



## Economic Commission for Africa

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### MISSION REPORT

STAFF MEMBER ON MISSION	Paul A. Were Economic Affairs Officer Regional Co-operation and Integration Division
PURPOSE OF MISSION	Data collection for the preparation of a Task Brief for and ECA study tour to be organized for African Port Managers within the framework of inter-regional land-cum-sea transport linkages programme
VENUE OF THE MISSION	Mombasa, Kenya
DATES OF THE MISSION	15 and 16 January 2003
CITATION OR ACTIVITY	International Co-operation and Inter- agency Co-ordination and Liaison

## MISSION REPORT

### I. Background

The Economic Commission for Africa (ECA) in collaboration with other regional Commissions namely: Economic Commission for Europe (ECE), Economic Commission for Latin America and the Caribbean (ECLAC), the Economic Commission for Asia and the Pacific (ESCAP), and the Economic and Social Commission for Western Asia (ESCWA), have embarked on a joint programme on the development of inter-regional land and land-cum sea transport linkages aimed at promoting interregional cooperation for facilitating interregional trade and tourism. The main aim of the programme is to assist the respective member countries of the regional commissions in strengthening their national capacities for the development of land and land-cum-sea linkages. The programme includes interregional cooperation training and experience sharing that involves commercialization/privatization in the transport sector.

Many African ports have embarked on privatization exercise. The Port Management Associations in Africa namely, Port Management Association of Eastern and Southern Africa (PMAESA), the Port Management Association of West and Central Africa (PMAWCA) and North African Port Management Association (NAPMA) have in many occasions during their annual Council meetings expressed interest in exchanging experiences and ideas with other port institutions in developed and developing countries in the field of port privatization. The Associations proposed to ECA a study tour and selected areas of interest for such a tour. The Secretary-General of PMAESA coordinated the inputs from other sister Associations within the framework of Pan African Association for Port Cooperation (PAPC).

These inputs have been used to prepare a task brief on port study tour for selected African Port Managers and representatives of Port Management Associations and other port related institutions. A copy of the Task Brief is attached as Annex I to this report. Requests received by PMAESA from other Associations are annexed to the Task Brief.

### II. Objective of the Mission

The main purpose of the mission was to collect data for the preparation of the task brief.

### **III. Participation in the Workshop**

#### **Day one: (15 January 2003):**

The first day of the mission was used to analyze data at PMAESA and those received from the three Port Management Associations (PMAESA, PMAWCA and NAPMA) needed for the preparation of objectives and coverage of the proposed study tour.

#### **Day two: (16 January, 2003):**

The whole of the second day was allocated and utilized purely for the drafting of the Task Brief. The drafting was jointly carried out by the ECA representative and PMAESA Secretary-General, and the Associations' Transport Economist.

Although the original plan was to collect data for preparation of the Task Brief here in ECA after the mission, it was found more appropriate to prepare a joint ECA/PMAESA zero draft during the mission. This new arrangement was quite successful, therefore all that is left is for ECA to review and finalize the draft for further considerations.

### **IV. Observations**

1. Judging from proposals from the three Port Management Associations it is clear that their requirements are inclined more towards problems of port privatization.
2. The Associations do not mind having stakeholders included in the tour. In this regards the issue of capacity building embracing all modes would not be difficult to cover during the tour.
3. Although NAPMA proposed the month of March for the tour, other Associations will not mind any month in 2003 as long as they are given adequate notice.
4. The case study proposed as a document to be prepared for the tour basically exists with the World Bank, and PMAESA is willing to initiate contacts for its preparation as long as ECA would pay for the estimated 2w/m consultancy work that may be required.
5. Preparation of the draft at PMAESA has eased the workload that would have been carried out at ECA. I strongly recommend that PMAESA should assist ECA in the preparations of the final stages for the tour.

