1. Basic Information

1.1. CRIS Number: 2005/17/643.02.01

1.2. Title: Strengthening the administrative capacity of the Cyprus Ports Authority (CPA)

1.3. Sector: Transport Policy (Maritime Policy)

1.4. Location: Cyprus (Nicosia, Larnaka and Limassol)

2. Objectives

2.1. Overall Objective(s):

To promote the establishment of a modern port system (including the separation of state and commercial activities and access to market of port services on the lines of COM (2004) 654 final) enabling Cyprus to respond to and participate in relevant EU policy measures.

2.2. Project purpose:

The project has the following purposes:

- To enhance the effective operation of the Cyprus Ports Authority through the development of a modern organizational, functional and management capability in order to improve the management and functioning of the port system, including the enhancement of maritime safety as it relates to port areas, as well as the application of best practices, measures for sustainability and improved reporting requirements.

- To improve the capacity of major stakeholders (mainly shipping agents, licensed porters, stevedores) to implement the relevant EU acquis and practices.

2.3 Justification

- According to Article 34 of the Accession Treaty, Strengthening public administration is included in the priority sectors for assistance under the Transition Facility.

- In the Comprehensive Monitoring Report (November 2003), in the context of Chapter 9 (Transport Policy) it is stated that: “Cyprus must give urgent attention to adopting implementing legislation and further reinforce its administrative capacity to implement the acquis in the area of maritime transport”.

3. Description

3.1. Background and justification:

The Cyprus Ports Authority (CPA), a semi-government organization set up by Law N38/1973, is the State arm for port policy and port development, the Lighthouse Authority, the Landowner of ports, the major Investor in ports, the Regulator of port activities and the Service provider (except for stevedoring activities from which it is precluded by law).

CPA has jurisdiction over all Cyprus ports. In the government controlled areas there are 10 ports as follows:

- Two multi-purpose ports, Limassol and Larnaka, both part of the Trans-European Networks;
- One industrial port (Vassiliko);
- Four oil terminals (Dhekelia, Larnaka, Vassiliko and Moni);
- Three older ports currently used solely as shelters for fishing boats and small craft (Pafos, Latsi and Limassol).

Under the current system practiced in Cyprus ports (contrary to what is the practice in other European ports where one entity undertakes the complete cycle of operations in providing a port service e.g. loading/discharging of ships, storage etc), some parts of an operation are undertaken by public sector and other parts of the same operation are undertaken by the private sector.

The private sector provides most of the cargo handling operations. However the services are fragmented amongst various interested parties, each regulated by its own law. The main private sector stakeholders are the Stevedores (mostly involved on board for loading/discharging of ships), the Shipping Agents (act as master stevedores) and the Licensed Porters (for cargo handling in port land areas). For details on current organisation of port services see Annex 4.

The above two characteristics of the port system in Cyprus, necessitate the re-examination of the present practices in the ports and the involvement of the private sector in the process to apply modern management techniques, to strengthen the administrative capacity of CPA in applying EU directives and to reinforce responsiveness to maritime safety issues.

This project also addresses some issues of maritime safety as they relate to port areas, by providing training at operator and management level on safe navigation of vessels in port related areas (Vessel Traffic System, VTS), safe loading/unloading of ships and safety in port operations to meet the immediate needs for existing infrastructure. The following are the most pertinent EU Directives on “maritime safety” that also cover port activities:

- Directive 2002/59/EC on Establishing a community Vessel Traffic Monitoring and Information System (repealing directive 93/75/EC). The acronym for such systems is VTMIS.
- Directive 2001/96/EC on Safe loading and unloading of bulk carriers.

Also the ISPS (International Ship and Port facility Security code), which came into force on 1/7/2004, and the Schengen Agreement have aspects of “maritime safety” although the first deals with “security” and the later with “passenger movement” at the borders of the EU. As regards international conventions, the International Maritime Dangerous Goods Code (IMDG) of IMO is one of the most important applications of “maritime safety” in ports.

Issues of Maritime Safety, as they relate to safety at sea, were specifically addressed in the 2002 Pre-Accession Programme for Cyprus under the project “Strengthening of the capacity of Merchant Shipping (DMS) in order to enhance maritime safety”. Please see 3.5 Lessons Learned.

Although the proposed directive, COM (2004) 654 final, on market access to port services has been rejected under its current parameters by the EU Parliament, it is clear that whatever form it finally takes, CPA will not be able to maintain all roles, or at least it will have to restructure itself so that its “extension of the State” activities are separated from its “commercial” activities. Taking into account the time needed to restructure an existing organization and, in a larger sense, the port industry, and to bring about the necessary changes without upheavals in the economy, reforms in this area have to be initiated as soon as possible, so as to enable Cyprus to proceed smoothly in this direction and to comply with the EU requirements.

The Board of Directors of the Cyprus Ports Authority by its decision, number 108/2003 dated 22/7/2003, endorsed the “Strategic Plan of the Cyprus Ports Authority 2003-2006” (report of consultants, July 2003) whereby it is stated that the Cyprus Ports Authority will in future act as the landlord, regulator. It is also stated that legal and structural changes must be made as regards Cyprus Ports Authority and port industry regulation/organisation and that there must be increased participation of the private sector in port services.

A Committee for the discussion and follow up on development of the directives for the access to market of port services has been formed under the chairmanship of the Cyprus Ports Authority. The representatives of the following stakeholders participate: Cyprus Chamber of Commerce and Industry, Employers Association, Shipping Agents Association, Cyprus Shipping Council, the Limassol and Larnaka Associations of the Licensed Porters, the Trade Unions of the Stevedores and the Trade Unions of Cyprus Ports Authority personnel. The Committee has unanimously resolved its commitment to support this project and to actively participate in its implementation.

