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Multinational Programming and Operational  
Centre for Eastern and Southern Africa  
(Lusaka MULPOC)

Salisbury, Zimbabwe

Meeting of the Committee of Officials,  
17-22 March 1982

Meeting of the Council of Ministers,  
23-25 March 1982

REPORT ON ACTIVITIES UNDERTAKEN BY ECA WITH  
RESPECT TO THE FEASIBILITY STUDY FOR A MULTINATIONAL  
SHIPPING COMPANY FOR THE COUNTRIES OF EASTERN AFRICA,  
THE RED SEA AND THE INDIAN OCEAN

REPORT ON ACTIVITIES UNDERTAKEN BY ECA WITH  
RESPECT TO THE FEASIBILITY STUDY FOR A MULTINATIONAL  
SHIPPING COMPANY FOR THE COUNTRIES OF EASTERN AFRICA,  
THE RED SEA AND THE INDIAN OCEAN

1. The study project was initiated by the EEC/ACP Seminar on Regional Co-operation, held at Mahe in the Seychelles in January 1980. ECA had participated in the seminar and had been requested by the government experts present to draw up, for the consideration of the Governments concerned, the terms of reference of a feasibility study for a multinational coastal shipping company for the subregion concerned.

2. ECA had responded favourably to that request and therefore took the necessary measures to honour that commitment, such as:

(a) preparation as of May 1980 of draft terms of reference (see annex I of the document);

(b) meeting on 7 and 8 July 1980 at ECA headquarters at Addis Ababa of the representatives of the countries concerned to evaluate the earlier document and to elicit the required approval from governments so that EDF, which was interested in the draft study, might make available the financial resources required for the study's implementation.

Only five countries of a total of 11 had participated in the Addis Ababa meeting: the Comoros, Ethiopia, Kenya, Seychelles and the United Republic of Tanzania. Two of them, the United Republic of Tanzania and Kenya, were represented by civil servants from their embassies and not by experts in the area under consideration (see annex II of the report).

3. At the conclusion of the above-mentioned meeting, a co-ordination committee had been set up consisting of ECA and EDF to ensure follow-up of the project. In that regard ECA was to:

Contact Governments not present at the meeting to obtain their comments on the draft terms of reference with a view to their finalization;

Contact all Governments interested in the project in order to obtain the approval of Governments required by EDF.

To date and in spite of efforts made by ECA (follow-up letters to the ministries concerned, contact with embassies), only two indications of acceptance have been received, from Uganda and Madagascar, whereas a minimum of six are required by EDF.

In order to mobilize the project, ECA is planning, through missions, to contact directly the ministries concerned during the first quarter of 1982 to obtain the indications of acceptance needed for EDF to finance the project.

DRAFT TERMS OF REFERENCE FOR A FEASIBILITY STUDY FOR  
THE CREATION OF A MULTINATIONAL COASTAL SHIPPING  
COMPANY FOR THE EASTERN AFRICAN COUNTRIES BORDERING  
ON THE INDIAN OCEAN AND THE RED SEA AND FOR THE  
INDIAN OCEAN ISLANDS.

I. Objectives

The purpose of the study is to determine the economic, technical and administrative feasibility of the establishment of a coastal shipping company to be jointly owned by the following countries: The Comoros, Djibouti, Ethiopia, Kenya, Madagascar, Mauritius, Mozambique, Seychelles, Somalia, the Sudan, the United Republic of Tanzania, and Uganda (hereafter referred to as "the countries") and to make recommendations as to the most practical and cost-effective method of establishing such a company. To this end, the study shall provide:

- (a) an analysis of various categories of present and future traffic and future possible share of the market;
- (b) recommendations on the choice of type and number of vessels adapted to the conditions of the market and port facilities;
- (c) a detailed programme of investment for 1982-1986 based on the economic findings of the study;
- (d) a prospective programme of investments for 1987-1991;
- (e) an analysis of technical and economic benefits of the project;
- (f) recommendations for the planning, organization, administration and management as well as legal aspects of the proposed company;
- (g) recommendations for the improvement of the countries' policies in coastal shipping services, and infrastructures (including ports and ship repair facilities);
- (h) recommendations for the training of the countries' nationals in the planning, management, operation and maintenance of coastal shipping services.

