

Project Management in the Port Development Project in Latvia

Emīls Pūlmanis
PhD.cand., MSc.proj.mgmt.

Abstract

This paper analyses a case study of performance and compliance audit in the port development project in Latvia. Author has participated in the audit process evaluating project management application in the project implemented by the Riga Freeport Authority and co-funded by the Cohesion Fund “Development of Infrastructure on Krievu Island for the Transfer of Port Activities from the City Centre”. Despite the mass media reports that the Riga Freeport Authority has successfully completed the project, only the construction phase of the project has been completed. During the following two years the stevedore activity must be transferred to the newly built port infrastructure on Krievu Island and coal handling operations must be commenced. In order to implement these activities the stevedores have to build internal infrastructure objects, to install equipment and to restructure logistics. Furthermore, in order to obtain positive opinions from the responsible institutions on the completion of the project and attainment of the defined objectives, by March 2019 it must be proved that the project objective has been reached and the benefits must be presented. The project was initiated in 2006 when the Riga Freeport Authority made a decision on using degraded Krievu Island territories for port activities and commenced the planning estimating that the construction phase of the project would be completed by the end of 2012. In accordance with the initial plans, active cargo handling should be currently taking place in the new port territories on Krievu Island. However, the implementation of the project has been delayed by almost three years (*detailed project implementation timeline see as annex 1*), as we see it – due to ineffective solutions to project management issues and untimely, poor communication with the parties involved in the project, such as stevedores, builders, credit institutions etc.

Introduction

The implementers of the project have a lot to do in order to be able to be eligible for the full amount of the European Union co-funding intended for the planning period of 2007 – 2013, which amounts to 77.2 million euro, but we already see several factors which constitute a significant risk of corrections in the European Union co-funding. Firstly, during the development process of the project its objectives have been narrowed by cancelling complete removal of port operations from Andrejsala and Eksportosta territories. Secondly, during the project significant changes in its technical documentation have been made by changing the technical solutions and scale of the

construction work. Thirdly, in implementing the project the Riga Freeport Authority has failed to provide for complete conformity with the regulatory enactments, such as deficiencies in the formation of the project team, outsourcing for tasks which should be executed by the employees themselves. Over the last two years the Riga Freeport Authority has worked on problems arise during the previous period due to faulty project management, however the measures taken by the Authority have not been sufficient for prevention or reduction of all the risks. We conducted this performance audit for the purposes of facilitating the progress of other projects co-funded by the European Union, which are important for the State and its inhabitants with special attention paid to the strengthening of project management institutions in the public administration. We thank all the employees of the Riga Freeport Authority, the Ministry of Transport and the Ministry of Finance, the builder's representatives, experts and others which we asked during the audit to provide their opinions or information, which helped to gain understanding on the implementation of the project.

Meanwhile the Freeport of Riga is an important part of global and regional cargo transport chain as well as of the Baltic Sea region passenger traffic network. Being an integral part of the city of Riga, the port is fully aware of its social and environmental responsibility, so one of the main principles of the Port operation is high efficiency and quality of services provided.

With the aim to manage and control its environmental impact, the Freeport of Riga Authority has established and maintained an environmental management system according to international standard ISO 14001. The Freeport of Riga Authority operates in compliance with the environment policy, approved in the framework of the environment governance system that is implemented by:

- ⚠ Reducing the negative impact of port operation **and new development projects on the environment**,
- ⚠ Continually improving the port authority's performance and services with less resource consumption and enhanced environment protection,
- ⚠ Ensuring compliance with the environmental requirements, stipulated by laws, regulations and other binding documents, in the framework of all the Freeport Authority structural units' operation,
- ⚠ Extending the public and RBP partners' awareness of environmental management policy, objectives and tasks, as well as the activities carried out in regards of environmental protection.

The full audit report (in Latvian language) on port development project implementation is available at the State Audit Office of the Republic of Latvia webpage at www.lrvk.gov.lv or [here](#).

Business case of the Baltic States and Riga city Freeports

In 2009, the Freeport of Riga Board approved the new Freeport of Riga development program for the period until 2018. On 15 September 2011, the Freeport of Riga Board approved amendment to the Freeport of Riga development program.