Furthermore, the “Feasibility Study for an East Mediterranean Port Institute for Applied Research, Training and Information” (EMPIARTI), 2003, prepared by IDG Maritime, financed by the EC under the MEDA programme, identifies that “... Cyprus is the country with the most defined requirement for training for the 800 direct and 1,400 indirect port workers in its two main ports. It is also a country without a major port or shipping – related educational or research institute, despite its pre-eminent position as a shipping nation and this together with its entry into the EU makes it an interesting location for the development of a port institute.”. (For more details see Annex 5).
The proposed project is also in line with needs already identified by EU financed projects (for more details as well as other studies see Annex 6), namely:

- “Diagnostic Study, Module 5, Maritime Shipping and Ports, October 2004, of the Euro-Med Transport project, undertaken by EUROMED, financed by the EC, which especially stresses the need for legal reform and restructuring in the provision of port services in Cyprus as well as in the region. The EUROMED study notes that “due to variations between port reform parameters, port reform plans need to be designed in a customised manner per country, taking each time into account the specific internal and external environment” and suggests, amongst others, “Promoting port Reform, through training seminars and a specific study.” The involvement of key stakeholders in the training seminars and the execution of this project are key measures to “take into account the specific internal and external environment” within which the CPA has to operate, whereas the activities to be implemented through EUROMED will be of a regional scope.

- The “Study on the Role of Cyprus ports and airports in the Trans European Network”, CYP/002/98/4PF, by Alanet, April 2002, financed by the European Commission, which especially stresses the need for CPA restructuring, establishment of a new revenue raising basis for CPA, and for setting up a container handling company.

Past efforts to restructure the CPA and the organization of provision of port services have failed because of stakeholder resistance to change and also the piecemeal approach in tackling the various issues involved. The present project is the first action that provides an integrated approach to the problems faced, involves the stakeholders throughout the process, has a coherent framework (as provided by the principles governing the acquis) and introduces elements of sustainability in the form of training and information technology.

This project could also serve as a test case for the Commission in developing strategies for port reform, be an input in the development of Transport Policy for MEDA countries and contribute towards the furthering of EC policies in our region. Cyprus is an excellent testing ground for implementation of policies in the region as it is a small country and the only EU member in our region.

**Linked activities**

**(a) From EU Funds**

- The “Feasibility Study for an East Mediterranean Port Institute for Applied Research, Training and Information” (EMPIARTI), 2003, prepared by IDG Maritime, financed by the EC under the MEDA programme (for more details see “Background and Justification”).

- A TAIEX organized workshop took place in February 2005 on “Setting up a Shortsea Promotion Centre in Cyprus”. Another TAIEX organized workshop on “Waste Management in ports” is scheduled for June 2005.
(b) From national funds

- A “Workshop on the identification of actions, by consensus, for the resolution of problems at Limassol port” was carried out between June and October, 2000 under the auspices of the Minister of Communications and Works, with the participation of major stakeholders. The participants agreed on the following actions (among the top 11 actions) that should be taken:

- Reform the legal framework, which regulates the port industry;
- Reduce the operating expenses of the Cyprus Ports Authority and of the key stakeholders in the port industry;
- The Cyprus Ports Authority should have income from all port operators;
- Reform procedures for recruitment and promotion of CPA personnel;
- Create one operator for the handling of containers at Limassol port (currently the operation is fragmented amongst various interested parties, each regulated by its own law);
- Use of Larnaka port to reduce the problems of Limassol port.

(For brief explanatory note on current port services organisation see Annex 4 and for the list of 11 actions mentioned above see Annex 7).

- The Cyprus Ports Authority personnel attend training initiatives of the Government of the Republic of Cyprus for familiarizing public and private sector on acquis as it pertains to specific Directives. CPA also takes the initiative to organise training workshops and seminars to familiarize its personnel and the port community on specific policies, Directives and Commission initiatives, and on how they affect the ports. These include an EcoPorts seminar in the field of environmental management organised in September 2003.

3.2. Results

- Action Plan for the improvement of the national port system prepared (Activities 3.4.1, 3.4.2 and 3.4.6)
- New structure for the port industry proposed (Activities 3.4.3 and 3.4.4)
- Guide on “Best Practices to port services” prepared (Activity 3.4.5)
- CPA, relevant Government Services and stakeholders involved in the provision of port services fully informed and trained (Activity 3.4.7)
- A sustainable training capacity created (Activity 3.4.8)

3.3. Activities:
The project will be implemented through a single Service Contract covering the following activities, organized in two components:

**COMPONENT 1: Restructuring the CPA and re-engineering the port system**

This component will be implemented through Technical Assistance and will include the following activities (about 55 man-months):

3.4.1 Implementation Plan for the improvement of the national port system
Preparation of an implementation plan for further development and improvement of the national port system, including recommendations on the following:
- Role and functions of CPA,
- Participation and organisation of the private sector in port services,
- Services to be provided by each port (Limassol and Larnaka ports),
- Revenue raising basis for services and infrastructure provided by the CPA,
- Upgrading of the information technology for port services
- Recommendations for providing for market access to port services procedures as required in the proposed directive

3.4.2 New legislation for port system
Preparation of new draft legislation to govern the CPA and the private sector for the provision of port services in line with the proposed Directive.

3.4.3 Proposal for a new CPA structure
Preparation of a proposal for a new structure of the CPA in terms of role, mandate, main functions, organisation and staffing, administrative, accounting and management procedures including recommendations on rationalization of operations, new revenue basis and new tariff structure.

