

The Port of Mombasa



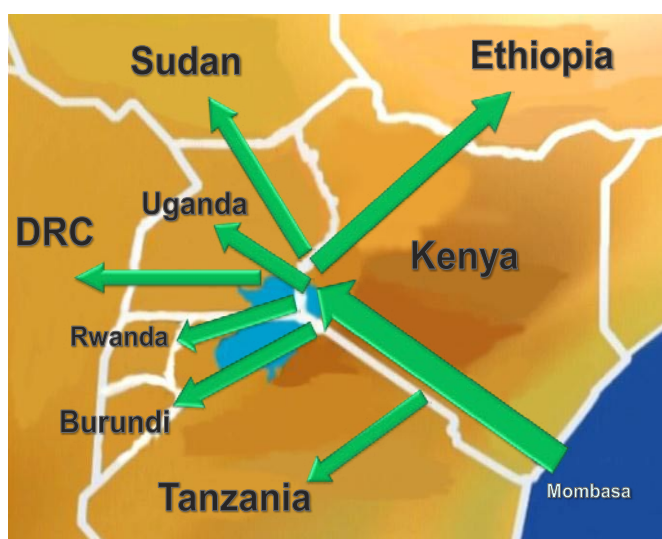
Special Focus – The Port of Mombasa

This special focus section provides an analysis of the port of Mombasa. The port has strategic importance far beyond the borders of Kenya. As the largest port in East Africa, it is the main gateway for the import and export of goods not only for Kenya but also to countries of the East African Community (EAC), the Democratic Republic of Congo (DRC), southern Sudan and southern Ethiopia. Inefficiency of port operations and constraints on capacity are threatening the growth of Kenya and its neighbors. It is a problem which is set to get worse very quickly unless decisive action is taken now. The report concludes with a series of specific follow-up actions for government to consider and suggests that unless investments and reforms at the port are implemented quickly, the port will not be able to support projected increases in imports, and to a lesser extent, exports, in 2011 and beyond.

1. The Significance of the Port

The Port of Mombasa is the largest in East Africa and a vital gateway for imports to Kenya and its neighboring countries (see figure 14). The imports that pass through the port of Mombasa are critical to Kenya's economic growth, and to the economic well-being of its neighbors. Liquid bulk items, mostly petroleum, oil and lubricants, are the single greatest import item by weight. Without these imports, Kenya's economy (and most other countries of the EAC), which depends on imports for all of its petroleum needs, would grind to a halt. The next four largest items by weight, maize clinker, wheat, iron and steel, are critical in meeting the country's food needs and in supporting its vibrant construction industry.

Figure 14: Mombasa – The gateway to East Africa



Source: Kenya Ports Authority

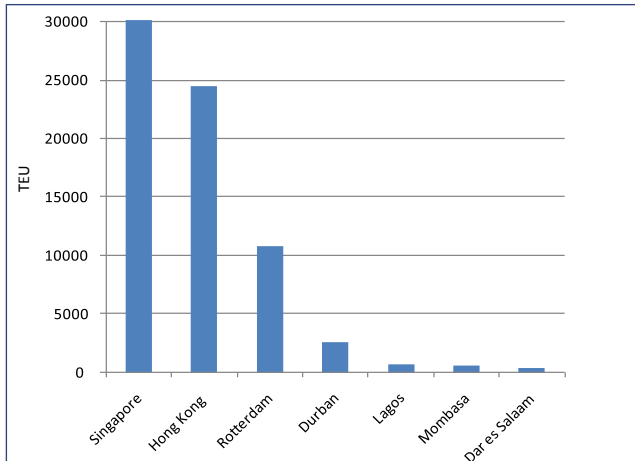
Imports into Mombasa have been rising continuously since 2005, with the exception of 2008. Imports of liquid bulk (principally petroleum) has been rising at an average annual rate of 9.7 percent, containerized cargo 11.5 percent and dry bulk (mostly maize, clinker and wheat) at 23 percent (see Annex 11). The weight of goods imported in containers has risen by 55 percent since 2005. The rate of growth of containerized cargo slowed in 2008, reflecting the slowdown in Kenya's economy. Imports of liquid bulk and dry bulk rose significantly in 2009 due to the additional energy needs brought about by prolonged drought conditions. Imported petroleum continues to be required to supplement Kenya's fall in hydropower output, whilst imported maize to cover food shortfalls was responsible for the significant rise in dry bulk.