**ANNEX I**

**TASK BRIEF FOR THE PORT STUDY TOUR**

**PAN-AFRICAN ASSOCIATION FOR PORT CO-OPERATION (PAPC)**  
**UNITED NATIONS ECONOMIC COMMISSION FOR AFRICA (UN/ECA)**

**TASK BRIEF FOR THE PORT STUDY TOUR**

**I. PREAMBLE:**

International trade, as the engine for growth, has led to globalisation, and increased competition for market access. The international transport systems, which enabled globalisation, have increased in efficiency.

In Africa, however, economic development is hampered by the inefficiencies of the transport systems, translating into higher transport costs, longer transit-times, and obstacles for market access.

As ports are major hubs in the transport chains linking the continent to the rest of the world, the improvement of the efficiency of the ports, supplemented by facilitation along the transport corridors they serve, becomes a critical development issue.

The inefficiencies have to be addressed at two levels:

- improving the infrastructure;
- streamlining the logistics for movement of persons and freight, rationalising the regulatory procedures, etc..., in short, increase transport facilitation

Private sector involvement in the transport chain has been identified as a way forward to address those inefficiencies, at both levels.

The challenge becomes how to successfully involve private operators in an area which has been traditionally, for the continent, the domain of public sector.

Port restructuring has now a long record of history world-wide, and tapping into the experience of other developing regions is a pre-requisite.

In this regards, the United Nations Economic Commission for Africa (UN/ECA), in collaboration with other regional Commissions, has responded to the request from the Pan-African Association for Port Co-operation (PAPC) by sponsoring a port study tour to enlighten African ports representatives in capacity building for implementation of successful restructuring processes.

**II. RESTRUCTURING PROCESS IN AFRICA**

The port industry is restructuring on a world-wide basis, with a growing involvement of private sector operators in the operation of terminals and ports, and in the funding of new developments. Africa is also adopting this trend, and has been moving from a predominantly public environment to an increased participation of private sector. The emerging trend is the installation of landlord port authorities with private sector operations.

The sub-regional economic communities, in order to promote efficiency of the transport systems in the region, are actively promoting the involvement of private sector operators at

all levels, in the definition of transport policies, operations and management, and funding of transport infrastructures.

However, the level of involvement of private sector varies widely from one sub-region to another:

- In the North African sub-region, most ports are characterised by a dominant public sector, with limited involvement of the private sector in the operations of some terminals. Most ports are therefore conforming to the Public Service Port model.
- In the West and Central African sub-region, private sector involvement in the port operations is more widely developed, most ports conforming to the Tool Port model.
- In the Eastern and Southern African sub-region, the situation in the past has been conforming to the Public Service Port model. However, the sub-region has moved to adopt the Landlord Port model, with several ports having already implemented the new structure.

### **III. AREAS OF CONCERN FOR PAPC MEMBERS:**

The three sub-regional port associations covering Africa (Union des Administrations Portuaires du Nord de l'Afrique - UAPNA, Port Management Association of West and Central Africa - PMAWCA, and Port Management Association of Eastern and Southern Africa - PMAESA) have consulted with their respective members on the issues they consider as priorities for their respective sub-regions.

Upon the request of UN/ECA, PMAESA spearheaded the co-ordination of inputs from the sub-regional associations. The respective contributions from the sub-regional associations are annexed to this task brief.

The respective areas of concern have been reformulated and merged under four sub-headings, as follows:

- Public role of ports
- Private sector role in infrastructure development
- Private sector role in operations
- Proper planning of the restructuring process.

#### **a. Public role of ports:**

Ports have a dual nature, being at the same time geographical areas where economic activities are taking place (business entities), and important national development infrastructures.

Due to that nature, the challenge is to identify what relates to business activities and what relates to the role of the State. The emergence of a private sector in Africa is an opportunity to redefine the border between public and private domains, without falling in the trap of pushing the border to far.

It is widely agreed that public domain should include notably priorities in terms of national development, security and safety issues, environmental protection issues, and regulatory role.