3.4.4 Feasibility Plan for setting up a Container Handling Company
Preparation of a Feasibility Plan for setting up a Container Handling Company, including legal status, participation, capital structure, organisation, staffing, equipment, functions, procedures including procedures to safeguard maritime safety especially as it relates to loading/unloading of ships and information technology.

3.4.5 Guidance on the implementation of market access to port services
Preparation of a detailed “Best Practices to port services” Guide giving guidance on the practical aspects of the procedures to be followed for the implementation of market access to port services. This will include preparation of required standard documents and evaluation procedures to give guidance for efficient and transparent assignment procedures including assessment of proposals and monitoring of performance and control.
3.4.6 Assessment of the IT system

Assessment of the existing IT system in the ports for the provision of port services and identification of new needs including detailed specification of the new software and hardware requirements to support new operating practices and organization of port industry.

Component 1 will be executed by a team of experts that in combination will have the following expertise: Port industry & training, Port operations & labour organization, Port management, administration & procedures, Container Terminal management, EU port policies and directives affecting port industry, Accounting, Information Technology and Legal. In total 9 senior experts (7 years post graduate experience in the field) and 14 junior experts (3 years post graduate experience in the field) will be involved.

COMPONENT 2: Training

This component will be implemented through Technical Assistance and will include the following activities (about 45 man-months):

3.4.7 Implementation of training activities for the CPA and the stakeholders

The consultants will be required to organise and implement training activities on the following areas:

(a) Port services in the EU-policies and practices

The objective will be to assist the authorities (CPA and relevant Government Services), private sector and trade unions in Cyprus, through better knowledge on the EU Directives, to come to a common understanding of the required framework of port operations and provision of port services. The following topics will be covered:

- Promoting Private Public Partnership (PPP) and gradual market access
- Port services in the EU transport policy
- Rationalization of port labour activities and port operations in other EU countries
- Port Authority functions, including role in maritime safety issues in ports, in other EU Member States.

The above will be implemented through the organisation of 4-6 workshops, of 2-3 days duration/ each, offering in total 12 days training. About 150 people will participate at each one from CPA and the main stakeholders. In total about 400 different people will become familiar with EU port policies and practices.
(b) **Modern management practices in port**

The objective will be to assist the authorities and the private sector to introduce new operating practices and modern management techniques including training in the “Best Practices Guide” to be prepared through the project. The foreseen training would lead to assurance that there is adequate number of personnel in the CPA and key stakeholders with knowledge to handle and run the new port system. The following topics will be covered:

- Organisation of container handling operations
- Organisation of port labour
- Modern management techniques including the management of maritime safety issues in ports
- Training on the “Best Practices to port services” Guide

This will be achieved through the organisation of 4-6 short courses of 2-3 weeks duration each, offering in total 60 days of training. About 50 people will participate at each one from CPA and the main stakeholders. In total about 100 different people will become familiar with modern management practices in ports.

(c) **Operator and Supervisor level training**

The objective will be to provide trained personnel and port labour in the provision of port services. The foreseen training would lead to assurance that there is basic number of personnel in the CPA and key stakeholders with appropriate knowledge to provide services on the basis of qualifications. This should result in increase in efficiency and safety of operations and eventually improved market access. The following topics will be covered:

- Container terminal operations,
- Ship loading/discharging
- Storage of cargo
- Safe working for cargo handling
- Operation of Vessel Traffic System (VTMIS, maritime safety).

This will be achieved through the organisation of 5-7 short courses of 2-3 weeks duration each, offering 75 days of training in total. About 8-15 people will participate at each course from CPA and the private sector stakeholders. The courses will be provided on the basis of exiting models (eg “Portworker Development Program” (PDP), by ILO, the “Vocational Qualification” scheme, in UK etc). In total about 75 different people will become familiar with operator/supervisor practices in ports.

3.4.8 **Establishment of a sustainable training programme**

The consultants will be required to create the pre-requisites for a sustainable training programme to be repeated by the CPA in the future. To this end they will execute the following tasks:
(a) “Train the trainer” courses

The objective will be to assist the CPA to provide training in the future, especially at supervisor/operator level. This will be achieved through the organisation of 3-4 specialised courses for trainers, of 2-3 weeks duration each, offering in total 45 days of training. About 10 people will participate at each one from CPA and main stakeholders. In total about 20 different people will become familiar with trainer requirements and 10 will become trainers in the provision of training in the topics mentioned in Activity 3.4.7 under point (c).

(b) Development of training programme and support actions

This action is an integral part of providing sustainability in the efforts to liberalize the port-working environment on a “level playing field” and providing the basis for, in future, co-operating with the EU and other interested parties in the region, coming to common standard of training for port personnel and furthering regional co-operation in training, research and provision of information.

The consultants will be required to:

- Develop training plans and training material for a sustainable training programme to be repeated when necessary

- Prepare library requirements, identify information centres with which links should be established and prepare relevant databases in order to complement the training to be provided.

- Upgrade the Web site of the CPA to disseminate information on the training activities and for communication with the main stakeholders and other interested parties.

- Investigate possible sources and level of funding of future activities and propose legal status and organizational structure for a port training and knowledge facility.

Component 2 will be executed by a team of experts that in combination will have the following expertise: Port Industry & Training (2 experts), Trainers (12 experts) and Industry Practitioners (20 specialists) for each topic mentioned in Activity 3.4.7 above, points (a), (b) and (c).