Despite the strong import growth, the overall volumes handled in Mombasa are low by international standards. In 2008, Mombasa handled 616,000 Twenty Foot Equivalent Units (TEU, which is the standard measurement of port activity). This represents double the volume of Dar es Salaam, but less than a quarter of Durban and only 2-2.5 percent of the volumes which go through the busiest ports in the world, Singapore and Hong Kong (see figure 15).

In 2009 imports made up 87 percent of the total weight of goods handled by the port. Mombasa is the major channel for the importation of oil and raw industrial materials for Kenya's manufacturing sector. Of all imports to Mombasa, 72 percent were

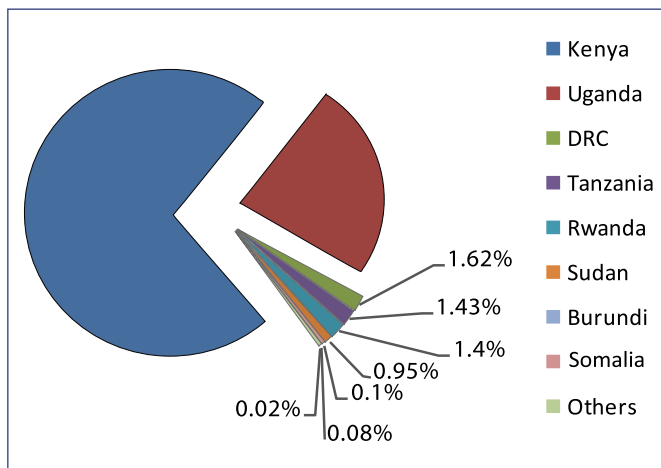


Figure 15: Singapore ships 50 times more goods than Mombasa (in thousands TEU)



Source: Containerization International online (www.ci-online.co.uk), 20-05-2010

Figure 16: Mombasa goods go mainly to Kenya and Uganda



Source: Kenya Ports Authority, Annual Review and Bulletin of Statistics, 2009.

destined for the Kenyan market, with the remainder transiting to a number of neighboring countries. Since 2005 the weight of transit goods has risen 38 percent from 3,202 to 4,412 ('000' DWT). Uganda was the largest market for transit goods in 2009 consuming 80 percent, with eastern DRC the second largest destination (see figure 16).

The port of Mombasa is also a barometer of Kenya's imbalance: exports represent only 13 percent of the total volume of goods handled by the port. Horticultural products, significant to the Kenyan economy, are airlifted and most of Kenya's manufactured goods are exported overland to



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neighboring countries. Most exports shipped from Mombasa originate in Kenya, some 85 percent of the total. Uganda represents the second largest exporter accounting for 12 percent of Mombasa's exports. The majority of exports are containerized, though of the roughly 300,000 containers imported full in 2009, only about 96,000 or one-third were exported full, with the remaining two-thirds exported empty¹.

The volume of transshipment goods handled by the port has steadily declined in recent years. Today, these goods only represent a minimal aspect of port operations (less than 1 percent of the total goods handled in 2009). The Kenya Port Authority (KPA) is currently turning down transshipment business due to capacity constraints, thus limiting Mombasa's potential role as a regional hub port.

“ KPA is currently turning down transshipment business due to capacity constraints ”

The gradual reduction in trade barriers in recent years within the EAC has increased the importance of infrastructure in determining the competitive advantage of domestic industries. Port and road infrastructure is at the heart of regional integration. As a critical link in the logistical chain and the major channel for the importation of raw industrial goods for manufacturing in Kenya and its neighbors, the operational effectiveness of the port of Mombasa has a direct influence on the competitiveness of Kenya businesses and the wider cost of goods in the EAC.

¹ Kenya Ports Authority, Annual Review and Bulletin of Statistics, 2009.

2. Operating at Full Capacity and at Low Efficiency

The port of Mombasa has exceeded its design capacity, yet it is expected to handle growing imports and exports. It is already operating at maximum capacity for both general and containerized cargo, and will suffer progressive declines in operational effectiveness unless both capacity and efficiency issues are urgently addressed. In terms of capacity, container imports at the port have risen on average 10 percent each year since 2005², despite relatively low GDP growth rates in 2007-2008. With growth in the East African economies predicted to reach 5 percent per annum or more over the next five years, this trend looks set to continue. And big engineering projects in the region will also add significantly to demand. Tullow Oil, for example, estimate the need to import 200,000 tonnes of containerized cargo annually from 2011 to exploit oil resources in Uganda — an additional 5 percent by weight of current containerized imports. In terms of efficiency, several key issues need to be addressed for both imports and exports that relate to the excessive time it takes to move goods through the port, and inefficiencies caused by the management of trucks loading and unloading goods, collection of custom duties, inspections, etc.