The main challenge is on how to build capacity in Public entities to prepare them to assume this role.

#### **b. Private sector role in infrastructure development**

After an initial phase of infrastructure development, the focus changed on better utilisation of existing infrastructures. However, the development of globalisation and the changes in the maritime transport industry have rendered the existing infrastructures either inadequate or insufficient. There is a need to develop new facilities in a context of scarcity of public resources.

The challenge for African ports and governments is to ensure that adequate funding is identified for the development of the required infrastructures. Hence the need to involve private operators, as a substitute to failing public entities.

The related issues are:

- How to attract adequate private funding.
- How to ensure that private funding meets public interests.

#### **c. Private sector role in operations**

Apart from the public role of ports, outlined above, ports are areas in which purely economic activities are taking place, for which the private sector is in the best position. The objectives of improving the management of ports as business entities can thus be better achieved by involving private sector for operational and management issues.

The issues are therefore:

- What are the performances of ports as business entities under public sector management versus private sector management.
- What are the most efficient ways to involve private sector in operational and management issues.

#### **d. Proper planning of the restructuring process**

In the region, due to the urgent need to face increased volumes in ports, the restructuring way has been adopted without necessarily taking into account all the consequences.

Some specific areas have since been identified as potential areas of future concern:

- Legal framework.
- Labour issues. The success of a restructuring process requires the involvement of all concerned parties, including labour. The experience showed that labour sees itself as a casualty of the restructuring process. This concern has to be addressed by ensuring proper handling of social issues from the initial stages of the process.
- Regulatory role of the public. Most ports in the continent are characterised by medium range throughputs and disjointed hinterland, resulting in monopolistic situations, which must be regulated. As comprehensive entities, traditional port authorities used to rely heavily on cross-subsidisation, and consequently tariffs generating global income without proper adequacy between services and billing. The involvement of private sector in selected areas requires proper unbundling of business units, in order to generate at this

lower level the proper income to sustain the activity. This process may contradict the attractiveness of potential candidates for concessioning.

The issue is how to ensure proper planning of the restructuring process.

#### **IV. ADDRESSING THE CONCERNS THROUGH A PORT STUDY TOUR**

Port restructuring world-wide has been implemented in a number of ports with mixed results. The positive experience of a port presenting similar concerns in a similar context would assist African ports representatives in undertaking restructuring process by adopting best practices.

The challenge is, therefore, to identify a port which would have successfully faced similar challenges, and learn from its experience by organising a study tour during which African ports representatives will be able to interact and learn from the persons involved in restructuring this port.

#### **V. ADDRESSING THE REMAINING CONCERNS THROUGH ADDITIONAL MEASURES**

However, not a single port is exactly similar to another. It will probably be difficult to identify a port with exactly the same challenges.

It is proposed to complement the port study tour by taking advantage of the availability of the work of the World Bank on port restructuring, compiled in the Port Reform Toolkit.

##### **a. Port Reform Toolkit dissemination**

The Port Reform Toolkit is designed to provide policy-makers and port reformers with decision support tools, tested and proved institutional reform tactics and guidelines which represent "best international practice". For reference, the Port Reform Toolkit is available on the World Bank Internet site ([www.worldbank.org](http://www.worldbank.org)) and PMAESA site ([www.pmaesa-agpaea.org](http://www.pmaesa-agpaea.org)).

The dissemination of the Port Reform Toolkit to the African Ports Representatives will enable them to fully take advantage of the visit, by providing the necessary background information, and expanding the examples on a world-wide basis.

##### **b. Case Study**

However, the Port Reform Toolkit is a complex instrument. The World Bank, in its dissemination strategy, has developed a Case Study for training potential users.

That approach is interesting, and it is suggested to design a case study which will comprise as many features as possible drawn from actual African ports into a single example.