## II. Scope of consulting services

### A. General

The study shall cover all the countries whether or not they already have national coastal shipping fleets. The study shall focus on domestic and transshipment as well as transit traffic.

The consultants shall perform all technical and administrative studies, economic analyses, financial investigations, field investigations and related work herein described, as required to attain the objectives given in Section I hereof. In the conduct of this work, the consultants shall co-operate fully with the governments which will provide data and services as outlined in Section III hereof; however, the consultants shall be solely responsible for the analysis and interpretation of all data received and for the findings, conclusions and recommendations contained in their reports.

General policy guidance will be given to the consultants by a co-ordinating committee composed of representatives of the Governments and the European Development Fund (EDF) of the Commission of the European Communities.

### B. The study in detail

#### 1. Review and forecast of coastal shipping needs

The consultants shall review and summarize all available data on cargo and passenger traffic on the routes linking the countries, especially inter-country traffic. Breakdowns shall be prepared of traffic flows by principal commodities in tons and by number of passengers, by traffic routes for coastal traffic indicating seasonal variations in flow. This review shall cover the coastal shipping history of the countries for the past five years but considerations shall also be given to data of earlier years where it may be of importance to future developments.

The Governments will advise the consultants of their policy regarding co-operation with their neighbours in the area of coastal shipping and the prospects of integrating this service on a regional basis. The consultants shall review the information provided by the Governments and make recommendations based thereon.

Based on the identification and evaluation of all sources of coastal shipping traffic in the countries, the consultants shall prepare forecasts of the nature and volume of traffic flows which the proposed coastal shipping company would have to accommodate in the years 1982-1986 and in more general terms between 1987 and 1991. The consultants should also recommend the adequate tariff policy, based, upon the existing and future operating conditions.

The breakdown by commodities should include general cargo, bulk cargo (solid, liquid), various types of perishable cargo, unitized cargo etc. and indicate the principal commodities transported in the area.

2. Analysis of the existing coastal shipping services

The consultants shall review all available data and reports on the existing coastal shipping services of the countries, including the study previously commissioned by the EEC for the Comoros, Djibouti, Mauritius and Seychelles which was undertaken by Maxwell Stamp Associates, and prepare an independent analysis of the physical, operational, organizational, administrative, economic and financial aspects of the services. This analysis shall take into account the present and anticipated future traffic demand categories (e.g. general cargo and bulk cargo whether direct or transshipment traffic).

The consultants shall also identify and analyze any practices of the countries relating to fiscal, staff, rating or other matters, which may operate against the proposed coastal shipping company being run efficiently and in a sound, commercial manner.

Furthermore, the consultants shall review and analyze:

- (a) the present coastal shipping fleets owned by the countries, their capacity, age, condition, operations and administration; and
- (b) the cost of operation and maintenance of the existing fleets and the revenues currently derived from shipping operations.

On the basis of the foregoing and the forecasts made in accordance with B-1 of this Section, the consultants shall assess the adequacy of the existing fleets of the countries for merging into one fleet which could satisfy the needs of the countries for coastal shipping services.

3. Analysis of the economic feasibility of the proposed multinational coastal shipping company

The review and forecasts of future coastal shipping needs and the analysis of the existing services outlined in Sections B-1 and B-2 above will result in the recommendation of an optimum programme of coastal shipping services to serve the countries' needs and the economic viability thereof. To this end, the consultants shall analyze the anticipated benefits shall include reductions in transport costs, savings in maintenance costs, and other clearly identifiable benefits. This analysis shall be made for the economic life of each investment. To estimate the investments required (in both physical and financial terms) in 1982-1986 for the proposed coastal shipping company, the consultants shall determine the following:

(a) vessel requirements for coastal shipping (including type and number of self-propelled vessels and/or barges and tugs); bearing in mind conditions of the market, port facilities and where feasible, standardization of vessels;

(b) how much of the existing capacity can be deployed in the cabotage operation without over-tonnaging the present level of trade; and

(c) what steps should be taken to control the availability and flow of cargo in order to ensure economic ship-loads in the intended operation.