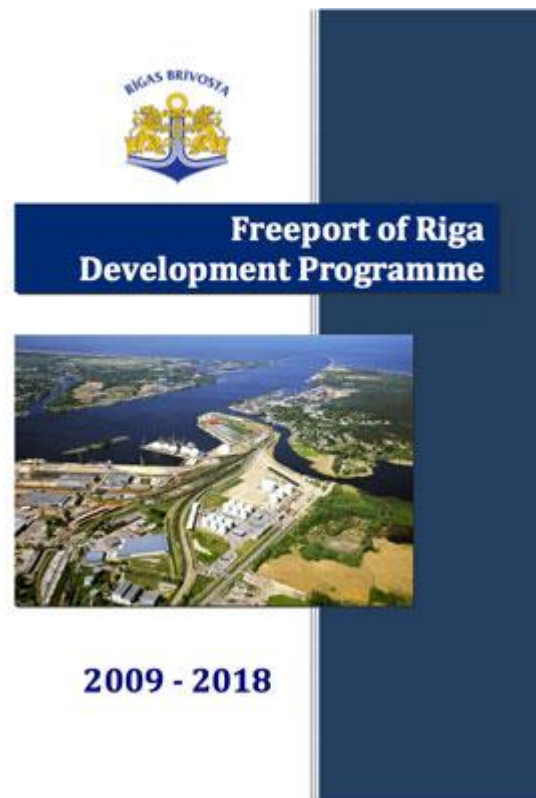
Development of infrastructure

Within the frameworks of the Freeport of Riga development program new infrastructure projects are being implemented that promote performance of business activities.

In 2009, a temporary berth was built in Žurku Sala, which allows the *Panamax* ships to be loaded up to the desired volume – 75 000 tons.

Project Development of Infrastructure on Krievu Sala for the Transfer of Port Activities from the City Centre

Development of Krievu Sala is the largest infrastructure object in the Freeport of Riga and its total costs can be estimated in the amount of more than 130 million euros. In total, 65 ha will be uptaken, a 1780 m long quay will be built envisaged for the needs of 7 berths. Krievu Sala is mainly envisaged for development of bulk cargo and general cargo terminals. Deadline of the project was year 2012 but actual implementation date was end of 2015.



Project Reconstruction of stations of Riga railway network and connecting railway track envisaged for servicing of the Freeport of Riga

Development of access infrastructure of the port comprises also improvements of mutual connection of railway, motorways and waterways. In order to solve accessibility in Kundziņsala, a project for construction of a new railway bridge and improvement of connected infrastructure has been elaborated. This project is in direct context with the National container terminal being developed. Its construction will be commenced already this year, but all four planned development stages, including construction of new berths, enforcement of the bank, improvement of cargo places, construction of offices and warehouses, establishment of communications,

improvement of motorways and railway, will be finished only in 2021. Total costs of the project are 7 million lats.

Project Reconstruction of Access Channel for Ships Entrance into the Port

The project envisages deepening of the fairway up to 17 meters in section until Rīnūži, which will ensure entrance of *Aframax* class ships. Costs in the amount of 49 million lats have been planned. Reconstruction of East and West breakwaters is also planned. Currently, technical project of renewal has been elaborated, but the actual works are planned to take place in time period from 2012 until 2015.

The Freeport also plans construction of a new cruise ship and RoPax terminal in the Export port. It is planned to be finished until 2017, and total costs are estimated to 35 million lats.

Scenarios of perspective – pros and cons

Macro-economic tendencies show that the Freeport of Riga is located in a region of dynamically growing countries. On the one hand, it opens good perspectives for increase of cargo volume, on the other hand – high competitiveness and unstable political climate exists in the region. Just like in the rest of the world, decrease of growth speed can be observed in this region along the economic recession.

In the context of the Freeport of Riga and knowing that majority of the activity of the Freeport is connected with loading of energy resources (coal, petroleum products), as well as the fact that the mean price of energy resources in long-term will increase in the world, because reserves of fossil resources are limited but demand grows, ports of Latvia have good perspectives. However, it should be taken into account that decrease of the number of inhabitants in the Central and Eastern Europe, as well as CIS countries is prognosticated in next decades, which means also decrease of consumption.

Russia as one of export countries of energy resources plans to develop its own port network and infrastructure. However, for Russia to ensure sufficiently qualitative cargo shipment by land to ports, it has to overcome several obstacles, int. al. infrastructure of motorways and railways should be improved, which is financially and time-consuming process. It speaks in favor of Latvia.

Evaluating income of the Freeport, prognosis show – according to the optimistic scenario in 2030 it will be 80 million euro, according to the base scenario – 60 million euro, but according to the pessimistic scenario – 45 million euro.

It is rather difficult to determine precise influence of the port in numbers, because European institutes are only now elaborating a formula for its calculation. According to provisional calculations, operation of the Freeport of Riga provides approximately 3 to 3.3 % from the gross domestic product. Operation of the port has a multiple influence and currently we consider that it is on average 10 lats for each reloaded ton of cargo.