3.5 Lessons learned

Up-to date, only one Interim Evaluation Report for Cyprus was issued in June 2004, covering the National Pre-accession Programmes 2000, 2001, 2002 and 2003. According to the key achievements and findings, project design was considered generally very good and relevance of projects with respect to the acquis requirements and to national needs has been scored highly. According to the evaluators the assistance is on course for achievement of immediate objectives and hence effectiveness is likely to be high. A similar situation applies with
respect of impact. It is also stated that there are very few concerns about sustainability and prospects are good because of financial provision, staffing levels and warranty & maintenance arrangements.

The same approach as the one adopted for Pre-accession aid was followed regarding project design under the Transition Facility and for this reason it is expected that assessment will continue to be positive.

There were no specific recommendations in the Interim Evaluation Report relevant to earlier projects in the field.

Under the 2002 Pre-accession Programme for Cyprus the project “Strengthening of the capacity of Merchant Shipping (DMS) in order to enhance maritime safety” was financed. Problems were encountered in the implementation of the project mainly because the project was too fragmented (5 components for a total of EU contribution of the order of 600,000 Euro). As a result, for two project components (“Purchase of Naval Architecture Equipment for the effective monitoring of the classification societies” and “Purchase of Mobile Earth Stations and GMDSS test equipment”, totaling to EUR 159,000) there was no interest from prospective tenderers. Following this development the Department of Merchant Shipping has included the funds necessary for the purchase of the above equipment in the 2005 National Budget. The main lessons learned are that:

(a) Well sequenced actions forming an integrated project lead to successful implementation and have better chances to attract the interest of prospective tenderers.
(b) Given the fact that unforeseeable problems may arise during the contracting process, this process should be carried out early enough so as to overcome any delays, including the need to re-launch the tenders.

4. Institutional Framework

**Implementing Agency**

The **Department of Merchant Shipping** (DMS) of the Ministry of Communications and Works is responsible for the development of maritime activities, including control of shipping and enforcement of international conventions ratified by the Government of the Republic of Cyprus. DMS is the relevant Authority for implementation of maritime policy, which also includes the port sector. The main efforts of the Department of Merchant Shipping are presently focused on the effective implementation of the harmonised legislation.

The DMS comprises of the following divisions/sections: Administration, Control of shipping, Protection of the marine environment and maritime training, Maritime Safety and Maritime Labour, Marine Casualty Investigation Section, Legal Affairs and EU Section and Merchant Shipping Development, which are manned by 45 staff specialists. The Accounts and Archives Departments also provide support with 27
clerks. There are also five overseas Offices with 6 marine surveyors and 7 clerks as well as a Network of Inspectors of Cyprus ships (38 inspectors in 14 countries).

**Beneficiary institution**

The beneficiary institution is the **Cyprus Ports Authority**, a semi-government organization set up by law 38/1973, which falls under the jurisdiction of the Minister of Communications and Works. It is the state arm for formulation of port policy, development, management and operation of ports in Cyprus. It has jurisdiction over all ports in Cyprus and it is also the Lighthouse Authority.

The 2 multipurpose ports in Cyprus, the industrial port and the 4 oil terminals handle in total about 8m tons, 5,000 ship calls and 0.6 m passengers annually. Limassol port, the major multipurpose port of Cyprus, handles 3.5 million tons of cargo and serves 0.6 million passengers annually. CPA employs about 330 people, the private sector personnel is about 900 (labour and shipping agents), but it is estimated that over 3000 people use Cyprus ports for conducting their business.

The main features of the CPA’s strategy are: a) up-grading port infrastructure b) intensive utilization of port infrastructure, c) utilization to the greatest possible extent of the cooperation between the public and private port sector, and d) improvement of the effectiveness and efficiency of the port services.

Its mission is “to be an effective body for the maintenance and development of port infrastructure and the regulator of the port industry maintaining the efficient and without disruptions operation, continuous upgrading and competitiveness of the Cyprus ports within the framework of freedom of access to the market of port services, safety and respect for the environment.” In this framework the main functions and activities of the CPA are: formulation of port policy, design and execution of investment programmes, provision of port services mainly pilotage, quay-cranage, safe keeping of cargoes, and provision of security, safety and environmental services.

The CPA is organized into 6 Departments, manned by 65 professionals, 195 operators/supervisors and assisted by 37 clerical/accounting staff: Operations (214 employees), Personnel and Administration (41 employees), Finance (12 employees), Electromechanical (21 employees), Civil Engineering and Architecture (7 employees), Internal Audit (2 employees). In addition CPA has 30 employees on contract mainly for cleaning services. The existing organizational structure and staffing levels of the CPA is shown in Annex 8.

CPA is governed by a Board of Directors, appointed by the Council of Ministers for a 3-year term, except for the Director of Customs who is a permanent member. Other members are drawn from the private sector.

CPA has an external legal advisor and the Auditor General of the Republic of Cyprus is the external auditor of CPA. CPA applies EU Directives on procurement already enacted in Cyprus legislation 100/2003 (Public Utilities Procurement Law).
5. Detailed Budget

<table>
<thead>
<tr>
<th>Component</th>
<th>Transition Facility Support</th>
<th>Co-financing</th>
<th>TOTAL TF+Co-fin</th>
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<tbody>
<tr>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
<td>Total TF (=I+IB)</td>
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<tr>
<td>Component 1</td>
<td>Restructuring the CPA and re-engineering the port system</td>
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<td>0.50</td>
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<td>Component 2</td>
<td>Training</td>
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<tr>
<td>Total</td>
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<td>1.00</td>
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* In cases of co-financing only

6. Implementation Arrangements

6.1. Implementing Agency

The Department of Merchant Shipping (DMS) within the Ministry of Communications and Works will be the Implementing Agency for this project.

