

Chapter 7

Conclusion

1997

Chapter 7 Conclusion

7.1 Port Development and Management Strategy

7.1.1 Basic Strategy

(1) Basic concept of public port

1) Public ports should be considered, in principle, as economic infrastructure, or social capital, or as a national asset which is vital in promoting the national economy and upgrading total welfare of the citizen.

2) Under the above understanding, the ports should generally be owned by the public sector, and basic port development and management policy and provision of major port facilities need to be controlled by the public sector.

3) Through the above function, the public port sector should play an important role to provide private sector entities with well cultivated field in which they can promote their economic activities freely under a liberalized competitive market.

4) From an administrative point of view, it is also essential that a public agency maintains uniform control over the entire area required for proper development, management and operation of public port.

(2) Roles and requirements for the Iranian port sector

Considering the basic requirements of the country, the core roles expected of the port sector are summarized as follows.

1) To be logistics centers to provide the national citizens with necessities of life

2) To support development of the national economy

3) To play the central role in the international transport

4) To be the cores of regional development

In order to fulfill the above roles, the Iranian ports should satisfy the following requirements.

1) Quality improvement and modernization of ports and maritime transport to attract more ship calls

2) Improvement of the port facilities for future cargo and passenger traffic demand

3) Encouragement of international transit through Iran

4) Promotion of regional development through provision of better business

environment for port related industries

- 5) Supporting of the free trade zone activities
- 6) Encouragement of other various port function such as fishery, refuge and recreation
- 7) Enhancement of environment protection regarding port development

7.1.2 Port development Strategy

- (1) Basic requirements for physical development of port related facilities

The major physical development needs for port related facilities are identified as follows.

- 1) Reinforcement of cargo handling capacity mainly for future container, bulk and general cargo traffic demand
- 2) Provision of easy access to/from trunk roads and railways
- 3) Provision of available areas or lots, utilities and services specially prepared for various port related industries
- 4) Improvement of navigation aids, channels and basins for safety of vessels' navigation and berthing

- (2) Future cargo traffic demand

- 1) Future economic scenario

As a base of forecasting the future cargo traffic through the Iranian ports, future status of population, GDP and GDP per capita of the country are presumed as shown in Table 7.1.2.1.

Table 7.1.2.1 Population, GDP and GDP Per Capita

| | 1991/92 | 2000/01 | 2010/11 |
|----------------------------|---------|---------|---------|
| Population (1,000) | 57,234 | 70,019 | 85,353 |
| GDP (Bn.Rls) | 12,181 | 19,891 | 33,224 |
| GDP per capita (1,000 Rls) | 213 | 284 | 389 |

2) Sea born cargo volume

On the basis of the future economic status of the country, the total sea born cargo traffic demand is forecasted as shown in Table 7.1.2.2.

Table 7.1.2.2 Sea Born Cargo Traffic Demand

| | | 2000/01 | 2010/11 |
|---|--------|---------|---------|
| Handling Cargo Volume (Thousand tons) | Import | 32,455 | 53,315 |
| | Export | 8,936 | 23,768 |
| | Total | 41,391 | 77,083 |

3) Transit cargo to/from CIS countries (Land-bridge cargo)

Future transit cargo for CIS countries is forecasted separately from the above sea born cargo traffic as shown in Table 7.1.2.3.

Table 7.1.2.3 Transshipment Cargo To/From CIS Countries

| (unit 1,000 ton) | | | |
|------------------|-------|-------|-------|
| | TO | FROM | TOTAL |
| 2000/01 | 620 | 470 | 1,090 |
| 2010/11 | 1,540 | 1,180 | 2,720 |

(3) Functional allotment among major Iranian ports

According to the basic port development concept, the allotment of port function of 13 study ports is proposed as shown in Table 7.1.2.4.