The operational capacity for containerized cargo is particularly acute. With seasonal growth expected in the second half of 2010 and additional further growth in 2011, the Mombasa port is facing, in the immediate term, very serious capacity problems. Short-term immediate impact will be an increase in vessel delays, port congestion surcharges, and slower throughput of the port (when congested), causing significant cargo delays and higher costs to importers. Exporters will also experience increased costs because of possible unscheduled delays at the port, disappointing customers who have based their own business decisions on fixed delivery schedules. Overall, the capacity issues at the port of Mombasa could act as a brake on growing trade within the region.

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Looking ahead, exports, especially from newly discovered oil countries could become a significant part of port operations in the medium term. The highest growth rates in Africa ports over the past few years have been experienced in oil-exporting countries, such as Nigeria and Cameroon. Recent oil discoveries in Uganda will most likely have a big impact on the volume of raw and manufactured products exported through Mombasa. Reserves in Uganda are conservatively estimated at 800 million barrels. Even with refinery capacity in Uganda to satisfy regional demand for petroleum and petroleum products, around 150,000 to 200,000 barrels per day would need to be exported. In addition, oil discoveries on the western side of the Albertine Basin in eastern DRC are also anticipated. Again, Mombasa would seem the most obvious port option given it represents the shortest route to export, but would require significant investment in new storage capacity at the port. Finally, a referendum in 2011 could see southern Sudan breakaway from the north, which would likely place greater emphasis on trade routes south, such as Mombasa, as the southern Sudanese seek access to the sea along the Northern Corridor.

The Government of Kenya needs to address a range of issues related to increasing the port’s physical or ‘hard’ infrastructure, and to improving the management of port operations, the ‘soft’ infrastructure. There are broadly three areas which impact on port performance: a) a port’s ability to service ships at the quayside (or at berth), b) yard capacity (to store goods before collection) and c) clearance and transfer:

a) Quayside Efficiency

Two main factors affect quayside efficiency — the amount of time a ship is kept waiting to enter the port and, once at the berth, how quickly the goods can be handled to and from the ship. Shipping lines will tend to serve Mombasa with their less performing and less costly ships because uncertainty, in total port call time, threatens the integrity of shipping schedules which are critical to their business performance. In 2009 the average ship waiting time in

² TEUs Twenty Foot Equivalent Units

Mombasa was 2.3 days and the average number of port days for a containerized vessel was 3.1 days. The ratio between the waiting time and time at berth, called the waiting ratio, reaches on average 74 percent for container vessels at Mombasa. Full containerships will typically not tolerate more than a 10 percent waiting ratio. If they do, they will charge demurrage fees, or add a freight surcharge to the destination. Large waiting ratios are a major deterrent to shipping lines.

But more than that, part of the problem is the relatively small size of the volume of goods passing through Mombasa. This has led to smaller container and other vessels operating in Mombasa compared with the super container ships and oil tankers that service major global ports. Greater efficiency at Mombasa, better regional integration along the Northern Corridor, and increased capacity for transshipment business are important factors which will attract more ships and increase port traffic. For Kenya to benefit from the reductions in costs related to global shipping, the port will need to be modernized and to operate more efficiently. Annex 12 describes in detail Mombasa’s relatively poor connection with global trade routes.

Variation in terminal performance at the port is very costly to shipping lines as they are unable to plan ahead. In recent years the KPA has invested in updating its handling systems at its container terminal, but much of these investments are outdated and not properly maintained. Ship-to-shore, gantry equipped, state-of-the-art container terminals will offer as a minimum 40 moves per hour per ship, with a more common objective being 60 and above. Despite the move to 24 hour port operations KPA registered on average 14 moves per hour in 2009, with a lot of variation depending on labour availability and the state of the equipment.