#### 4. Recommended investments and their financing

Based on the analysis outlined in section B-3 above, the consultants shall determine the relative priorities of new investments in multinational coastal shipping and prepare specific recommendations for the development of the service. The programme for the first five years (1982-1986) shall be worked out in detail; for the subsequent years (1987-1991) it shall be in more general terms and consist of:

(a) estimates of expenditures which would be incurred after 1986 from investments initiated before then;

(b) investments which were reviewed and not found justified in 1982-1986, but which appear justified thereafter; and

(c) global estimates of expenditure trends for coastal shipping, to the extent possible.

The investment programme shall be given in both physical and financial terms. To the extent possible, the countries will advise the consultants regarding the order of magnitude of total resources that will become available for public investment in coastal shipping in 1981-1986 and in 1987-1991. The recommended programmes shall define the general scope of the proposed investments and give a time schedule for carrying them out, and provide estimates of the foreign and local currency components.

The consultants shall also study alternative sources of financing the proposed investments and make recommendations as to the most appropriate method of financing taking into account an analysis of financial and economic benefits of investment. For this purpose, they should review the level of revenues for the carriage of existing and forecasted traffic in order to determine to what extent they will be able to finance proposed investments; if such financing appears inadequate they should consider the desirability or otherwise of increasing tariffs.

5. Recommended organizational and management structure of the proposed company

The consultants shall prepare a draft organizational and management structure of the proposed company. Without limiting the generality of the foregoing, they shall in particular work out in detail:

- (a) proposed organizational structure and organizational chart of the company;
- (b) statutes of the company;
- (c) capital structure;
- (d) recommendations on a taxation policy to be adopted by the state of incorporation towards the proposed company.

6. Recommended policies for the countries

The consultants shall prepare an outline of policies and measures which the countries should adopt to (a) carry out the recommended programme of investments in a multinational coastal shipping company and (b) obtain the maximum economic benefits from the proposed investments. This shall include recommendations on:

- (a) legal and administrative measures to channel the traffic to the multinational coastal shipping company;
- (b) removing obstacles that may impede the creation of a multinational coastal shipping company;
- (c) the establishment of rates which reflect transport costs;
- (d) the establishment of policies concerning taxation taking into account the proposed treaty for a Preferential Trade Area for Eastern and Southern Africa;
- (e) establishment, organization, legal status etc. of a freight booking centre;
- (f) establishment of preferential treatment of berthing and general handling of the company's vessels;
- (g) new terminal construction (including berths construction, mooring facilities, type and size of cargo transit and storage facilities and cargo handling equipment).

7. Advisory services and training

The consultants shall identify major areas in the field of planning, management, operation and maintenance of coastal shipping services in which (a) technical assistance and advisory services could be most usefully provided to the countries and to the company and (b) further training would be most useful for the nationals of the countries.

The consultants should identify training areas and assess the training needs.

C. Reports and time schedule

The consultants shall commence field work within thirty calendar days of the effective date of the contract entered into between themselves and the EDF. They shall submit the following reports within the time periods indicated, beginning on the effective date of the contract:

(a) an inception report (number of copies to be determined by the countries and the EDF) summarizing their initial findings within three months;

(b) progress reports (number of copies and timing to be determined .. etc.) after the inception report, giving a statement of all work performed during the reporting period, a summary of interim findings, and the schedule of work for the next reporting period;

(c) a draft final report on the feasibility study (number of copies and timing to be determined ... etc.) summarizing all work performed, the findings and recommendations of the consultants, and giving statistical and other data relating to the creation of a multinational coastal shipping company; and

(d) a final report (number of copies and timing to be determined ... etc.) incorporating all revisions deemed appropriate by the consultants after receipt of comments on the draft final report from the countries and the EDF, within .... days of receipt of comments.