Table 7.1.2.4 Functional Allotment among Major Iranian Ports

| Ports Function | Imam Khomeini | Abbas | Bushehr | Chabahar | Anzali | Now Shahr |
|-------------------|------------------|-------|---------|----------|--------|--------------|
| Foreign Trade | AA | AA | A | A | A | B |
| Domestic Trade | A | A | A | C | B | C |
| Commercial | AA | AA | A | A | A | B |
| Industrial | AA | AA | B | B | B | B |
| Container Cargo | AA | AA | A | B | A | B |
| Bulk Cargo | A | A | B | A | B | C |
| Heavy Cargo | A | A | B | B | A | B |
| Ro-Ro Cargo | A | A | - | - | A | - |
| Transit Cargo | A | AA | - | A | A | - |
| Liquid Cargo | C | AA | AA | A | A | B |
| Fishery | C | A | A | A | A | C |
| Passenger | B | A | A | - | A | A |
| Refuge | - | - | - | B | A | A |

Allotment Degree

AA: High

A: Medium High

B: Medium Low

C: Low

-: Not Handled

Considering the above general allotment of port function among the ports, allocation of total future cargo volume among 13 ports is proposed as shown in Table 7.1.2.5.

Table 7.1.2.5 Total Cargo Volume at Major Iranian Ports

Unit:1,000 tons

| Port Name | 1993/94 | | | 2000/01 | | | 2010/11 | | |
|---------------------|---------|--------|--------|---------|--------|--------|---------|--------|--------|
| | Import | Export | Total | Import | Export | Total | Import | Export | Total |
| Persian Gulf | | | | | | | | | |
| Imam Khomeini | 7,259 | 2,788 | 10,047 | 11,052 | 5,181 | 16,233 | 19,663 | 11,513 | 31,176 |
| Rajaei | 8,410 | 931 | 9,341 | 11,901 | 2,721 | 14,622 | 19,158 | 10,088 | 29,246 |
| Bahonar | 3,330 | 553 | 3,883 | 3,552 | 867 | 4,419 | 3,896 | 1,651 | 5,547 |
| Bushehr | 1,412 | 174 | 1,586 | 1,815 | 300 | 2,115 | 2,599 | 654 | 3,253 |
| Behesti | 816 | 2 | 818 | 1,158 | 9 | 1,167 | 2,008 | 226 | 2,234 |
| * Khorramshahr | - | - | - | 732 | 268 | 1,000 | 671 | 329 | 1,000 |
| * Abadan | - | - | - | 146 | 54 | 200 | 134 | 66 | 200 |
| Sub-Total | 21,227 | 4,448 | 25,675 | 30,356 | 9,400 | 39,756 | 48,129 | 24,527 | 72,656 |
| Caspian Sea | | | | | | | | | |
| Anzali | 1,036 | 42 | 1,078 | 1,593 | 218 | 1,811 | 4,241 | 841 | 5,082 |
| Noshahr | 388 | 8 | 396 | 692 | 137 | 829 | 1,826 | 399 | 2,225 |
| **Amir Abad | - | - | - | 485 | 175 | 660 | 956 | 444 | 1,400 |
| **Fereydunkener | - | - | - | 349 | 21 | 370 | 713 | 87 | 800 |
| **Torkaman | - | - | - | 70 | 75 | 145 | 170 | 190 | 360 |
| Sub-Total | 1,424 | 50 | 1,474 | 3,189 | 626 | 3,815 | 7,906 | 1,961 | 9,867 |
| TOTAL | 22,651 | 4,498 | 27,149 | 33,545 | 10,026 | 43,571 | 56,035 | 26,488 | 82,523 |

Note: Including land bridge cargo

* ports were under re-construction in 1993/94

** ports were under construction in 1993/94

(4) Priority of required port facilities at major Iranian ports

On the basis of the future cargo traffic demand at each port, priority requirements for improvement of port facilities are derived as shown in Table 7.1.2.6.