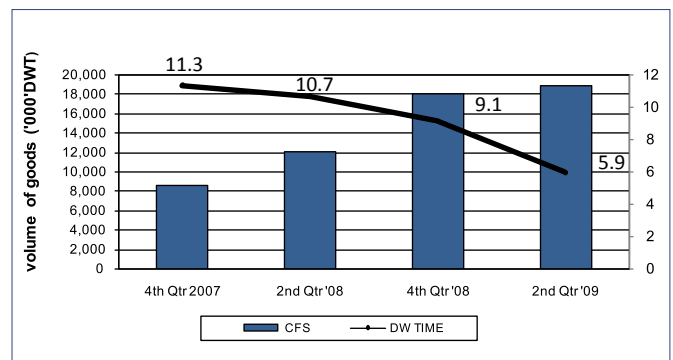
b) Yard Capacity

Dockside congestion and high dwell times remain a problem. Whilst KPA can claim some success in reducing dockside congestion - the average current dwell time is around 5.7 days³, depending on where the goods are destined – it does not compare favorably with international standards which are typically 1-3 days. Mombasa has been struggling with congestion for some time due to a limited space on the dockside to store containers and other goods. The situation is compounded by slow customs clearance procedures which mean that existing yard capacity is not used efficiently. The solution for imports to Kenya was the transfer of cargo to privately operated inland container depots, so called ‘Container Freight Services’ (CFS)s in and around Mombasa town, from where containers are stored and eventually cleared. KPA figures for dwell time do not account for the large volume of domestic goods moved to CFSs.

There has been a large transfer of goods destined for the Kenyan market from KPA facilities to CFS operations since 2007 (from just over 8 million to almost 12 million DWT - see figure 17). KPA quote a dwell time from 11.3 days in 2007 to 5.9 days in the second quarter of 2009, though the indicator does not give a complete picture of port operations for domestic goods. Domestic cargo moves rather quickly from KPA facilities (average 3.7 days⁴) to CFSs where it typically spends 11 days⁵. Transit cargo (which does not enter CFSs), spends longer at

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Figure 17: Dwell time declines while CFSs grow



Source: Transit Transport Co-Ordination Authority of the Northern Corridor, 2009

³ KPA, Container Dwell Time Study for the Port of Mombasa, March 2010

⁴ KPA, Container Dwell Time Study for the Port of Mombasa, March 2010

⁵ World Bank analysis 2010 following interviews with CFS operators and the private sector

dockside undergoing inspection. KPA estimate the current dwell time for transit cargo to be on average 7.5 days.

c) Clearance and Transfer

Cargo clearance procedures at the port continue to be slow and open to opportunities for corruption. The current lack of real time information on cargo is a major constraint on supply chain performance. The introduction of a Ports Community-Based System (PCBS) which would significantly increase efficiency and reduce corruption has been in progress for over 1.5 years so far with no completion date set. The use of modern customs practices, information systems and integrated IT systems in port operations should represent a major goal for Kenya, particularly as more open and transparent processes would diminish opportunities for corruption. A functioning PCBS would improve the port's efficiency and support Kenya's future obligations in providing supply chain security.

>> Box 1: What is a Port Community Based System?

A PCBS is an IT-based platform aimed at streamlining a port's administrative procedures. The system allows the stakeholders doing business around the port to exchange information and perform business transactions in a unified, secure and structured way. It ensures that all parties involved receive timely and accurate information on each transaction and, moreover, that the transaction is performed correctly. Having a PCBS in place drastically increases both the speed and transparency of the port. And it maximizes the physical infrastructure and helps manage the efficiency of the port operation as a whole.

Source: World Bank staff staff

The Kenya Revenue Authority (KRA) faces two major challenges with clearance: introducing effective risk management, as currently nearly all import containers are subject to time consuming physical inspection, and improving efficiency and transparency in its operation. Clearance and transfer involves a complex mix of government process-

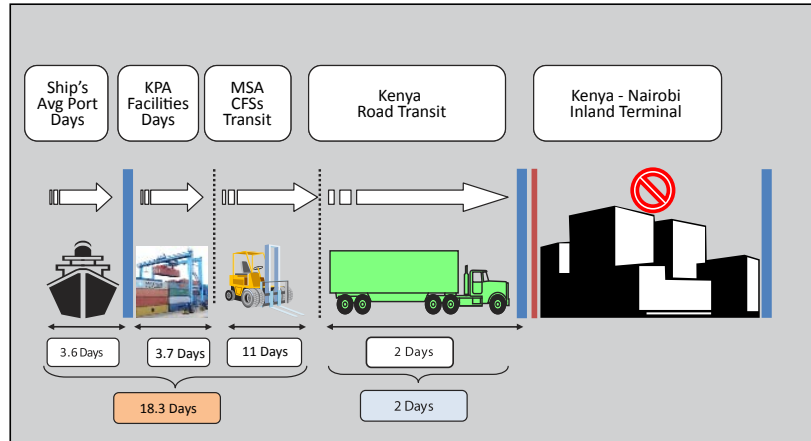
es, logistics and transport infrastructure. Since 2005 and the introduction of KRA's SIMBA IT system, on-line processing of vessel manifests by shipping agencies and customs declarations by clearing and forwarding (C&F) agencies, has improved the speed of revenue assessment. However, the SIMBA system does not provide automatic notification to other border control agencies, i.e. that cargoes have been declared and it does not communicate in real-time the status of cargo awaiting clearance. Thus, owners are not able to see where the weak/slow links are in the full clearance chain.