The Port is large, growing, and an important economic asset for Latvia. Most of the needed legislation and international agreement commitments are in place, as is much of the infrastructure required for the Port to meet minimal security standards. Riga Free Port organizational and management structure is unique, and believes that improvements in the overall management structure for the Port and in various procedures would increase efficiency and security, as well as help port authorities and Latvian government offices better position themselves to address transparency concerns in the Port.

Many of the most important decisions confronting the Port are political ones. The Port Authority starting this Project has ambitious plans to move the Port's center of gravity downstream from Riga toward the Baltic Sea. The sprawling area currently included within the Free Port would be consolidated in the process and certain key facilities relocated, modernized, and/or expanded. This relocation depends upon sufficient economic resources to effect the move, in addition to clarifying political and legal issues that may arise in connection with the sale of properties currently occupied by Port authorities and tenants. While noting that the Port will need an increased revenue stream (as well as funding from other sources such as the European Union, the national government, and private lenders) to pay for the move.

In January-December 2015, the overall cargo handling in the Baltic Eastern Coast Seaports totalled 368 550,0 thou. tn; the year-on-year change is -0.1% or -353,6 thou. tn, reports BC Klaipeda port's press service.

Cargo handling in the Eastern Coast Baltic Seaports, in thou. tn

Port	Volumes		Yoy change in %	Yoy change in thou. tn
	01-12 of 2014	01-12 of 2015		
Totally:	368 196,4	368 550,0	0,1	353,6
Ust Luga	75 692,1	87 868,3	16,1	12 176,2
Primorsk	53 656,3	59 606,1	11,1	5 949,8
Saint Petersburg	61 177,6	51 513,2	-15,8	-9 664,4
Riga	41 080,4	40 055,8	-2,5	-1 024,6
Klaipeda Port	36 410,6	38 507,1	5,8	2 096,6
Butinges terminal	7 332,2	8 678,6	18,4	1 346,4
Ventspils	26 206,0	22 524,0	-14,1	-3 682,0
Tallinn	28 321,4	22 431,3	-20,8	-5 890,1
Vysotsk	17 428,1	17 483,6	0,3	55,5
Kaliningrad	13 897,3	12 712,1	-8,5	-1 185,2
Liepaja	5 299,8	5 611,4	5,9	311,6
Vyborg	1 694,6	1 558,5	-8,0	-136,1

Fig.1. Cargo handling in the Eastern Coast Baltic Seaports

Container handling in the Eastern Coast Baltic Seaports, in TEU

Port	Volumes		Yoy change in %	Yoy change in TEU
	01-12 of 2014	01-12 of 2015		
Totally:	3.908.955	2.945.215	-24,7	-963.740
Saint Petersburg	2.375.070	1.715.139	-27,8	-659.931
Klaipeda	450.428	392.674	-12,8	-57.754
Riga	387.603	355.241	-8,3	-32.362
Tallinn	260.293	208.784	-19,8	-51.509
Kaliningrad	325.189	179.378	-44,8	-145.811
Ust Luga	106.757	89.820	-15,9	-16.937
Liepaja	3.615	3.669	1,5	54
Ventspils	0	510	-	510

Fig.2. Container handling in the Eastern Coast Baltic Seaports

UST-LUGA PORT is the priority project related with cargo handling capacity development of Russian ports in the Baltic Sea region. In January – December of 2015 the cargo handling throughput in the Port increased as many as by 12,18 mln tn or by 16,1%. to 87,87 mln tn comparing with January – December of 2014.

Oil products, crude oil and coal constitute even 90% of overall Seaport cargo handling turnover:

- 30,55 mln tn of oil products were handled, +19,1% or + 4,9 mln tn yoy;
- 26,81 mln tn of crude oil were handled, +15,3% or + 3,55 mln tn yoy;
- 21,54 mln tn of coal were handled, +10,9% or +2,13 mln tn yoy.

Other categories of cargo that made the impact on the overall cargo handling turnover in the Seaport were as follows:

- Ro-Ro cargoes – 2 056,4 thou. tn were handled, +12,3% or +225,5 thou. tn yoy;
- Fertilizers – 1 791,6 thou. tn were handled, more by 3 times or by 1 285,9 thou. tn yoy;
- Liquid natural gas – 1 428,3 thou. tn were handled, +28,3% or +315,0 thou. tn yoy;
- Metal – 560,5 thou. tn were handled, more by 3 times or by 405,4 thou. tn yoy.

Cargo handling turnover decreased in the handling of:

- Containerized cargoes – 808,8 thou. tn were handled, –8,0%. or –70,2 thou. tn yoy;

Altogether 59,61 mln tn of products, i.e. more by 11,1% or by 5,95 mln tn comparing with the previous year were handled in PRIMORSK PORT in January – December of 2015.