Table 7.1.2.6 Priority of Required port Facilities at Major Iranian Ports

| Name of Port | | Iwam Khomaini Port | Abbas Port | Busher Port | Chabahar Port | Anzali Port | Now Shar Port |
|--------------------------|-----------------------------|--------------------------|------------|----------------|------------------|----------------|------------------|
| Kind of Berth | | | | | | | |
| Foreign Trade | General cargo berth | *** | *** | *** | *** | *** | ** |
| | Container berth | *** | *** | | | | |
| | Ro/Ro berth | ** | ** | | | | |
| | Dry bulk berth | ** | ** | | ** | | |
| | Passenger berth | | | ** | | | |
| | Liquid bulk berth | * | ** | ** | ** | *** | * |
| Domestic trade | General cargo berth | | | ** | | | * |
| | Dry bulk berth | ** | ** | | | | |
| Fishery | Fishery berth | * | ** | ** | * | ** | * |
| Kind of Sorting Facility | | | | | | | |
| Foreign Trade | Transit shed | *** | *** | *** | *** | *** | ** |
| | Open yard for General Cargo | *** | *** | *** | *** | *** | ** |
| | Container Freight station | *** | *** | | | *** | |
| | Container Yard | *** | *** | | | *** | |
| | Open yard for Ro/Ro | ** | ** | | | ** | |
| | Open Storage Yard | ** | ** | | | * | * |
| | Silo | ** | ** | | ** | | |
| | Transit shed for dry bulk | ** | ** | | ** | * | * |
| | Passenger Facility | * | *** | ** | | ** | ** |
| Liquid bulk Facility | | ** | ** | ** | *** | * | |
| Domestic trade | Transit shed | | | ** | | * | * |
| | Open yard for General Cargo | | | * | | * | |
| | Open Storage Yard | ** | ** | | | | |
| Fishery | Fishing Storage | * | ** | ** | * | ** | * |
| Break water | | | | | *** | *** | ** |

Note:***:Required Facility with first priority for construction
 **:Required Facility with second priority for construction
 *:Required Facility with third priority for construction

7.1.3 Port management and operation strategy

(1) Basic policy for port management and operation

In order to support the future port activities to be conducted at each Iranian port developed under the proposed scheme, port management and operation system should substantially be improved according to the following policy.

- 1) Improvement of overall efficiency and reliability of port management and operation

- 2) De-centralization of a part of competence of PSO head quarter to each port authority
- 3) Re-organization of each port authority for partial privatization of port operation
- 4) Introduction of more self-sustainable way of financial system of PSO
- 5) Reinforcement of general competence of PSO in deciding its original port tariffs
- 6) Introduction of more rationalized way of procurement system

(2) Application of privatization policy

Under the basic understanding on the nature of public port illustrated in para. 1.1.1 (1), it is recommended that the following guidelines be taken into account in applying the government's privatization policy to PSO.

- 1) The ultimate objective of privatization of port sector is to maximize economic return from the target port activity for both the public and private sectors under careful consideration on effective removal of possible inefficiency of public sector as well as adverse effects of monopoly by private sector.
- 2) Port functions and activities to be privatized should be limited within the areas where the privatized activities can be fully controlled under PSO administrative authority, and the areas where the effects of privatization can fully be expected without any negative impact to sound performance of the port.
- 3) the target areas to be privatized should be planned and arranged appropriately to guarantee the necessary conditions under which the free market system can fully be activated.
- 4) In principle, ownership of the land and water area necessary for PSO port administration, and the basic port facilities such as water area for navigation channels and basins, public wharves, main access roads, utility mains, power supply, reserved space/land for public use or future expansion, should belong to PSO.
- 5) Basic port facilities and major cargo handling equipment should be open to public use, in principle, but can be leased out to private firms on a contract basis for their exclusive use under appropriate condition.
- 6) Practice of privatization should be step wise considering its applicability to the situation of each target stage including practicability, acceptability, profitability of the intended privatization schemes so that they could fully contribute in securing the total efficiency of port administration and its performance.

(3) Future terminal operation system

In the context of privatization for more efficient port operation, the alternative ways of marine terminal operation are developed and the following two alternatives shown in Table 7.1.3.1 are selected to be applied for the Iranian ports.

(4) Basic tariff policy

In order to establish the most appropriate tariff system for the Iranian ports, the following points need to be considered.