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Improvements in regional trade would follow if customs clearances and inspections for all EAC goods were processed in Mombasa. Under the EAC customs union, the collection of revenue at the port of entry, i.e. Mombasa (possibly under joint supervision), would improve efficiency and transit times and help resolve the issue of transit goods being dumped in Kenya. If full clearance procedures were also introduced, e.g. inspections were undertaken, it would reduce transit times.

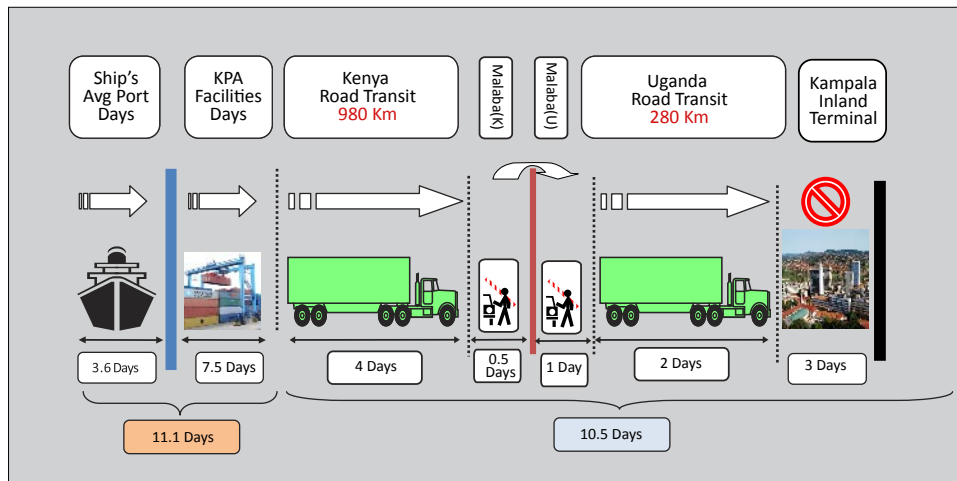
The costs of entering and transiting the Mombasa port have a significant impact on the cost of doing business in both Kenya and the EAC. The lack of effective integrated rail and road links means that Mombasa remains poorly equipped to handle containers and other goods. Linking quayside services to the Northern Corridor is fundamental to trade facilitation and regional integration. Increased imports volumes have placed increased stress on land transport, and have generated the need for faster and more efficient intermodal connections. Progress in this area has been poor. The failure of the railway system has resulted in a large number of new truck movements in and around the port contributing to the growing problem of truck congestion and parking and road deterioration. Rail transport carried around 80 percent of goods transiting Mombasa in the early 1970s. Today only 5 percent of Mombasa's freight moves on rails, a decline that has been due to the absence of sustained government investment in the railways and, most recently, the lack of invest-

Figure 18: It takes 20 days for a container to go through the port and by road to Nairobi, Kenya



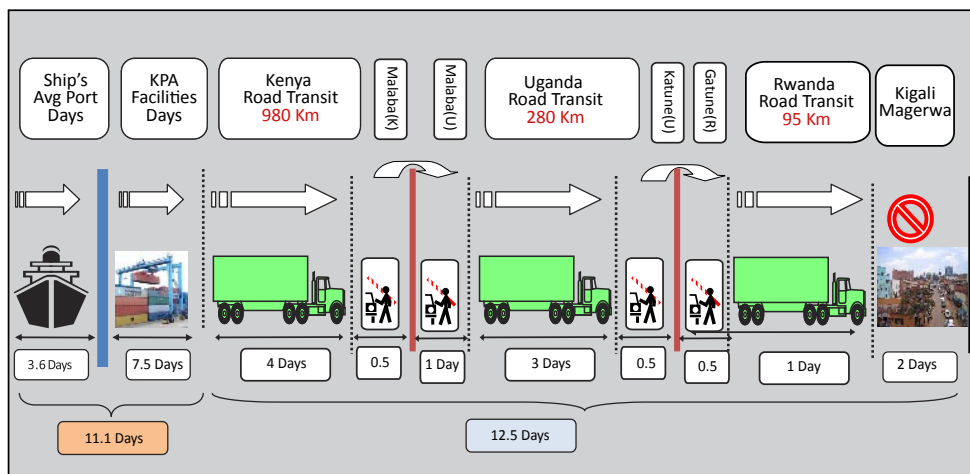
Source: Transit Transport Co-Ordination Authority of the Northern Corridor, 2009, KPA 2010 World Bank analysis 2010