Primorsk Port is the center of Russian crude oil and oil products export:

- 45,15 mln tn of crude oil were handled, +6,6 % or + 2 787,7 thou. tn yoy;
- 14,46 mln tn oil products were handled, +28,0% or +3 162,1 thou. tn yoy

In January – December of 2015 the SEAPORT of SAINT – PETERSBURG handled 51,51 mln tn of cargo, i.e., less by 15,8% or by 9,66 mln tn than within the corresponding period of 2014.

Basic categories of cargo that made the most significant impact on cargo handling results in January – December of 2015 were as follows:

- Containerized cargoes – 19,84 mln tn were handled, –16,7% or –3,98 mln tn yoy;
- Oil products – 9,58 mln tn were handled, –32,7% or –4,66 mln tn yoy;
- Fertilizers – 7,80 mln tn were handled, +2,9% or +219,2 thou. tn yoy;
- Metal – 6,17 mln tn were handled, +7,2% or +411,8 thou. tn yoy;
- Scrap metal –2,07 mln tn were handled, –8,0% or –180,5 thou. tn yoy.

Within the period of January – December of 2015 Klaipeda Seaport cargo handling turnover increased by 5,8% to 38,51 mln tn, i.e. more by 2,10 mln tn comparing with the corresponding period of 2014. It has been absolutely the best annual result reached in Klaipeda Seaport. This result is higher by 5,3% or by 1,92 mln tn comparing with the previous record achieved in 2011 when the cargo overall turnover totaled 36,59 mln tn.

Year-on-year changes of overall turnover in January – December of 2015 according to cargo types:

- Liquid cargo – 10 117,9 thou tn were handled, +28,2% or +2 225,2 thou. tn yoy;
- General cargo – 11 156,7 thou. tn were handled, –2,9% or –332,3 thou. tn yoy;
- Dry and Bulk cargo – 17 232,5 thou. tn were handled, +1,2% or +203,7 thou. tn yoy

Cargo group	Volumes		Yoy change in %
	01-12 of 2014	01-12 of 2015	
Totally:	36 410 574,2	38 507 121,9	+5,8
Liquid cargo	7 892 780,7	10 117 931,0	+28,2
General cargo	11 489 063,7	11 156 738,9	-2,9
Dry and bulk cargo	17 028 729,8	17 232 452,0	+1,2

Fig.3 Port Cargo group comparison

7 059 vessels were reported to call Klaipeda Seaport in January – December of 2015, i.e. more by 1,4% or by 95 vessels comparing with the corresponding period of 2014. In January – December of 2015 the significant drop of cargo handling turnover by 2,5% was recorded in the FREEPORT OF RIGA – altogether 40,06 mln tn or less by 2,5% or by 1 024,6 thou. tn comparing with the corresponding period of 2014 were handled in the Port.

The dynamics of basic cargo categories handled in the Port:

- the most abundant cargo of the Seaport is coal. 14,53 mln tn were handled (-2,7% or –406,4 thou. tn yoy);
- Oil products – 10,54 mln tn were handled (+3,3% or +332,6 thou. tn yoy). It is the best result achieved in the Freeport of Riga within the entire history and two succeeding years when the results of oil product handling exceed 10 mln tn.

- Fertilizers – 2,58 mln tn were handled (+1,5% or +39,2 thou. tn yoy). Being rather moderate nevertheless it has been also the new record achieved in the handling turnover of fertilizers in the Freeport of Riga. 2,55 mln tn of fertilizers were handled in the Port in 2014 – it was the previous best result.

Cargo handlings decreased in two categories:

- Containerized cargoes – 3,82 mln tn were handled (-7,8% or –325,0 thou. tn yoy);
- Timber – 2,76 mln tn were handled (-4,6% or –132,4 thou. tn yoy).
- Passenger traffic. The Freeport of Riga received 526 243 passengers in January – December of 2015, i.e., less by 28,7% or by 211 622 passengers comparing with January – December of 2014.

In January – December of 2015 the cargo handling turnover in the SEAPORT OF VENTSPILS comparing with the corresponding period of 2014 dropped down to 22,52 mln tn , i.e., less by 14,1%. or by 3,68 mln tn .

Basic cargo categories that made the greatest impact on cargo handling results in January – December of 2015 were as follows:

- Oil products – 13 958,0 thou. tn were handled, –7,8% or –1 173,0 thou. tn yoy;
- Coal – 4 456,0 thou. tn were handled, –23,9% or –1 396,0 thou. tn yoy;
- Ro-Ro cargoes – 1 789,0 thou. tn were handled, –3,9% or –73,0 thou. tn yoy;
- Fertilizers – 142,0 thou. tn were handled, –90,7% or –1 379,0 thou. tn yoy.