The reports shall contain a concise summary of all major findings and recommendations of the consultants. The estimates of costs and benefits and all economic analysis as well as drawings, maps etc... which support the consultants; conclusions shall be presented in sufficient detail to permit checking of all calculations without supplementary data. The Draft Final Report shall be carefully edited and complete, so that production of the Final Report can proceed without delay.



### III. Data, local services and facilities to be provided by the countries

#### A. Economic, traffic and technical data

The countries will provide the consultants with all available data on:

- (a) their development plans in respect of coastal shipping and other sectors which might have a bearing on the development of coastal shipping traffic;
- (b) traffic by categories that could be carried by the proposed company;
- (c) an inventory of coastal shipping vessels and other facilities.

#### B. Co-operation of governmental agencies and counterparts

In connexion with work by the consultants that requires the co-operation of other government agencies, the countries will provide liaison and will ensure that the consultants have access to all information required for the completion of services.

The countries will also assign qualified counterparts, where they are available, to work with the key personnel of the consultants. The counterparts will be assigned for the purpose of liaison, training and review of the findings and recommendations of the consultants.

#### C. Facilities and staff

Where necessary, the countries will assist the consultants to find the following facilities and staff to help the consultants in performing the services:

1. Office space, furniture, equipment and office supplies.
2. Secretarial and clerical services, and printing to be done locally.
3. Local transportation.
4. Utilities, telephone, postage, telex and telegraph services.
5. Hotel and other accommodation.

MEETING OF EXPERTS TO CONSIDER THE DRAFT TERMS OF REFERENCE  
FOR A FEASIBILITY STUDY ON THE CREATION OF A MULTINATIONAL  
REGIONAL SHIPPING COMPANY FOR THE EASTERN AFRICAN COUNTRIES  
BORDERING ON THE INDIAN OCEAN AND THE RED SEA AND FOR THE  
INDIAN OCEAN ISLANDS - ADDIS ABABA - 7-8 JULY 1980

FINAL REPORT

The meeting was attended by the delegates from Comoros, Ethiopia, Kenya, Seychelles and Tanzania as well as a representative of the EEC Delegation in Addis Ababa and members of the ECA Secretariat. (the full list of participants appears as appendix I).

Agenda item I

The meeting was opened by Mr. Marc Manirakiza, Deputy Executive Secretary of the Economic Commission for Africa (ECA). In his opening statement he emphasized the importance of a multinational regional shipping company for promoting trade among the participating countries, for linking the island countries to the mainland and for alleviating Africa's balance of payments problems. He, therefore, hoped that the delegates would consider the draft terms of reference for a feasibility study for the creation of the company with all seriousness since the rest of Africa would watch the outcome of the effort to create the company with great anticipation in view of the decision of the OAU Economic Summit, held at Lagos in April 1980 to work towards regional co-operation leading eventually to economic integration of the whole continent.

Mr. Manirakiza then welcomed the presence at the meeting of a representative of the EEC since the EEC was at the forefront of promoting regional co-operation among the ACP countries. He, further, hoped that the EEC representative would be acceptable to his organization which it is hoped will agree to finance the study. (the full text of Mr. Manirakiza's statement appears as appendix II).

Agenda Item II

The following bureau was elected:

Chairman	-	Ethiopia
Rapporteur	-	Seychelles

Agenda Item III

The meeting adopted the following agenda:

1. Opening of the meeting
2. Election of the Bureau
3. Adoption of the Agenda and Organization of work
4. Discussion of the draft terms of reference
5. Adoption of the draft terms of reference subject to final approval by individual countries
6. Any other business
7. Closing of the meeting

With regard to Agenda Item 5, most delegates said that they had not received a copy of the draft terms of reference prior to their departure from their countries, hence they had had no instructions from their government with regard to whether or not to adopt the final terms of reference.