Figure 19: It takes 22 days for a container to go through the port and by road to Kampala, Uganda



Source: Transit Transport Co-Ordination Authority of the Northern Corridor, 2009, KPA 2010 World Bank analysis 2010

Figure 20: It takes 24 days for a container to go through the port and by road to Kigali, Rwanda



Source: Transit Transport Co-Ordination Authority of the Northern Corridor, 2009, KPA 2010 World Bank analysis 2010





The failure of the railway system has resulted in a large number of new truck movements in and around the port

ment by Rift Valley Railways, the company that operates the Mombasa to Uganda rail line. For now there is no alternative to the movement of heavy trucks through an increasingly crowded town centre.

The inefficiency of Mombasa has a significant impact on transport times for imported cargo to Kenya and

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It's much more expensive to transfer a container from Mombasa to Kampala than it is to move the same container from Japan to Mombasa by ocean freight

its EAC neighbors. Figures 18, 19 and 20 show the contribution Mombasa port makes to the total time it takes to transport goods to Nairobi, Kampala and Kigali respectively from the moment they arrive at the port. For goods destined to Kenya, the proportion of time spent at KPA facilities, including the CFS hold time, is estimated at 90 percent of the total time it takes for goods to move from ship arrival to Nairobi.

Port-related costs for low value bulk commodities such as raw industrial materials or grain, which make up the highest proportion of cargo entering the port, can be more than 15 percent of the delivered market value⁶. And this cost to businesses and consumers is compounded by the uncertainty of delivery times due to variable port performance.

Trucking rates in the region also remain disproportionately high. It much more expensive to transfer a container from Mombasa to Kampala than it is to move the same container from Japan to Mombasa by ocean freight. In addition, KRA imposes a double-licensing arrangement on trucks which requires that those authorized to carry only transit goods, cannot return to their country of origin with import cargo, i.e. they have to return empty. This adds further to the cost of doing business in countries beyond Kenya's border.

Box 2: What is a Landlord Port?

The most popular port-management model employed worldwide is the landlord port, in which the public sector, in Mombasa's case Kenya Ports Authority, withdraws from front-line cargo handling operations, allowing these to be concessioned to the private sector. The port authority focuses on broader aspects of port development such as estate management, navigation and planning. The system is in extensive use throughout Europe, the Americas and Asia. It is also a concept being taken up in Africa, but is it far from being the norm. Practically speaking, in the majority of cases the first step in this direction is the concessioning of container-terminal activities – that is, the port authority withdraws as the operator, allowing a private sector company to take over as the terminal operator and manager. These concessioning exercises have aimed at tapping the considerable body of expertise offered by international terminal operators. The Government of Kenya committed to transforming Mombasa to a landlord port in 2002, but there has been little progress on implementation except for the decision to now go ahead with the concessioning of berths 11-14. Table 2 details some of the exciting outcomes which have been achieved in Nigeria and Ghana which have adopted the landlord model.

⁶ Port Reform Toolkit, World Bank, 2004

3. The Future for the Port of Mombasa — an Agenda for Implementation

The Government of Kenya should act now to implement much needed institutional reforms and deliver on its commitment to transform Mombasa to a landlord port. It is important that reforms take place before or in parallel with significant new infrastructure investments. The complex organizational structure of ports, where multiple government agencies are involved directly or indirectly, has always been a central issue in most aspects of port management. At Mombasa it constitutes a major obstacle to the development of a compre-

sive conceptual framework for port expansion and reform.

In recent years, a number of African ports have embarked on port reform. Nigeria has been Africa's top reformer with a combined score of 80 (out of 100) reflecting improvements in legislation, restructuring, policy oversight, and private sector involvement. Kenya, by contrast has scored only 40 ranking at the bottom third in Africa⁷.