- 1) Tariffs should be set at proper level to obtain sufficient income for necessary investment for development, maintenance and operation of the facilities under sound financial condition.
- 2) Well attractive level of tariffs should be examined and offered to the port users so that PSO could receive more ship calls to the ports.
- 3) Strategic tariff policy to be applied to selected users should be considered to compete with the other ports in inviting target cargo flow to the PSO ports. It should be considered to set different tariff levels between ports on Persian Gulf and ones on Caspian Sea.

Table 7.1.3.1 Recommended Terminal Operation System for Iranian Ports

| Alternative | Present | | Short Term Plan (- 2000) | | Long Term Plan (- 2010) | |
|---|------------------------------------|------------------------------------|---------------------------------------|----------------------------|---------------------------------------|----------------------------|
| | Major ports on Persian Gulf | Major ports on Caspian Sea | Major ports on Persian Gulf | Major ports on Caspian Sea | Major ports on Persian Gulf | Major ports on Caspian Sea |
| (A) Owned by Provide service for Cargo handled by | Public Open Public & Private | Public Open Public & Private | Public Open Private | Public Open Private | Public Open & Exclusive Private | Public Open Private |
| (B) Owned by Provide service for Cargo handled by | Public Open Public & Private | Public Open Public & Private | Public Open & Exclusive Private | Public Open Private | Public Open & Exclusive Private | Public Open Private |

Note: Exclusive; The type of operation which allows only limited companies to use berths.

Open & Exclusive; In principle the berths are open to public use, but exclusive use berths will be partly introduced.

Chapter 8

Recommendation

1998

1999

Chapter 8 Recommendation

With a view to securing successful realization of the proposed port development schemes under efficient port management and operation, the timely actions by Government of Iran are recommended as illustrated as follows.

While the following recommendations include some items which are conducted or being planned by PSO, those items would be useful in encouraging or promoting further PSO actions.

8.1 Overall Port Administration

8.1.1 Independence of Financial Status of PSO

While PSO can be understood as a kind of independent administrative organization, its financial position is not considered fully independent from Government. To keep financial independence of the public sector entities from Government is generally understood effective to encourage their positive efforts in promoting effective management and operation of their facilities.

Considering the above principle, it is recommended that the current practice of subsidies and contribution system from/to Government should be phased out. In this connection, it is also important to establish the independent decision making system for tariff policy under initiative of PSO.

8.1.2 Promotion of De-centralization of Port Administration Competence

The port authorities currently conduct their activities under strict control of PSO head office. With a view to activating function of each port authority, the appropriate part of competence in the following fields need to be transferred from PSO head office to the port authorities.

(1) Procurement, (2) Budgetary arrangements and financing,
(3) Personnel affairs, (4) Port promotion, (5) Planning and construction, and (6) Operation of the ports.

8.1.3 Restructuring of PSO Organization

While any serious problem area is not observed at current organization structure of PSO, it is recommended to create, at PSO head office, the following new organizations for timely response to the current/future port administration requirements.

(1) Division for port promotion, (2) Division for tariff, (3) Division for environmental affairs.

In addition to the above policy, the following functions may be transferred to private

entities according to progress of privatization in the field of port operation.

(1) Calculation, billing, collection of cargo handling charge, (2) Grievance procedure concerning cargo handling operation, (3) Management of cargo handling workers.

8.1.4 Reinforcement of Personnel Management and Training System

The well designed personnel management and training system are essential to encourage or to educe the positive incentive and potential capability of PSO staff.

In order to support the effective personnel management of PSO, the following measures need to be carefully examined and applied under the "appoint right person to right position" principle.

- (1) Establishment of proper personnel evaluation and transfer system
- (2) Introduction of steady and encouraging promotion system
- (3) Provision of attractive positions for able technocrats and engineers
- (4) Creation of positive incentive mechanism built in the salary/wages system

With respect to staff training, PSO needs to develop its own training courses, the core purpose of which are;

- (1) to give them full knowledge and understanding both on technological and functional requirements of development, management and operation of the ports, and thus
- (2) to give them cost-conscious and efficiency oriented mind in conducting their duty and assignment.

