritsche has more than twenty-five years of experience in the port industry world wide. During his distinguished career he worked in responsible positions in several stevedoring and port operating companies, established a port organisation and a major container terminal in a West African port, and was senior advisor to several foreign-national port and shipping companies. Since taking over his present position he has successfully transformed a purely stevedoring company into an integrated cargo handling organisation, being engaged in port and airport activities well as operating the inland ports of Lüneburg and Deggendorf. Due to his broad knowledge and wide international experience in the port and shipping fields, Capt. Fritsche has been a long time valuable contributor to HPTI management programmes.

- **Capt. Wolfhard H. Arlt;** *Managing Director and Lecturer in Human Resources Development and Corporate Planning*

Capt. Arlt has more than 15 years of professional experience and a professional education in management, transport and port affairs. During this time he gathered the respective know-how for training of port personnel of all levels and qualifications. Additionally to his duties as a company director he has conceptualised and designed most of the training programmes executed by HPTI. He also has acted as a backstopper or support team member for several organisational design and human resources develop-

ment studies done by his staff for Mozambique, Abu Dhabi, Turkey, Yemen and Nicaragua. He is overseeing all training courses and, together with his staff, strives to continuously improve the training quality and make the programmes even more participant-orientated.

4.1.2

Curricula Vitae of the Experts Proposed