



ContainerServ TNREG 9754

*done 24/05/99 NG*

# THIRD PROGRESS REPORT

CO-ORDINATION AND SUPERVISION  
CONTAINER SERVICES  
BAKU - TURKMENBASHI PROJECT

15<sup>th</sup> April 1999



**ContainerServ TNREG 9754**

<b>Project Title:</b>	CO-ORDINATION AND SUPERVISION: CONTAINER SERVICES BAKU - TURKMENBASHI	
<b>Project Number:</b>	ContainerServ TNREG 9754	
<b>Countries:</b>	Azerbaijan, Turkmenistan	
	<b>Local operator</b>	<b>EC Consultant</b>
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**Date of report:** 15<sup>th</sup> April 1999

**Reporting period:** 15<sup>th</sup> December 1998 to 15<sup>th</sup> April 1999

**Author of report:** Dimitrios Markatos

	NAME	SIGNATURE	DATE
EC M&E team			
EC Delegation			
TACIS Bureau [ task manager ]			



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## 1. INTRODUCTION

During the reporting period, the following issues were addressed and are presented herein:

- Progress of works at the Baku International Sea Trade Port;
- Continuing taxation problems with the Azeri authorities;
- Request of GABEG for time extension, use of contingency funds and coverage of financial losses due to Azeri taxation;
- Visit to Baku and Turkmenbashi.

## 2. PROGRESS OF WORKS AT THE BAKU INTERNATIONAL SEA TRADE PORT

As reported by the local expert, A. Asadov, the works proceeded as follows:

### 16 - 31 December 1998

- Completion of renovation works for the installation of the metallic case of planned gates at the northern part of Warehouse No 5 (gates not installed);
- Completion of 80% of the office refurbishment works at the container terminal.
- Plastering of remaining part of the northern wall.

### 1 - 15 January 1999

- Completion of 90% of the office refurbishment works at the container terminal.
- Continuation of renovation works for the completion of the northern wall of Warehouse No 5;
- Installation of rubber plates near the planned gates;
- On 13/01/1999, works on the warehouse were suspended.

### 16 - 31 January 1999

- Completion of renovation works for the completion of the northern wall of Warehouse No 5;
- Completion of the office refurbishment works at the container terminal, excluding furniture and office equipment);
- Commencement of cable laying to supply lighting of the container yard;
- Installation of container office.

### 1 - 15 February 1999

- Commencement of surface repair works around Warehouse No 5;
- Continuation of cable laying to supply lighting of the container yard.

### 16 - 28 February 1999

- Installation of computer software on management;
- Training of Port personnel.

### 1 - 30 March 1999

- Completion of surface repair works around Warehouse No 5;
- Completion of cable laying to supply lighting of the container yard;
- Supply and installation of furniture and office equipment for the offices and container office;
- Arrival of spare parts for cranes and roll gates for CFS.

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- No works were carried out from 1 to 11 April;
- Placement of spare parts for cranes inside the containers;
- Commencement of installation of warehouse gates and completion of 80% of the works on one of them.

### **3. CONTINUING TAXATION PROBLEMS**

On several occasions GABEG has brought to our and the Commission's attention the continuing difficulties caused by the refusal of the Azeri authorities to grant tax and duties exemption pursuant to the provisions of the Memorandum of Understanding and Financing between the Azeri Government and the EU Commission on April 13, 1992 and the Tax and Customs Arrangement section of the tender documents.

We continue to monitor the developing situation closely and are prepared to offer any possible assistance during the upcoming visit to Baku (see below).

### **4. REQUEST OF GABEG FOR TIME EXTENSION, USE OF CONTINGENCY FUNDS AND COVERAGE OF FINANCIAL LOSSES DUE TO AZERI TAXATION**

By fax dated 07/04/1999 addressed to Mr. R. Niemi, the Task Manager, and copied to us, GABEG requests the extension of the duration of its contract for at least 3 months, i.e. to expire on 15/09/1999, putting forward what appear to us to be valid reasons for such extension. GABEG furthermore asks the Commission for the eventual coverage of the unforeseen tax-related expenses, since such expenses were not included in its tender documentation-based budget for the Project.

By another fax of the same date, GABEG requests the re-allocation of several budget items and the use of contingency funds in order to cover the extended term of its contract as well as the increased cost of the preparation of the tendering of the Marine Spare Parts. In response to that request, by our fax dated 21/04/1999 addressed to the Task Manager, we concurred to that request and forwarded to the Task Manager.

### **5. VISIT TO BAKU AND TURKMENBASHI**

A visit to Baku and, if circumstances require, to Turkmenbashi by Mr. D. Markatos, Project Manager, and Mr. G. Drazinos, Civil Engineer, is scheduled for the first days of May 1999. The team will inspect the progress of the Baku Port works to this date, will offer its assistance on any pending issues (such as the aforementioned taxation problem), will confirm the timetable of works and will make the necessary preparations for the formal delivery of the terminal at the port of Turkmenbashi.

### **6. CONCLUSIONS**

The implementation of the works is proceeding normally at Baku. The abovementioned taxation issue is the only major problem of the Project at present and shall require an extension of the duration of the project.