8.2 Port Planning

8.2.1 Establishment of Port Planning System

The port plans need to be formulated by systematic way, taking the following points into account;

- (1) Coverage of port plans (nation wide, regional and individual)
- (2) Terms of port plans (long, medium and short term or urgent)
- (3) Type of port plans (development, environment, management and operation)
- (4) Port planning body (central, regional or local government, and private sector)
- (5) Interval of formulation (periodical, ad-hoc)
- (6) Legal status (with/without legal authorization or budgetary arrangements)

8.2.2 Essential Requirements To the Functional Position of Port Plan

In order to secure applicability and practicability of the port plan, the following requirements of its functional position should be considered.

(1) Time span of the plan should correspond to other major plans such as a comprehensive national development plan, or regional economic plan or road development plan etc., if any.

(2) The plan should be flexible enough to adjust to possible contingency.

(3) The plan should, if possible, be vested with a certain legal power or budgetary arrangements by Government to promote its development scheme.

(4) Easy access to the contents of the plan should be secured for the interested parties concerned.

8.2.3 Effective Utilization of Port Plans

In order to realize the proposed schemes of the plans, it is essential to secure active utilization of the plans through the following efforts by PSO.

(1) To promote full understanding on the contents of the plans and its significance both by all staff of PSO and agencies concerned

(2) To conduct periodical review and modification of the plans to adjust the schemes according to the actual socio-economic situation of the country

(3) To secure adequate financial support with proper budgetary arrangements for the plans through constant negotiation with the agencies concerned

(4) To promote public understanding and acceptance on the proposed schemes through positive public relation activities, in particular on the significance of plans, environmental consideration policy and economic merits of the plans.

8.3 Port Environmental Consideration

8.3.1 Establishment of port environmental policy

The environmental consideration is one of the most vital issues in promoting port development. Since the environmental administration system and practice of PSO seem inadequate to satisfy the general requirements of international standard, overall port environmental consideration and conservation policy need to be established considering the following points.

(1) Quality standard of air, seawater and seabed materials at the PSO port area should set in consultation with DOE.

(2) Routine inspection system for water and seabed quality needs to be established.

(3) A laboratory for minimum required analyses of the samples of seawater, discharging waste water and seabed materials should be established.

(4) Specialists for material sampling and data analysis should be trained and assigned to all major ports.

(5) Treatment plants for waste oil from ships and waste water of general port activity should be installed at least at selected major ports.

8.3.2 Environmental Consideration Particular for Imam Khomeini Port

Air pollution and water pollution are problem at Imam Khomeini port. Therefore, countermeasures of these problem should be studied.

8.3.3 Environmental Consideration Particular For Anzali Port

In the Master Plan, there are reclamation works which will cause water pollution. This situation is an environmental problem. There fore, countermeasures should be studied.

8.3.4 Strengthening of PSO Organization For Environmental Administration

In order to cope with the above requirements for maintaining the sound port environment, it is recommended to create at PSO head office a special department or section which is responsible in taking care of port environmental affairs.

8.4 Improvement of Port Engineering Aspects

8.4.1 Overall Upgrading of PSO Engineering System

In order to carry out an appropriate future major port development, PSO's organization with respect to engineering aspects can be improved further. The following suggestions on such improvement are based on the experience of the Study Team working with PSO.

- (1) It is recommended to continue the PSO technical sessions.
- (2) Introduction of technology of other countries including the technical analysis by computers.
- (3) Introduction of overseas training of junior engineers.
- (4) Preparation of own technical standards and common design criteria.
- (5) Active communication between the departments concerning.
- (6) More communications between the junior engineers and senior engineers

Another point which should be noted is that average age of PSO employees is rather high. It is essential matter to open the employment chance to the young engineers. It is strongly recommended to add more attractiveness on the present PSO engineering system for young generation in order to ensure a continuity of PSO engineering.