Passenger traffic. Within the analyzed period 105 143 passengers called the port of Ventspils, i.e., more by 26,8% or by 22 191 passenger comparing with January – December of 2014. Vessels. In total the Seaport accommodated 1 352 vessels within the analyzed period, the yoy change was –11,9% or –182 vessels.

The overall throughput in the JOINT PORT of TALLINN in January – December of 2015 was 22,43 mln tn, i.e., –20,8% or – 5 890,1 thou. tn comparing with the corresponding period in 2014.

Basic cargo categories that made the greatest impact on cargo handling results in January – December of 2015 were as follows:

- Oil products – 12 802,3 thou. tn were handled, –32,0% or –6 033,8 thou. tn yoy;
- Ro-Ro cargoes – 4 330,5 thou. tn were handled, +8,3% or +330,6 thou. tn yoy;
- Containerized cargoes – 1 740,9 thou. tn were handled, –11,7% or –231,5 thou. tn yoy;
- Fertilizers – 1 596,5 thou. tn were handled, +6,5% or +97,7 thou. tn.

Passenger traffic. In January –December of 2015 the Joint Port of Tallinn rendered services to 9 793,0 thou. passengers, i.e. more by 2,3% or by 223,7 thou. passengers comparing with the corresponding period of 2014. Vessels. 7 081 vessel was reported to call the Port of Tallinn, i.e. more by 3,2% or by 217 vessels comparing with January – December of 2014. 17,48 mln tn of cargo, i.e. more by 0,3% or by 55,5 thou tn were handled in VYSOTSK SEAPORT in January – December of 2015 comparing with the corresponding period of 2014. The total throughput in the PORT OF KALININGRAD was 12,71 mln tn, i.e., less by 8,5% or by 1 185,2 thou.. tn than in January – December of 2014.

Basic cargo categories that made the greatest impact on cargo handling results in January – December of 2015 were as follows:

- Ro-Ro cargoes – 2 118,0 thou. tn were handled, +16,1% or +294,4 thou. tn yoy;
- Oil products – 647,8 thou. tn were handled, –23,6% or –508,6 thou. tn yoy;
- Metal – 1 076,1 thou. tn were handled, +6,6% or +66,7 thou. tn yoy;
- Containerized cargoes – 933,7 thou. tn were handled, –28,5% or –371,6 thou. tn yoy.

The total throughput in the PORT of LIEPAJA in January – December of 2015 was 5,61 mln tn, more by 5,9% or by 311,6 thou. tn comparing the corresponding period of 2014.

Basic cargo categories making the greatest impact on cargo handling results in January – December of 2015 were as follows:

- Grain – 2 901,5 thou. tn were handled (the throughput of grain handling accounts as many as for 52% of the overall cargo handling), +5,4% or +148, 0 thou. tn yoy;
- Ro – Ro cargoes – 614,0 thou. tn were handled, –21,4% or –166,8 thou. tn yoy;
- Timber – 592,6 thou. tn were handled, +10,6% or by +57,0 thou. tn yoy.

Passenger traffic. The number of passengers calling the Port of Liepaja was 39 782 passengers, i.e., less by 6,0% or by 2 523 passengers comparing with January – December of 2014. Vessels: In January – December of the current year 1 343 vessels called the Seaport, i.e., less by 1,8% or by 25 vessels comparing with the corresponding period of the previous year.

Research - case study of conducted performance-compliance audit in port development project

Already in 2006 the Riga Freeport Authority initiated a project for establishment of new port territories on the left shore of Daugava which would unburden the part of the city located near the Riga City historic centre from issues generated by port cargo handling operations, such as environmental pollution, traffic congestions etc., as well as increase the competitiveness of the Freeport of Riga in the Baltic Sea region by developing new, modern port infrastructure.

The funding of 184.7 million euro planned for the implementation of the project, including attracting of the EU co-funding of 77.2 million euro has placed the project in the group of projects of particular national importance; therefore it has been in the centre of public attention. Taking into consideration the great interest from mass media in the implementation of the project and the doubts whether the project will be successfully completed administration issues found during State Audit Office audits which are inefficient management, nonconformity of the financial management to the general principles of business administration and the regulatory enactments, an audit on the project “Development of Infrastructure on Krievu Island for the Transfer of Port Activities from the City Centre” implemented by the Riga Freeport Authority was conducted.