Project Authorizing Officer:

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Project Management and Co-ordination

A project Steering Committee (PSC) will be set up, comprising senior representatives of DMS, the Cyprus Port Authority (co-operating agency and beneficiary of the project) and the Planning Bureau. The PSC will supervise and co-ordinate the overall progress and implementation of the project components, will define priorities, will provide guidance and will evaluate and approve results. The Director of DMS will chair the PSC.

The DMS will be supported in the implementation of the project by working groups that will be formed by the CPA and will act as counterparts with the consultants. The major stakeholders will also be involved in the implementation of the project though the existing high level Committee under the chairmanship of the CPA. This Committee was formed for the discussion and follow through of developments in the proposed Directive on market access to port services.

6.2. Twinning

N/A

6.3. Non-standard aspects

The project will be implemented according to the Extended Decentralised Implementation System (EDIS).

6.4. Contracts

The project will be implemented through one service contract of 1,00 MEUR.

7. Implementation Schedule

   Terms of Reference will be prepared by December 2005.

7.2. Start of project activity: July 1 2006

7.3. Project Completion: February 2008

8. Sustainability

Both the Implementing Agency (Department of Merchant Shipping) and the Co-operating Agency/ Beneficiary are well established with adequate and highly skilled personnel capable of maintaining the administrative function of the project.

Adequate staff will be made available for the implementation of the project as follows:
- Department of Merchant Shipping (the Director and the Head of the Merchant Shipping Development Section)
- Cyprus Port Authority (the General Manager and nine Heads of Sections/ Departments, assisted by a team of 20 professionals/ supervisors).
Expenditure related to administrative function is covered through the annual Budget of the Department of Merchant Shipping and the Cyprus Ports Authority.

9. **Conditionality and sequencing**

There is no conditionality.

As regards sequencing, Activities 3.4.1 (Implementation plan for the improvement of the national port system), 3.4.5 (Guidance on the implementation of market access to port services) and 3.4.6 (Assessment of the IT system) will be concluded after the completion of all other activities, which can be undertaken concurrently.

**Important Milestones**

- New organization, revenue basis, procedures of CPA prepared.
- New structure and organization of port system prepared.
- “Best Practices to port services” Guide prepared.
- Evaluation of IT requirements to support new system & procedures.
- A sustainable training program developed.
- New national legislation drafted.
- Well sequenced implementation plans for implementation of proposals prepared.
- Training of CPA personnel and of key stakeholders in the port industry carried out.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format (compulsory)
2. Detailed implementation chart (compulsory)
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period) (compulsory)
4. Current organization of port services
5. Some results of EMPIARTI
6. Some results of preliminary studies
7. Results of workshop for resolution of problems faced by Limassol port
8. CPA structure and staffing
<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR</th>
<th>CRIS number: 2005/17/643.02.01</th>
<th>ANNEX 1</th>
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<tr>
<td><strong>Project Title:</strong> Strengthening the administrative capacity of the Cyprus Ports Authority</td>
<td><strong>Contracting period expires:</strong> December 2007</td>
<td><strong>Disbursement period expires:</strong> December 2008</td>
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<tr>
<td><strong>Overall Objective</strong></td>
<td><strong>Objectively verifiable indicators</strong></td>
<td><strong>Sources of Verification</strong></td>
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<tr>
<td>To promote the establishment of a modern port system (including the separation of state and commercial activities and access to market of port services on the lines of COM (2004) 654 final) enabling Cyprus to respond to and participate in relevant EU policy measures.</td>
<td>Ability of Cyprus to improve market access on a level playing field and equal treatment for similar service for port users by end of the project. Ability of CPA to effectively implement EU directives as they apply to ports.</td>
<td>European Commission’s opinion. Cyprus Official Journal (in case the proposed Directive is adopted).</td>
</tr>
<tr>
<td><strong>Project Purpose</strong></td>
<td><strong>Objectively verifiable indicators</strong></td>
<td><strong>Sources of Verification</strong></td>
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<td>All required technical studies and other support documents ready by the end of project.</td>
<td>Steering Committee’s reports. Progress reports by consultants.</td>
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best practices, measures for sustainability and improved reporting requirements.

To improve the capacity of major stakeholders (mainly shipping agents, licensed porters, stevedores) to implement the relevant EU acquis and practices.

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
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<tbody>
<tr>
<td>Action Plan for the improvement of the national port system prepared (Activities 3.4.1, 3.4.2 and 3.4.6).</td>
<td>Action Plan for the improvement of the national port system ready by January 2008.</td>
<td>Steering Committee’s reports</td>
<td>Readiness and commitment of key stakeholders to be involved in the implementation of the project.</td>
</tr>
<tr>
<td>New structure for the port industry proposed (Activities 3.4.3 and 3.4.4).</td>
<td>A well substantiated proposal for the new structure of the CPA and the Container Terminal Handling Company ready by August 2007.</td>
<td>Progress reports by the consultants.</td>
<td>Effective management of key stakeholders.</td>
</tr>
<tr>
<td>CPA, relevant Government Services and stakeholders involved in the provision of port services fully informed and trained (Activity 3.4.7).</td>
<td>Training for CPA and stakeholders delivered as follows:</td>
<td>Training material.</td>
<td>Full commitment of management and staff.</td>
</tr>
</tbody>
</table>

192 training days delivered by December 2007.

Evaluation forms completed by trainees.

Readiness and commitment of key stakeholders to be involved in the implementation of the project.

Effective management of key stakeholders.

Skilful coordination and management of the project.

Full commitment of management and staff.

Timely availability of adequate resources.
A sustainable training capacity created (Activity 3.4.8).