The outcomes of reform in Africa and elsewhere should be more than ample evidence of the potential benefits. In 2006, Nigeria adopted the internationally favored port landlord model. Ghana adopted the same model in 2007, with port reform very

Table 2: Port reform is possible: examples from Africa and the Middle East

	Reform Actions	Outcomes
Nigeria	Adoption of the port landlord model in 2006	<ul style="list-style-type: none"> - A policy framework which is centered on Public-Private Partnerships - Scheduled private investment of US\$ 500m (55 percent of total private sector investment in SSA ports) - Nigeria Ports Authority is now self financing - Private operators will pay in excess of US\$ 5 billion to the government in rental/royalty fees - Reduction of congestion surcharges saved the Nigerian economy US\$310 million within months of the concessioning - Improved turnaround time for ships and cargo - Improved cargo handling performance
Ghana	Adoption of the port landlord model in 2007	<ul style="list-style-type: none"> - Development undertaken with national and neighboring country needs in mind under the 'Ghana Gateway' program - Rising volumes of transit, national and transshipment cargo - Progressing toward delivering competitive service in line with international standards
Aqaba, Jordan	Container terminal concession and introduction in 2005 of an electronic Truck Control System to coordinate the movement of trucks to and from the port.	<ul style="list-style-type: none"> - System operational within 3 months - Inland transport costs have fallen by 25% - 25 percent more cargo moved with the same number of trucks

Source: World Bank staff estimates

⁷ The 'port reform index' has been presented in the Africa Infrastructure Country Diagnostic, World Bank, 2009. Since this data was collected it is possible that Kenya lost additional ground because there have been important port reforms in Senegal, Angola and Benin, all countries which were ranked below Kenya.

high on the government's agenda as it aims to implement a barrier-free cargo gateway for countries beyond its borders. In 2004 Jordan's multi-billion dollar economic modernization strategy focused on revitalizing its sole seaport of Aqaba. The freight transport sector was underperforming due to the country's antiquated road freight management system which was heavily regulated, fragmented and lacking performance incentives. An electronic truck control system, which turned this situation around, was operational within 3 months. Simultaneously, bringing in a private operator, first through a 2-year management contract and then with a full concession arrangement, improved port performance without significant new hard infrastructure investments. The outcomes of these reforms are outlined in Table 2.

The government also needs to have a clear objective for Mombasa.

Whilst the port is essential to more competitive Kenyan businesses, and more effective regional integration in Eastern Africa, there is scant mention of the port in the government's Vision 2030 document. Although objectives of port reform may be varied and range from the need to expand and modernize container handling capacity, generate revenue and reduce public expenditure, to stimulating growth of a distribution-based economy centered on a regional port hub, the government needs to be clear on what its objective is.

Kenya is not keeping up with demand. In the time it has taken the government to update the Mombasa port master plan, Dubai World has built the brand new Doraleh Terminal on a greenfield site in Djibouti. The Djibouti terminal has a capacity of 1.2 million TEU per year and is now the largest and most modern in East Africa. And in the same time Nigeria has concessioned a large number of its ports.

A Port Master Plan prepared for KPA in 2004 was updated in 2009. The Master Plan did not look effectively at the complimentary hard and soft infrastructure needed to transform Mombasa into a

world class port. And it did not address the many institutional, regulatory and legal changes which are also required. It did propose a number of short-term projects, to be completed by 2013, and longer term developments up to 2015 to 2030. Short term proposals included the concessioning of berths 11-14 to create more container handling capacity, the construction of a second container terminal with an annual capacity of 700,000 TEU (to be managed by the private sector) and dredging of the channel to enable handling of larger ships. Longer-term developments included the construction of a Mombasa by-pass linking the northern corridor to the south coast region and northern Tanzania.

A system of incentives combined with improvements in soft infrastructure should be implemented now to enable Mombasa to keep pace with

demand before new container capacity comes on line.

Kenya and the region cannot wait 3-4 years for new container capacity to come on-line without a serious impact on trade. Port capacity could be increased in the immediate term by a system of incentives to encourage port stakeholders e.g. banking services and all government agencies involved in cargo clearance, to move to full 24 hours operations. In addition, implementation of the PCBS should be speeded up. Similarly, a trucking control system, similar to that implemented in Jordan, would improve cargo handling and effectively increase capacity. Implementation of such IT software should be measured in months and not years as is the case in Mombasa.



There can be no strategic port planning until the roles of the public and private sectors are clearly defined and failure to do this would put the concession of berths 11-14 under stress

ware should be measured in months and not years as is the case in Mombasa.

The Government of Kenya faces a costly, time-consuming and potentially acrimonious process if structural and regulatory changes are not undertaken now in parallel with expansion and concession plans for berths 11-14.