Reacting to the information published in mass media on the management issues of large EU funded projects implemented in Latvia, such as failing to meet the deadlines, exceeding the planned costs, errors in project preparation, the implementation process of the project was assessed in accordance with internationally recognised project management standards. The Riga Freeport Authority has failed to provide for

effective management of the project “Development of Infrastructure on Krievu Island for the Transfer of Port Activities from the City Centre” and its conformity with the regulatory enactments, therefore creating a risk of correction of the EU co-funding allocated for the implementation of the Project (77.2 million euro) amounting to 15–100%:

The activities carried out by the Authority during the implementation of the Project make it doubtful whether the initially defined objective of the Project will be reached. During the implementation of the Project its objective was modified, thus narrowing the Project: in contrary to the initially planned removal of port activities from the right shore of Daugava – Andrejsala and Eksportosta during the Project it is now planned to transfer only coal handling operations to the newly build infrastructure on Krievu Island and to maintain port activities in 15% of the territories from where port activities should be removed.

Taking into account the management issues of the Project during its implementation significant changes in its building dimension were made: during the construction process the total volume of the construction work has been changed by 18%, works costing 9,606,443 euro have been removed from the technical project and works with the value of 12,049,048 euro which were not planned previously have been included instead;

Despite that already at the initial stage of the project a Project management unit intended was formed especially for this Project, the Authority did not provide that the qualification of the personnel conformed to the requirements of the regulatory enactment. The Authority has not developed effective and optimal Project management structure, since the Project management unit is subordinate to the Administrator, carries out the tasks assigned by the Administrator and prepares reports on the implementation course of the Project upon

Administrator’s request. Resulting from unprofessional Project management which

Previously unplanned works requested by stevedores during the course of the construction have been included in the Project, which have resulted in additional costs of at least 2,044,819 euro for the Authority

do not conform to the international project management standards (see Fig No 4), including ineffective and untimely communication with the Parties involved in the Project: stevedores, the builder, credit institutions and insufficient control the Authority has generated additional expenditure of at least 3,249,033 euro, since:

- ⚠ at least 16,946 euro have been taken from the reserve funds intended for the construction work in order to eliminate the errors in the technical project and the enclosed calculations, which the builder as an experienced specialist in the field should have identified already before the construction work was commenced and 54,501 euro for redesigning of the technical project in accordance with the requirements of the responsible institution² which were identified too late;
- ⚠ the Riga Freeport Authority made a one-time payment of 120,300 euro to its creditors in order to renew the loan which was suspended for failing to provide for timely and complete exchange of information with the credit institutions;



Fig.4 Project management effectiveness in the management of the project “Development of Infrastructure on Krievu Island for the Transfer of Port Activities from the City Centre

By failing to timely control the use of the territories intended for the Project the Authority has spent funds of at least 1,012,467 euro for covering the costs of demolishing open-plan warehouse buildings built by the merchant during the implementation period of the Project on the land parcel where construction work for the Project was planned. Failing to comply the regulatory enactment the Authority has employed outsourcing providers for tasks which are among the duties of its employees, therefore unlawfully spending funds of at least 611,888 euro

The implementation and construction work of the project were initiated before agreement was reached with all the parties taking part in the project, e.g. stevedores

Based on the findings of the performance audit and SAO conclusions called upon the Riga Freeport Authority to eliminate the project management deficiencies as the implementation of the Project progresses, so as to provide for successful attainment of

the Project objectives, ability to demonstrate the benefits and sustainability of the project, as well as efficient use of funds in accordance with the regulatory enactments, including preparation of the source documents, i.e. to complete the following activities:

- ⚠ to perform monitoring of the Project objectives and the system of the monitoring indicators and based on the results, update the indicators of the completion of the Project goals in order to reduce the risks of correcting the Project co-funding;
- ⚠ To provide for Project management which complies with the regulatory enactments and the international project management standards and is independent from the executive body by providing for field management, including risk and communication management which is adequate for implementation of projects of such scale;
- ⚠ To develop a timetable for the Project which includes the activities to be carried out until all the objectives of the Project will be reached, the activities to be done in order to demonstrate the benefits and sustainability of the Project, including activities performed for supervision of the implementation of the Project and their deadlines;
- ⚠ To develop a communication plan which complies with the project management principles by defining the parties interested in successful completion of the Project and their expectations, principles of information exchange, periods, as well as appropriate control mechanisms;
- ⚠ To improve the control practices by paying special attention to the assessment of legality and expediency of purchased services, as well as to compliance of the source documents of the transactions submitted to the accounts with their preparation requirements.

The administration of the Freeport of Riga is carried out by a derivative public legal entity – the Riga Freeport Authority, which is supervised by the Cabinet. The Authority is comprised from the board of the port, which is the highest decision-making body, and an executive body subordinate to it and headed by the Chief Executive Officer and the Deputy Chief Executive Officer.