Sufficient time, during the study tour, should be dedicated to properly undertake this exercise of a case study on a non-existent African Port.

The case study would have to be developed prior to the Port Study Tour.

#### **VI. EXPECTATIONS AND FOLLOW-UP MECHANISM**

##### **a. Report on findings from the tour**

The UN/ECA will prepare a report for wide dissemination to stakeholder on the Port Study Tour, highlighting notably:



- the identified best practices in the context of the concerns expressed by African ports representatives
- activities arising from the recommendations of the Port Study Tour.

The UN/ECA will assist the sub-regional association in including the identified activities in their respective action plans.

## **VII. WAY FORWARD**

### **a. Areas of visit**

The requirement of presenting a similar context to the one experienced by African ports imposes the selection of a port from a developing country. However, if a port from a Newly Industrialised Country presents an operational context which is closer to the concerns expressed in this document, the choice is acceptable.

The African ports are served in the context of North-South trade (developing-developed countries). This should precludes the selection of a port served in the context of East-West trades (developed-developed countries).

### **b. Composition of the study tour team**

It is recommended to select African Ports representatives, from each of the three sub-regions, as follows:

- Secretary General and one technical expert from the Secretariat where relevant
- Chairman of the Association
- One or two representative of other ports from the sub-region, particularly ports at an early stage of a restructuring process.

Subject to availability of resources, it is recommended to extend the composition of the tour team to relevant stakeholders, notably:

- Sub-regional communities involved in transport
- Representatives of Ministries in charge of transport, from the country of the selected ports
- Representatives of sub-regional and regional Associations of transport operators

### **c. Preparatory work**

The UN/ECA will co-ordinate the preparation of the case study, finalise, in conjunction with the host regional Commission the selection of the port to visit according to the areas of concern contained in this document, propose to the three sub-regional associations the composition of the study tour team, and propose the dates for the tour.

### **d. Time-frame**

Due to the fact that the port case study has to be prepared before the tour, the realistic time frame for the visit should be the month of June 2003.

# **PORT MANAGEMENT ASSOCIATION OF EASTERN AND SOUTHERN AFRICA**

## **28<sup>TH</sup> COUNCIL - BOARD MEETING**

**NOVEMBER 2<sup>ND</sup> - 7<sup>TH</sup> 2002, CAPE TOWN, SOUTH AFRICA**

### **PORT STUDY TOUR**

#### **OBJECTIVE:**

The United Nations Economic Commission for Africa (ECA) has included in its work programme for this year (2002) the organisation of a port study tour on port public private partnerships (PPPP) for the three sub-regional port management associations of the Continent.

The target group for the port study tour is as follows:

- The Chairman of each PMA
- The Secretary General of each PMA
- One representative (or more, budget permitting) of each PMA

#### **WAY FORWARD**

ECA, in order to select the best example, needs information on the main issues raised by private sector participation in African ports. From the analysis of the issues raised by the three sub-regional Associations, the best suitable example (outside Africa) will be selected (most probably a port from South East Asia)

The initial calendar was planning the tour by August – September this year. However, this is no longer possible, and a new tentative date have to be selected, taking into account the respective agendas.

What is expected?

1. Prepare the list of the main areas of concern in terms of private sector participation.
2. Propose one (or several) additional representatives from each sub-regional Association and prioritise if necessary

#### **MAIN AREAS OF CONCERN (PMAESA)**

1. Private funding of the development of the new infrastructures when ports have reached their capacity limit, and they are not in a position to fund such developments from their own resources.
2. Rate regulation in monopoly or quasi-monopoly situation
3. Residual auto-financing capability when the most profitable units have been leased out, as well as capacity to continue to provide public goods (such as aids to navigation)
4. Labour issues, funding of laid-off workers

Proposed additional representative from PMAESA region: KPA (soon to start the restructuring process) and THA (Container terminal leased, and other THA units to follow soon).