Agenda Item IV

In considering the draft terms of reference the delegates made the following decisions and amendments:

- 1.9 that the words "jointly owned" in paragraph 1 under I. Objectives be replaced by "created" in order to reflect the fact that the method of participation of the countries in the proposed company could only be determined after the findings and recommendations of the consultants. Some delegates felt that the best venture might well be a management company controlling the fleets of participating countries or the formation of a cargo consortium;
2. that, wherever the context allows, "coastal shipping company" be replaced by "multinational regional shipping company" since that was the wording used in the resolution which was adopted at Mahe, Seychelles during the EEC/ACP seminar on regional co-operation. Moreover, some delegates felt that "coastal" might unduly limit the zone of operation of the shipping company especially in view of the fact that the definition of coastal trade or home trade was not the same in various national laws;
3. that ECA should continue to play some role in the project. In this connexion, it was felt that ECA's participation would best be in the form of membership of the co-ordinating committee which is contemplated in the terms of reference;

- 4. the delegates agreed on the time schedule for the submission of various reports by the consultants as reflected in the new draft. Furthermore, they decided that the report to be submitted at the end of the fourth month should be an intermediate report which will be comprehensive enough to reflect the consultants' approach and give an indication of the recommendations which they will make in the final report. The intermediate report would have to be considered by the co-ordinating committee..

#### Agenda Item V

The new draft terms of reference were adopted subject to the proviso that they will still need the final approval of the individual countries.

#### Agenda Item VI

Under this item the delegates considered the follow-up action which would have to be taken after their Addis Ababa meeting and they agreed as follows:

1. the countries represented at the Addis Ababa meeting, together with ECA and EEC, would constitute an interim co-ordinating committee;
2. a permanent co-ordinating committee will consists of ECA, EEC and all the countries which will submit a formal request to EEC for the financing of the study;
3. it was emphasized that it was important that the governments should make a formal request to the EEC for assistance. In this connexion, it was considered necessary to set a minimum number of countries which will make the request before it is forwarded to EEC. Subject to acceptance of this number by the EEC headquarters in Brussels, the delegates agreed on a minimum of six countries;
4. regardless of the total number of countries submitting a formal request, the study should still cover all the countries of Eastern Africa and the Indian Ocean;
5. the ECA will transmit to all the countries copies of the new draft terms of reference and of the report of the Addis Ababa meeting. The countries will be required to give their approval of the terms of reference and submit their formal request for EEC assistance at the same time; the formal request will be addressed to EEC with a copy to the EEC delegation in each country) through the Executive Secretary of ECA. As soon as he receives the minimum number of requests the Executive Secretary of ECA will forward the requests to EEC in Brussels;

6. the EEC delegation in Addis Ababa will send copies of the terms of reference and the report of the Addis Ababa conference to the headquarters of their organization in Brussels and requests them to send copies to the Delegations in the countries;
7. each country should inform ECA of the name of the person who will represent it on the co-ordinating committee;
8. three meetings of the co-ordinating committee were envisaged as follows:
  - (a) the first meeting would be to select the consultants from a short list submitted by EEC;
  - (b) the second meeting will be to consider the intermediate report submitted by the consultants;
  - (c) the third meeting will be to consider the draft final report.

Prior to the first meeting, ECA would receive proposals from the consultants and together with Ethiopia (which was designated as chairman of the co-ordinating committee) would form a technical committee for evaluating the proposals; this committee would then send its evaluation report to all the countries.