In accordance with the regulatory enactment the Authority must perform the following functions:

- ⚠ within its competence, control the compliance of the activities of port commercial companies with regulatory enactments;

- ⚠ ensure the implementation of the port development programme;
- ⚠ manage and develop the property owned or transferred to its possession and perform other functions prescribed in the regulatory enactment;

The development of the Freeport of Riga is planned in accordance with the European, Latvian and Riga City transport development guidelines by defining priorities of the Freeport of Riga Development Programme and describing the action to be taken in order to accomplish them. During the audit period the Freeport of Riga Development Programme for 1996 – 2010 and Freeport of Riga Development Programme for 2009 – 2018 were effective.

In accordance with the Latvian Port Development Programme for 2008-2013 the main objective of the Authority is as follows: “To enhance the competitiveness of the Freeport of Riga in the Baltic Sea region and to become the leading port in the cargo transit flow from the East to the West and vice versa”.

In order to implement the vision of the Freeport of Riga the Freeport’s Development Programme contains a strategic objective for the development of the terminal infrastructure of the port: “To increase the turnover of cargo and the number of passengers at the port and to grow the market share in the region (East Baltic Sea) in terms of total cargo throughput”.

For achieving this objective it is planned to implement several development projects for port terminals, which includes the project “Development of Infrastructure on Krievu Island for the Transfer of Port Activities from the City Centre” also including development of vehicle and rail access road infrastructure on Krievu Island.

The Authority has pointed out that the increased productivity at the new Krievu Island terminals will allow to achieve the goals defined in the Freeport of Riga vision and to increase the cargo turnover at the Freeport of Riga reaching 50 million tons a year and provide additional cargo turnover of 5 million tons in the future by building additional piers.

Conclusions

Project evaluation was based on international recognized project management standards following process evaluation of all project phases - starting from initialization and finishing with project closure.

Such a big investment project requires a good sound of project management and appropriate application of project methods and instruments. Nevertheless evaluation

process showed many negative obstacles of project management implementation and management effects on project budget.

Audit process as one of the most key constitutes found such factors as:

- ⚠ Stakeholder management;
- ⚠ Risk management;
- ⚠ Project management as itself (project manager).

It's important that in such big and national interest port development projects those project management tools and technics would be applied continuingly and that is what differs project management from daily operational activities.

Meanwhile important role plays project manager as there where almost 2 years when no formal project manager for this project appointed. Project manager manage project team and in spite of investment amount and complexity Riga Free Port Authority choose to use matrix organization form to implement project.

Nevertheless it's essential that also Supreme audit institutions have seen room for project management practice improvement in the public sector and state stock companies by stressing out management problems and its relationship with the performance and compliance.