FROM : PMAWCA\*AGFACC\*LAGOS NIGERIA

FAX NO. : 234-1-5874109

Aug. 16 2002 11:42AM P1

Association de Gestion  
des Ports de l'Afrique  
de l'Ouest et du Centre



Port Management  
Association of West  
and Central Africa

O/R: /02/SG/PMA  
Y/R: PMAESA/02/007/013

August 14<sup>th</sup>, 2002

To  
Mr. O. Hartmann  
Secretary General  
PMAESA  
PO Box 99209  
MONBASSA  
KENYA  
Fax N°: +254 11 228 344

Dear colleague,

**RE: PORT STUDY TOUR ON PRIVATE SECTOR PARTICIPATION**

We acknowledge with many thanks receipt of your letter dated July 17<sup>th</sup>, 2002 relating to the aforementioned project.

We wish to express our appreciation for this opportunity kindly provided by ECA to the African ports and congratulate PMAESA and yourself for your nomination to conduct the survey. We are confident that the outcome of the study will be of great assistance to the development of the ports in the Continent.

With regard to the issues rated as priority for the PMAWCA, we are pleased to comment as follows:

**1. Preamble**

The globalization of world economy and expansion of trade are imposing tremendous impact on the African Ports. These ports have to secure huge amounts of scarce funds for heavy investments necessitated by the growing challenges of the fast reshaping new international environment.

Among others, the following areas require continued focus and attention: port extension, rehabilitation or construction of new infrastructure, acquisition of new equipment, etc.

This has resulted in port authorities and owner government seeking alternative sources in view of their inability to mobilize the necessary funds. Hence, the need to incite private sector participation in port operations and management and critically redefine the role of the public sector in such activities.

Furthermore, with the advent of the NEPAD and the increasing awareness about the development of economic infrastructures in the African Continent as gateways to economic integration and regional cooperation, it appears now necessary to highlight the role that ports play in the global transport industry. This is the more relevant as port activities are complex and multi-disciplinary and demanding.

Finally, from a sub-regional and regional perspective, there may also be the need to further explore the possibilities of developing and reinforcing co-operation among ports authorities in the continent with a view to help foster intra-african trade and economic exchanges at national, sub-regional and regional levels. To this effect, the setting up of data bases and publishing, for instance, of applicable port tariffs and other relevant operational details could be of assistance.

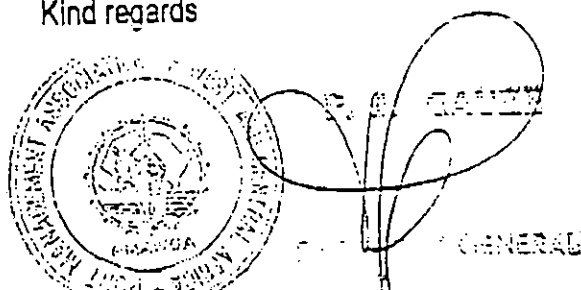
Bearing the foregoing in mind, the PMAWCA is proposing the following topics for consideration.

## 2. Main areas of concern of the PMAWCA

- i. Participation of private sector in port management and operations:  
legal framework and funding opportunities in Africa;
- ii. Ports as keys assets in the sub-regional Transport networks: how to  
Enhance the awareness and preparedness of the Public Authorities?;
- iii. Enhancing African port activities to serve as gateways to sub-regional and  
regional integration:
  - Operations: data collection and dissemination policies and their processing systems;
  - Management and commercial policies;
  - Security and environment protection approaches;

We look forward to hearing from you soon.

Kind regards



PORT MANAGEMENT  
ASSOCIATION OF  
EASTERN AND  
SOUTHERN AFRICA



PMAESA

ASSOCIATION DE  
GESTION DES PORTS  
DE L'AFRIQUE DE  
L'EST ET AUSTRALE

PMA/ESA/02/09/014  
TOUR

September 4<sup>th</sup> 2002

Mr. Paul Were  
Economic Commission for Africa  
Addis Ababa  
ETHIOPIA  
Fax No. +251-1-513 038

Dear Paul

RE: PORT STUDY TOUR

Further to my e-mail, please find attached the input from UAPNA we received today.