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<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions/Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component 1: Restructuring the CPA and re-engineering the port system</strong>, includes the following activities (about 55 man-months):</td>
<td></td>
<td>Timely tendering and contracting procedures.</td>
</tr>
<tr>
<td>3.4.1 Implementation Plan for the improvement of the national port system.</td>
<td>One contract for Technical Assistance for 1,0 MEUR.</td>
<td></td>
</tr>
<tr>
<td>3.4.2 Drafting of New legislation for port system, in line with proposed directive.</td>
<td>The cumulative duration of the contract is about 19 months.</td>
<td></td>
</tr>
<tr>
<td>3.4.3 Proposal for a new CPA structure.</td>
<td>The cumulative man-months required for the implementation of the above contract is about 100:</td>
<td></td>
</tr>
<tr>
<td>3.4.4 Feasibility Plan for setting up a Container Handling Company.</td>
<td>- Experts 80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Trainers 17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Industry practitioners 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consultant’s profile:</td>
<td></td>
</tr>
</tbody>
</table>
3.4.5 Guidance on the implementation of market access to port services.

3.4.6 Assessment of the IT system.

**Component 2: Training**, includes the following activities (about 45 man-months):

3.4.7 Implementation of training activities for the CPA and the stakeholders:
   (a) Port services in EU polices and practices  
   (b) Modern management practices in port.  
   (c) Operator and Supervisor level training.

3.4.8 Establishment of a sustainable training programme:
   (a) “Train the trainer” courses.  
   (b) Development of training programme and support actions.

- An international team of experts experienced in EU policies & practices in ports (management, operation, regulation, training, accounting, legal and IT).
- Trainees in specific fields of port operations (container, cargo, and safety of operations/maritime), as specified in 3.4.7, point (a), (b) & (c) and 3.4.8 (a).
- Port industry practitioners (short-term) to share best practices during workshops/courses.

Consultant’s manpower requirements are as follows:
   a) Component 1:  
      In total 9 senior experts (7 years post graduate experience in the field) and 14 junior experts (3 years post graduate experience in the field) will be involved.  
   b) Component 2:  
      Port Industry & Training (2 experts), Trainers (12 experts) and Industry Practitioners (20 specialists)
<table>
<thead>
<tr>
<th>Pre-conditions</th>
<th>No preconditions exist.</th>
</tr>
</thead>
</table>

for each topic mentioned in Activity 3.4.7 points (a), (b) and (c) and Activity 3.4.8.
ANNEX 2

DETAILED TIME IMPLEMENTATION CHART FOR THE PROJECT

Project title: Strengthening the administrative capacity of the Cyprus Ports Authority

<table>
<thead>
<tr>
<th>COMPONENT</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Contract for strengthening the administrative capacity of the Cyprus Ports Authority (CPA)</td>
<td>D D D D D</td>
<td>C C C C I I I I I I I I I I I I I I I I I I I I I I I I I I</td>
<td>X X X</td>
<td></td>
</tr>
</tbody>
</table>

D = Design
C = Contracting
I = Implementation
X = Closure
### CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

All figures in million EURO

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTRACTED</td>
<td>1,00</td>
<td>1,00</td>
<td>1,00</td>
<td>1,00</td>
<td>1,00</td>
<td>1,00</td>
<td>1,00</td>
</tr>
<tr>
<td>DISBURSEMENT</td>
<td>0,25</td>
<td>0,50</td>
<td>0,60</td>
<td>0,70</td>
<td>0,80</td>
<td>0,90</td>
<td>1,00</td>
</tr>
</tbody>
</table>

NB: 1. All contracting should normally be completed within 6-12 months and **must** be completed within 24 months of signature of the FM.

2. All disbursements **must** be completed within 36 months of signature of the FM.
Counter to what is the practice in other ports in Europe and elsewhere, where one entity undertakes the whole cycle of operations, the handling of cargo in multipurpose ports of Limassol and Larnaka is fragmented amongst various parties (stakeholders). We do not know of any other country, with the possible exception of South Africa, where such a system still applies.

Fragmentation of operations into different stakeholders is the reason for cost-inefficiency in operations and management and difficulty in applying directives, as there are no clear lines of accountability. Further it should be noted that none of the private sector stakeholders make any payments to the Cyprus Ports Authority for the use of the facilities to perform their operations. Charges are raised on shippers for the use of cranes, storage of their goods etc.

Cargo handling operations on board the ships are performed by stevedores who are employed by the ship’s agent, through a pool operated by the Government Labour Office. They are governed by Port Workers Law, Cap 184 and their collective agreements are negotiated between the Shipping Agents Association and their Trade Unions.

Quay cranes and drivers are provided by Cyprus Ports Authority. CPA is governed by law 38/1973, and it is excluded by law from taking part in stevedoring activities.

Cargo handling operations on port land areas are performed by the Licensed Porters, so licensed by the Cyprus Ports Authority, but are also governed by Port Workers Law, Cap 184. They own their own equipment and also employ others for the performance of their duties.

The Tally Clerks check the cargo at the side of the ship and in port storage areas for the account of the shipping agents, who are the representatives of the ship. They are also governed by Port Workers Law, Cap 184.

The Shipping Agents, act as master stevedores, drawing stevedores from the labour pool and securing services and equipment from the Licensed Porters and the Cyprus Ports Authority for the above operations.

The suggestion has been put forward for the creation of a private company but with a controlled profit margin, as studies indicate that only one company will be economically viable, and that the existing private sector stakeholders will participate, while provisions should be made to safeguard existing personnel.

The final form of the company, the operations to be performed, the contribution of each entity to the capital and management, the kind of control/regulation to be performed by CPA and other details are subjects to be covered in the feasibility study for setting up a Container Handling Company, and to be discussed with existing major stakeholders under the guidance of the consultants, under this project.