References

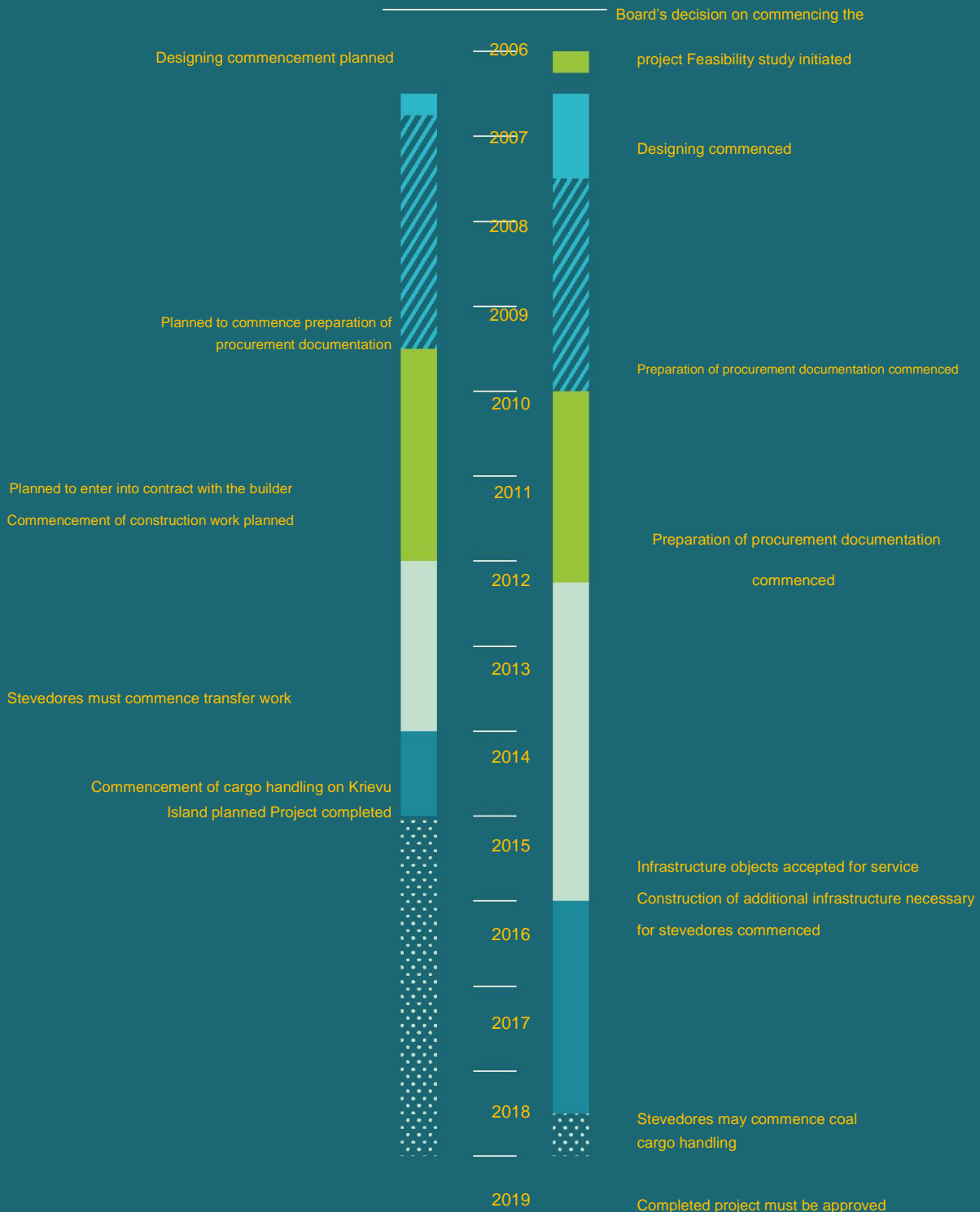
1. A Guide to the Project Management Body of Knowledge (PMBOK® Guide) – Fourth Edition, Project Management Institute, ISBN 9781933890517, 2008., Chapter 10. Project Communications Management, pg.243-250 un A Guide to the Project Management Body of Knowledge (PMBOK® Guide). 5th Edition, Project Management Institute, ISBN 9781628250084, 2013., Chapter 13. Project Stakeholder Management, pg.391-415
2. JASPERS “Opinion note, Subject: Revised “Krievu Sala” project proposed by the Freeport of Riga Authority”. Warsaw, 19.06.2015., “3.1. Moving all AE activities elsewhere in the FRA area”, “3.2. The Eksportosta planned new port installations”.
3. Doran, G.T. There’s a S.M.A.R.T. Way to Write Management’s Goals and Objectives. Management Review 70.11. (Nov. 1981): 35. Business Source Corporate. EBSCO. 15 Oct. 2008.
4. R.D.Archibald, I. Di Filippo, D. Di Filippo, The Six-Phase Comprehensive Project Life Cycle Model Including the Project Incubation/Feasibility Phase and the Post-Project Evaluation Phase; skatīts 21.05.2015.:
http://www.iil.com/downloads/Archibald_Di_Filippo_ComprehensivePLCModel_FINAL.pdf
5. White Paper – European Transport Policy for 2010: time to decide, adopted by the European Commission on 12 September 2001
6. The Riga free port environment report, 2014 Riga Free Port Authority
7. European, Latvian and Riga City transport development guidelines
8. Latvian Port Development Programme for 2008-2013
9. Construction and management expert consultation opinion and evaluation reports on project implementation, “AC konsultācijas” Ltd. and “2iconsult” Ltd., 2015.

Annex 1

Although at the last moment - with 3 year delay the construction phase of the project has finally been completed, successful implementation of the project is still far from completed.

PLANNED

COMPLETED



About the Author



Emils Pulmanis

Riga, Latvia



Emils Pulmanis is a member of the board of the Professional Association of Project Managers in Latvia and development project manager at State Audit Office of the Republic of Latvia. He has gained a BSc. in engineer economics, a professional master's degree in project management (MSc.proj.mgmt) and currently is a PhD candidate with a specialization in project management. He has elaborated and directed a number of domestic and foreign financial instruments co-financed projects. He was a National coordinator for a European Commission-funded program – the European Union's financial instruments PHARE program in Latvia. Over the past seven years he has worked in the public administration project control and monitoring field. He was a financial instrument expert for the Ministry of Welfare and the European Economic Area and Norwegian Financial Mechanism implementation authority as well as an expert for the Swiss – Latvian cooperation program as a NGO grant scheme project evaluation expert. He has gained international and professional project management experience in Germany, the United States and Taiwan. In addition to his professional work, he is also a lecturer at the University of Latvia for the professional master study program in Project management. He has authored more than 35 scientific publications and is actively involved in social activities as a member of various NGO's.

Emils can be contacted at emils.pulmanis@gmail.com.