The past failed attempts at securing significant private sector participation in port operations and investments are testament to this. The reform of the KPA will be less successful unless there is simultaneous reform of the activities of customs and other agencies at the port to streamline their activities. Changes to the existing roles of some government agencies would likely require changes in the laws which cre-

ated them. There can be no strategic port planning until the roles of the public and private sectors are clearly defined and failure to do this would put the concession of berths 11-14 under stress. Moving the boundary between public and private operators requires strategic preparation, redefinition of powers and mandates, and legal adaptation before preparation for the tendering process. Failure of any concession would make the case for future private investment in the port difficult and compound existing problems.

Clarity on the future role of KPA is needed. The government's commitment to a landlord port would suggest that KPA would retreat from front-line operations and another round of concessioning would need to take place for the terminals currently operated by KPA. Controlled by the state, KPA currently owns most of the port infrastructure and undertakes the majority of port operations. The shift in the role of KPA from port service provider to landlord and regulator will be a difficult change management exercise. It will require new skills, institutional capabilities, and practices including regulating unfair and anti-competitive practices, designing and negotiating contracts with private providers of port services, performance monitoring and ensuring compliance with standards.

A decision on the route for the Mombasa by-pass is needed now. Mombasa town faces gridlock and the route to the Mombasa airport will be blocked unless work on a new by-pass and link road is started immediately. If construction of the by-pass is not speeded up and synchronized with new planned capacity increases at the port (though concessioning and expansion), congestion will become a worse problem than it is today, and new investments will not work efficiently. At the same time the government needs to focus on a new access road from the port linking to the by-pass or else all new port capacity will continue to be transported through an already congested town centre. Unfortunately, private sector developers currently looking to engage the government on these important issues find themselves having to

deal with KPA, Ministry of Transport and the Ministry of Roads. It makes long term strategic planning currently impossible with no joint approach to how individual projects link to each other. Plans to modernize the port of Mombasa must look beyond immediate port infrastructure and foster coordinated efforts to improve road and rail systems that provide linkages to the Northern Corridor and neighboring markets.

KPA should be free of political interference and its managing directors appointed on 3 year performance management contracts following an open and competitive process. In the 18 years since KPA's inception it has had 14 managing directors. In the same period Tanzania Ports Authority has had 3. Instability at the top of KPA is not a recipe for good planning and reform. Ideally the government should undertake an international search and appoint the best qualified candidate.

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Many of the challenges and the reforms needed, and outlined in this report, are well known and understood. What is new is the severity of the problem

Narrow vested interests have undermined investment and reform of Mombasa for a long time. Many of the challenges and the reforms needed, and outlined in this report, are well known and understood. What is new is the severity of the problem. Private investments which would lead to new local jobs, greater port efficiency and a positive impact on growth in the region, have been thwarted by narrow vested interests seeking to maintain the status quo. For example, plans to

develop a new bulk fertilizer handling facility, which could lower fertilizer costs in the region, have not gone ahead due to interference and official intransigence. Most often developers and financiers walk away. And whilst unions and their workers might legitimately fear potential downsizing this should be viewed in the context of government plans for port expansion and the situation on the ground today. For example, despite concerns, the concessioning of ports in other parts of the world has typically resulted in net gains of jobs at the port and related industries.

Strong political will, and a clear mandate for reform is needed. Whilst the Ministry of Transport is the lead agency for Mombasa port it does not have strong operational capacity for port reform and management. Nor does it represent all the interests that are involved in the complex operations of the port. The operation, management, and expansion of

the Mombasa port require a defragmented government approach and a strong coordinating body to enforce reforms and make the decisions which are necessary. A summary of the key reform measures government should consider to improve the operational effectiveness of the port is provided below.

>> Box 3: Summary of key suggested port reform measures

In the next 3 to 6 months

- Identify a **coordinating body** with a mandate for reform.
- Appoint the managing director of the KPA on a **3-year performance contract**.
- Decide on the route for the **Mombasa by-pass** and start implementation together with the **link road** from the port.
- Set up a system of incentives to enable **full 24 hour port operations** by multiple stakeholders.
- Implement the **IT Port Community-Based System**.
- Approve the **concessioning of berths 11-14** through a competitive and transparent process.

In the next 6 to 12 months

- Clarify the timetable for a full **landlord port** status as well as the role of KPA.
- Clarify the **roles and responsibilities** of public and private port stakeholders.
- Undertake **reforms of customs collections**, making them more efficient and transparent.
- Strengthen port operational capacity of the **Ministry of Transport**.