The transfer of cargo handling from publicly owned authorities into private hands in Cyprus would follow a well-established trend in Europe. The question is how to invite those interested in providing cargo-handling services to operate a terminal and how to ensure that they are qualified to do so.
Some conclusions of preliminary Studies

A. Some relevant conclusions of the EUROMED Study

In the section “Diagnostic Study, Module 5, Maritime Shipping and Ports, October 2004, of the Euro-Med Transport project, undertaken by EUROMED, financed by the E.C. the consultants conclude:

- (page 97, 2nd column, 1st bullet point “Port reform is strongly needed in almost every country, but it is more mature in Cyprus, …… It must be noticed that, due to variations between port reform parameters, port reform plans need to be designed in a customised manner per country, taking each time into account the specific internal and external environment.

- (page 97, end of 2nd column and page 98, 1st column) Based on the above, and on the general facts underlined, it is quite clear that the port modernisation represents a vital necessity for most MEDA countries. In this respect, the improvement measures listed below would be needed and could be sponsored and/or funded by the EU:

  - Promoting port Reform, through training seminars and a specific study.

  - Providing integrated support on port reform issues on a regional basis, by setting up regional observatory (ies) (a general one for MEDA countries or one for the Mashrek and one for the Maghreb) through specific studies.

  - Improving port connections with hinterland --- developing logistics platforms within and close to ports in all countries, though training seminars and specific studies

  - Promoting PPP and gradual market access in all countries through training seminar and a specific study.

  - Promoting competition in seaports within the Mediterranean by lifting cross-border trade barriers and rationalising port labour organisation in all countries (through specific study).

  - Fighting inefficiency of administration procedures within ports (customs and immigration) by process rationalisation, effective computerisation (IT and EDI technology) and development of regional co-operation, through training seminars and specific studies, as well as technical assistance

B. Some relevant conclusions of the “Role of Cyprus ports and airports in the Trans European Network”

The “Study on the Role of Cyprus ports and airports in the Trans European Network”, CYP/002/98/4PF, carried out by Alanet, April 2002, financed by the European Commission, concludes (page 14)

- “The CPA is in need of a Port Tariff Study, to relate the structure of the tariff schedule more closely to the commercial costs of providing the various services. This tariff study would complement the output of the Port Pricing Strategy Study, which was completed by WS Atkins in
1997, but recommended the upward revision of the port charges without addressing EU requirements relating charges to costs.

- “CPA structure and functions: the CPA is the vested owner of the public ports of Cyprus, but the long term objective must be to separate any government ownership responsibilities for day to day operational functions which can be devolved to the private sector. For the process to be moved forward, it is necessary to determined what precisely shall be the shape and tasks of the CPA, and the steps by which it can take advantage of private sector involvement”

- “In addition to review of CPA structure and functions, a study is required to evaluate the impact of creating a single company to unify all port cargo operations under one entity. This study should incorporate the legal and institutional aspects, costs/benefits, required investment, training, payoffs etc. Within this context, the study should assess the mechanisms to remove restrictive practices and to transfer the physical assets of all port operators into a single company”

The same consultants also note (page 14)

- “Limassol Container Terminal: Computerized Control and Management Systems and Networks: The CPA has made significant progress in introducing computerized data processing systems at both Limassol and Larnaka, but the target should be the achievement of industry best practice in the two ports.”

C. Some relevant conclusions of the “Pricing strategy and structure for CPA”

The study on “Pricing strategy and structure for CPA” by Atkins, 1997, inter alia concludes (page xiii) “In addition the CPA will require detailed cost data and will have to implement a system to collect and analyze this data. Additional requirements include: permission to negotiate tariffs with individual customers without Government involvement...Also need of further research to cover...”the type of port operating company that might be formed and the business implications of pursuing this strategy, ... “ the business case for leasing port facilities”

D. Some relevant conclusions of the “Economic and financial feasibility study of Larnaka port expansion”

The “Economic and financial feasibility study of Larnaka port expansion” carried out by Hughes Economic Planning in 1993 (after open international tenders) provide cost estimates on the operation of a container terminal which indicate that, with current activity level, only one operator can economically be justified.
Some results of EMPIARTI

The “Feasibility study for an East Mediterranean Port Institute for Applied Research, Training and Information” (EMPIARTI) was one of the projects identified for support, under the MEDA programme, following the process initiated on the 28th November 1995, in Barcelona, whereby the EU and 12 Mediterranean countries agreed to a declaration concerning the new Euro-Mediterranean partnership to create a framework for political, economic, social and cultural ties between the partners.

This was a regional project with the Cyprus Ports Authority acting as the co-ordinator and the following participating member institutes:
- Ministry of Transport-Port Authority P.N.A.-Palestinian Authority
- Ports and Railways Authority-Israel
- Haifa Municipality-Israel
- Ministry of Transport, Alexandria Port Authority-Egypt
- Limassol Municipality-Cyprus
- Municipality of Patras-Greece
- Valencia Port Authority-Spain
- Naples Port Authority-Italy.

The project (contract number: ME 8/B7-4100/IB/97/0415-02) was executed between 2002 and 2003 and the Consultants, IDG Maritime (Northstar), evaluated the feasibility of setting up an “East Mediterranean Port Institute for Applied Research, Training and Information” in Cyprus to meet the needs of the region in these fields.

In the opinion of the consultants there is a need for cost effective method of transferring skills, knowledge and information and achieving mutually acknowledged standards of training and information. In this connection, they make a comprehensive presentation of a number of existing service providers as well as modules for training/certification of competency, from where such transfer of knowledge could be sought and they provide the costs for this.