As it is in French, I am summarising it:

*Most ports in North Africa are characterised by a dominant public sector, with minor differences from one country to another.*

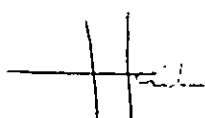
*There are examples of private sector participation, notably Egypt, in Port Said, where AP Moller and ECT have been involved in the port.*

*Some UAPNA members are considering some forms of restructuring, but as a whole, private sector participation remains limited.*

*Concerning the issues which should be considered when selecting the port, UAPNA suggests:*

- *to select a country with a level of development compatible with North Africa (developing country)*
- *include a mechanism for exchange of experience to fully benefit from the study tour*
- *Tentative dates could be first quarter 2003.*

Best regards

  
O. Hartmann

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اتحاد إدارات موانئ شمال إفريقيا  
Union des Administrations Portuaires du Nord de l'Afrique  
North African Port Management Association



Le Secrétariat

The Secretariat

الإمانة

**LE SECRETAIRE EXECUTIF DE L'UNION  
DES ADMINISTRATIONS PORTUAIRES DU  
NORD DE L'AFRIQUE**

**A**

**MONSIEUR OLIVIER HARTMANN  
SECRETAIRE GENERAL DE L'AGPAEA**

N° 224/UAPNA/2002  
Casablanca, le 04 SEP. 2002

**Objet :** Voyage d'études sur la participation du secteur privé.  
**Réf :** Votre lettre n° PMA/EAS/02/007/013 du 17 Juillet

En réponse à votre courrier sus-indiqué, j'ai l'honneur de porter à votre connaissance que l'UAPNA salue l'initiative de l'organisation du voyage d'études, objet de cette lettre.

Concernant la nature de la gestion portuaire dans notre région, il y'a lieu de signaler qu'elle se caractérise par des similitudes qui font ressortir une situation où le secteur public est prédominant, avec des différences insignifiantes d'un pays à l'autre.

A titre d'exemple, en Egypte, la participation du secteur privé a eu lieu à l'occasion du projet de développement de Port Said auquel a participé une société danoise (A.P.Moier) et une entreprise hollandaise (ECT).

D'autres ports ou organismes portuaires membres de l'UAPNA ont entamé sur incitation de leurs pouvoirs publics une réflexion sur la réorganisation du secteur, notamment par le désengagement au profit du secteur privé d'un certain nombre d'activités, mais grosso-modo, la participation du secteur privé reste limitée.

.../...

Au Maroc l'organisme de gestion portuaire, l'Office d'Exploitation des Ports assure la manutention à terre, alors qu'à bord, elle est effectuée par des sociétés privées.

D'autres activités sont assurées par le privé dans certains ports, tel que l'aconage et le pilotage.

L'ODEP a également, dans le cadre de l'encouragement de la participation du secteur privé, cédé le Terminal Charbonnier au port de Jorf Lasfar à la Société JLEC ( Jorf Lasfar Electricity Company ).

S'agissant du choix du pays pour effectuer la mission d'études, l'UAPNA suggère de tenir compte des critères suivants :

- Choisir un pays dont le niveau de développement est similaire à celui de la région Afrique ( Afrique du Nord notamment ). A défaut, un pays émergent.
- Prévoir un mécanisme d'échange d'expériences pour capitaliser les résultats du voyage.
- En outre, il serait souhaitable de réaliser ce voyage courant du premier trimestre 2003.

Je vous prie de croire, Monsieur le Secrétaire Général et Cher Collègue, à l'expression de ma parfaite considération.

LE SECRETAIRE EXECUTIF

Mohammed EL KADDIOU