8.4.2 Establishment of Technical Standards For Port Facility Design

PSO recognized the importance of keeping its own technical standards and tried to prepare them before. However the preparation of them was not completed yet. The consultant employed by PSO is usually select the standards by themselves based on characteristics of each project.

It is strongly recommended to PSO to continue its efforts to carry out necessary technical arrangement for PSO's technical standards.

8.4.3 Improvement of Engineering Statistics and Recording System

The engineering records of PSO project in the past contain a variety of useful information.

However, if any information about records is not given to those who needs it, utilization of such record will be limited to those who knows the existence of records. Thus, they should be given well-informed easy access to touch the records.

8.4.4 Monitoring and Review For Flexible Project Implementation

All the facilities specified in the master plan were reflected on the forecast data of cargo demand together with type of cargo. However actual figures may deviate from the forecasts due to changes in various social and economic factors. Although a

detailed study to cope with this situation is required, following countermeasures may be useful.

- (1) Review of cargo forecast based on the latest data
- (2) Review of the master plan
- (3) Review of the implementation schedule

8.4.5 Establishment of Effective Maintenance System

PSO has conducted its efforts to provide the existing facilities with the required maintenance services. However there are several damaged structures which require both periodical maintenance works and urgent rehabilitation.

Maintenance work on the structures can be divided into two categories, namely the routine maintenance and the urgent rehabilitation. The former consists of preventive measures and required cost of which is minor, however the latter consists of corrective measures against large scale damage and required cost of which is large. According to past experience, if preventive maintenance is appropriately performed, the required cost for corrective maintenance works will be minimum.

8.5 Port Management and Operation

8.5.1 Proper Application of Privatization Policy

While privatization of public entities' business has become new world trend, the policy should always be applied under careful consideration on general conditions of the country and actual situation of the target sector.

Considering the nature of public port, partial and step-wise application of the policy is therefore desirable for the Iranian ports under deep understanding on the ultimate objective of privatization policy, which reads;

"to maximize economic return from the target port activity for both the public and private sectors through effective removal of possible inefficiency of public sector as well as adverse effects of monopoly by private sector"

8.5.2 Strategic Tariff Policy For Transshipment Cargoes

Invitation of the potential transshipment cargoes is one of the effective ways for maximum utilization of future cargo handling capacity of Iranian ports.

While it is generally understood difficult to attract the transshipment cargoes being handled at neighboring competing ports, it is still recommendable that PSO should have a more aggressive tariff policy for further increase of cargo handling revenue through inviting transshipment cargoes to the ports along the Persian Gulf coast.

For instance, PSO may set the tariff for transshipment cargoes far below the normal

level, even if operational earnings could not be expected at the initial stage under such a highly concessive tariff. This policy implies that PSO could recover any initial losses and get more earnings in long-term range through dramatic increase of transshipment cargoes expected under the policy, if it is well prepared and applied appropriately.

8.5.3 Improvement of Port Statistics and Recording System

In order to support proper port administration and planning, it is essential to build up a well designed port statistic and recording system. In addition to current data base of PSO, the following data need to be prepared.

- (1) Commodity-wise cargo volume arranged by origin and destination
- (2) Cargo handling efficiency
- (3) Dimensions of calling vessels
- (4) Condition of usage of cargo handling and storage facilities
- (5) Number of passengers
- (6) Traffic volume of the access roads around port
- (7) Cargo turnover records

In this connection, it is also recommended to provide the users with easy access to port related information including the available data base.

8.5.4 Reinforcement of Port Promotion Activities

Port promotion or sales is one of the most important fields of activities for attracting port users. PSO administration, however, does not seem very active in conducting this assignment. Since competition among the neighboring ports or other transport modes in collecting cargoes will be much tighter in future, the following actions by PSO are recommended in securing adequate level of revenue from users at the major Iranian ports.

- (1) Establishment of port promotion strategy focusing the most effective target groups of clients
- (2) Under the systematic action program, PSO staff should call for sales at shipping companies or shippers through active appeals in getting their understanding on real merits of utilizing the Iranian ports.
- (3) It is useful for effective sales activities to prepare an attractive brochure in which the sales points including various advantages and merits for the target users are explained plainly.
- (4) To hold seminars to introduce the Iranian ports to the relevant shipping companies and shippers of various countries is another effective way to assist the promotion activities.