Especially in the case of Cyprus they conclude that:
- There is a strong and clearly identifiable demand for new training resources, especially at the level of supervisor and operator.
- Training is needed to meet the requirements for ever-increasing competitiveness, legislation and environmental awareness.
- There is a strong need to establish a basic level of vocational competence

They recommend that to facilitate the necessary transfer of knowledge on a sustainable basis, a Consultant assisted by a local administrator/expert, are selected to carry out the following tasks: preparation of training programmes and materials, creation of information databases and website, creation of links with information centers/institutes, purchasing training rights and support material, organizing and delivering of “train the trainer” courses, preparation of a well sequenced implementation plan for its future activities and investigation of sources of income for funding future activities.

They estimate that 18 months is a realistic time framework for the above and they estimate that about 300,000 euros will be need for this period.
ANNEX 7

Results of workshop on the defining of energies, by consensus, for the resolution of problems faced at Limassol port, (June - October 2000)

A series of workshops were organized in 2000 under the auspices of the Minister of Communications and Works with the participation of all key stakeholders in the port industry.

A structured methodology was used by the organizers, the Government Academy for Public Administration, to assist the participants to arrive at a consensus on the measures required to resolve the problems faced by the major port of Cyprus, Limassol port.

The following actions were agreed upon as being the most important:

1. Increase revenues and reduce operating expenditure of CPA and of other stakeholders in the port industry.
2. Introduction of shift system on a 24-hour basis.
3. CPA to have revenues from all operators.
4. Introduce voluntary retirement scheme for personnel that wish to leave the service.
5. Set targets for Limassol port.
6. Recruitment and promotion of personnel on the basis of merit.
7. Creation of container handling company.
8. Reform antiquated port legislative framework.
9. Use of Larnaka port to reduce the problems of Limassol port.
10. Creation of passenger terminal at Limassol port.
11. Involve the private sector already offering services at Cyprus ports in the investment of facilities.
ANNEX 8

Cyprus Port Authority organization and staffing

<table>
<thead>
<tr>
<th>Board of Directors (9)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit (2)</td>
</tr>
<tr>
<td>Head (1)</td>
</tr>
<tr>
<td>Senior auditor (1)</td>
</tr>
<tr>
<td>General Manager (1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operations (214)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager (1)</td>
</tr>
<tr>
<td>Port Managers (3)</td>
</tr>
<tr>
<td>Marine services (75)</td>
</tr>
<tr>
<td>Senior port pilots (2)</td>
</tr>
<tr>
<td>Pilots (6)</td>
</tr>
<tr>
<td>Tug masters (7)</td>
</tr>
<tr>
<td>Tug engineers (12)</td>
</tr>
<tr>
<td>Coxswains (48)</td>
</tr>
<tr>
<td>Cargo/passenger services (88)</td>
</tr>
<tr>
<td>Supervisors (7)</td>
</tr>
<tr>
<td>Assistant supervisors (16)</td>
</tr>
<tr>
<td>Senior port officers (24)</td>
</tr>
<tr>
<td>Port officers (41)</td>
</tr>
<tr>
<td>Crane services (24)</td>
</tr>
<tr>
<td>Senior crane drivers (1)</td>
</tr>
<tr>
<td>Crane drivers (23)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Administration (41)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager (1)</td>
</tr>
<tr>
<td>Senior administrators (2)</td>
</tr>
<tr>
<td>Administration officers (7)</td>
</tr>
<tr>
<td>Secretarial services (31)</td>
</tr>
<tr>
<td>Head (1)</td>
</tr>
<tr>
<td>Supervisor (1)</td>
</tr>
<tr>
<td>Assistant supervisors (4)</td>
</tr>
<tr>
<td>Clerks (15)</td>
</tr>
<tr>
<td>Typists (4)</td>
</tr>
<tr>
<td>Telephonists (3)</td>
</tr>
<tr>
<td>Messengers (3)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finance (12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager (1)</td>
</tr>
<tr>
<td>Accounts services (10)</td>
</tr>
<tr>
<td>Head (1)</td>
</tr>
<tr>
<td>Senior Supervisors (1)</td>
</tr>
<tr>
<td>Supervisors (2)</td>
</tr>
<tr>
<td>Accounting officers (6)</td>
</tr>
<tr>
<td>Planning/statistics services</td>
</tr>
<tr>
<td>Planning &amp; statistics officer (1)</td>
</tr>
<tr>
<td>(assisted by 3 clerks and 1 supervisor included under “Secretarial Services”)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Civil Engineering (7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head (1)</td>
</tr>
<tr>
<td>Civil engineer (1)</td>
</tr>
<tr>
<td>Supervisors (1)</td>
</tr>
<tr>
<td>Assistant supervisors (1)</td>
</tr>
<tr>
<td>Senior technicians (1)</td>
</tr>
<tr>
<td>Technicians (2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Electromechanical (21)</th>
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</thead>
<tbody>
<tr>
<td>Head (1)</td>
</tr>
<tr>
<td>Electrical engineer (1)</td>
</tr>
<tr>
<td>Supervisors (2)</td>
</tr>
<tr>
<td>Assistant supervisors (2)</td>
</tr>
<tr>
<td>Senior technicians (4)</td>
</tr>
<tr>
<td>Technicians (11)</td>
</tr>
</tbody>
</table>
Total number of employees: 298 permanent and 30 on contracts.

* Appointed by the Council of Ministers for a 3-year term, except for the Director of Customs who is a permanent member. Other members are drawn from the private sector.

In addition the CPA has an external legal advisor and the Auditor General of the Republic of Cyprus is the external auditor of CPA.