LIST OF PARTICIPANTS

1. Comoros

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Comoros

2. Ethiopia

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6. EEC Delegation

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7. ECA Secretariat

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Transport, Communications and Tourism Division

Mr. AKANDE SEFFOU-DINE  
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Captain A. KOVALEV  
Transport, Communications and Tourism Division

Mr. SEYOUN TELEGN-WORK  
Transport, Communications and Tourism Division

Mr. S.A. OCHOLA  
Economic Co-operation Office

STATEMENT BY THE DEPUTY EXECUTIVE SECRETARY OF ECA,  
MR. M. MANIRAKIZA ON THE OCCASION OF THE OPENING OF  
A MEETING OF EASTERN AFRICA AND INDIAN OCEAN ISLANDS  
ON THE CREATION OF A MULTINATIONAL REGIONAL SHIPPING  
COMPANY - ADDIS ABABA - 7 JULY 1980

Distinguished delegates, ladies and gentlemen, it is indeed a pleasure for me to welcome you to Addis Ababa and to Africa Hall on the occasion of this historic meeting to consider the draft terms of reference for a feasibility study on the creation of coastal shipping company for your countries.

When ECA was requested, to prepare a draft of the terms of reference at the EEC/ACP seminar on Regional Co-operation which was held at Mahé, Seychelles, in April, we readily agreed to do so because the action which you contemplate taking is at the heart of ECA's strategy for development in Africa. As you are probably all aware ECA has for years been advocating regional co-operation as the only way in which African countries can meaningfully raise themselves by their own bootstraps. Central to this strategy is the concept of collective self-reliance; we firmly believe that it is necessary for African countries to look first to their own resources before deciding to invite extra-African sources to provide them with services or even capital. In this way African themselves will be able to determine their own priorities and to tailor their development strategies to their own unique circumstances.

I am gratified to say that this approach of ours is being accepted by the African countries which it is our privilege to serve. In March 1977, at Kinshasa, the African Ministers of the ECA decided to request the international community to declare a Decade for Transport and Communications for Africa and this was done by the United Nations General Assembly in December that year. The *raison d'être* of the Decade is none other than the conviction that in order to accelerate the development of the African continent, it is essential to provide an integrated infrastructure of transport and communications in order to facilitate the exchange of goods, persons and information. You are, no doubt, also aware that for the past two years an initiative has been going on among your countries, under the auspices of ECA, to create a preferential Trade Area for Eastern and Southern Africa. Again the creation of a PTA is predicated on the premises that African countries have a lot to trade among themselves and that the establishment of a mechanism to facilitate such trade will stimulate industrial development in each country and also alleviate Africa's chronic balance of payments problem by providing considerably cheaper goods than those imported from developed countries.



It is against this background that the importance of a multinational coastal shipping company must be appreciated. Not only would such a company enable the countries that it will serve better to trade among themselves, but more importantly it would provide an essential link between the island countries and the mainland.

It is for these reasons that the project for the creation of a multinational coastal shipping company not only found its way into the list of projects for the first phase of the Transport and Communications Decade after it was approved by the Ministers of Transport and Communications last year but has also been on the work programme of the Lusaka MULPOC for some years. Unfortunately, due to a lack of financial resources the Lusaka MULPOC has not been able to implement it. We are, therefore, very grateful that the European Economic Community has not only taken the lead by financing a study under Lome I covering Comoros, Djibouti, Mauritius and Seychelles but are also prepared to consider a broadened project covering all the countries of Eastern Africa. The EEC, of course, is notable for its efforts to promote regional co-operation among the ACP countries in much the same way that we at ECA are attempting to do for Africa. It is therefore an added pleasure to welcome the EEC representative to this meeting. I am sure that he will assist you to work out the right terms of reference for the study.

I said at the beginning that this meeting is an historic one. I said that because it comes so close on the heels of the OAU Economic Summit which was held in Lagos in April. At that summit our heads of State mapped out a strategy for the economic survival of Africa and one of the most important elements of that strategy was the emphasis placed upon regional co-operation which it is hoped will eventually lead to regional economic integration. The eyes of all Africa will, therefore, be watching with keen anticipation the results of your bold endeavour at regional co-operation. I know that you will address your minds with all seriousness in scrutinizing the draft which ECA has placed before you to ensure that you reach agreement on the best document possible.

I wish you good luck and want to thank you for your kind attention.

I now declare this meeting open.