8.6 Physical Implementation of Proposed Port Development Schemes

8.6.1 General Idea

The followings are general idea for systematic implementation of both Imam Khomeini port and Anzali port.

- (1) PSO should conduct the priority analysis on major ports and should inform the priority project to the central government.
- (2) If so required, financial arrangement should be undertaken for the introduction of external financial institution.
- (3) Detailed engineers including preparation of tender documents should be conducted by the consultants.
- (4) In order to perform such project as proposed in this study, PSO should continue its heat efforts to strengthen of engineering capabilities.
- (5) Cargo review should be undertaken in order to make the view investment efficient.

8.6.2 Imam Khomeini Port

- (1) PSO should study mitigation measures on the disturbance of port operation during the project implementation
- (2) Necessary arrangement should be conduces for the new access to the West Harbor.
- (3) Periodical hydrographic survey and maintenance dredging should be carried out.
- (4) Discussion should be carried out between the Air Force and PSO about the relocation its base at existing Berths No.31, No.32 and No.33.

8.6.3 Anzali

- (1) Detailed plan of urgent mitigation measures against the water raise should be prepared.
- (2) PSO should provide the residents with the explanation about importance of port activities.
- (3) PSO should discuss with the minuniparity about the future port expansion eastward.
- (4) PSO should make is heat efforts to convince the military that the existing minitary area behind the port area should reprove to other site.

8.7 Financial Issues for Successful Implementation of the Project

8.7.1 Procurement of Necessary Funds For the Project

Provision of required funds is no doubt one of the most critical issues for successful realization of the project. The financial sources available for a public port development can generally be categorized as follows.

- (1) Funds provided by the national budget or Government bond
- (2) Funds provided by the local government budget or bond
- (3) Funds procured through foreign currency loan from international multi- or by-lateral financing agencies (so called Official Development Assistance (ODA) basis)
- (4) Funds invested by domestic or foreign private sectors
- (5) Funds procured through co-financing arrangement of various different sources

While category (5) is occasionally selected for actual project financing, core funds are normally procured from categories (1) to (4) as the major financing sources. Considering the actual Iranian port development system, utilization of categories (1) and/or (3) are most practical at least for the basic port facilities. Private funds may also reasonably be introduced for some superstructures and cargo handling equipment in accordance with possible future privatization of port operation.

8.7.2 Appropriate Policy Making on Reasonable Level of PSO Contribution To the National revenue

The current practice of transference of PSO revenue to the National Treasury seems jeopardizing financial independence of PSO. Reinforcement of the self-sustainable financial position of PSO is considered an essential requirement for successful realization of the proposed project.

In this sense, it is recommended that PSO should seek possible way to set reasonable level of contribution through active appeal to the agencies concerned on significance of the port development and financial requirements for the project.

8.7.3 Budgetary Arrangements For the Urgent Improvement Schemes

As proposed in the implementation schedule of the projects, available term for construction works of short term plan is only five years including the term for the urgent improvement schemes of which implementation should start in 1996.

Taking the above situation into consideration, immediate action for securing next year's (1996/97) budget for urgent improvement schemes is essential for timely commencement of the project.

8.8 Other Relevant Issues to be Considered

- (1) Promotion of regional development to be conducted together with the proposed port development schemes
- (2) Organization, for port sector promotion, of wide-range of supporting groups composed of both public and private entities
- (3) Constant dialogue between PSO and port users for effective improvement of port operation and services
- (4) Consolidation of PSO position and its concern in participating in the development scheme of Free Zone
- (5) Early commencement of a detailed planning study on Abbas port for harmonized development with other major port projects and on-going Free Trade Zone project at Qeshm Island.
- (6) Promotion of active approaches to and coordination with the agencies concerned for timely construction of the roads and railways relevant to the proposed port development.



JICA

