

# Port Reform Toolkit

SECOND EDITION

MODULES 1-8



THE WORLD BANK



PUBLIC-PRIVATE  
INFRASTRUCTURE  
ADVISORY FACILITY

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# Overview

## OBJECTIVES

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The process of institutional reform is complex. Moreover, most countries undertake the kinds of fundamental institutional reforms that shift boundaries between the public and private sectors less than once in each generation. Hence, the knowledge necessary to carry the reform process forward needs to be built up in most countries from a near-zero base. The Port Reform Toolkit is designed to flatten the learning curve for institutional renewal by providing background information, concrete examples, specific tools, and methods which policymakers and reformers require to proceed with the confidence that genuine knowledge affords.

The complex reform process through which the Toolkit navigates policymakers is a worthwhile journey. Although the reasons for engaging in port reform are many and varied, the benefits can be quantified as they accrue to operators, shippers, consignees and businesses. A successful reform program may free governments of unnecessary expenditures, releasing funds for more socially needed government programs, unplugging bottlenecks to trade and economic development and motivating the adoption of new regulations that protect the environment and improve workers' and navigational safety.

Although the main audience for the Toolkit is public officials in developing countries who are responsible for port sector reform, the Toolkit will also be of interest to other government officials and to executives of port service companies, shipping companies, and port consultants, as well as companies dependent on port services.

The Port Reform Toolkit is aimed to provide policymakers and practitioners with effective decision support in undertaking sustainable and well-considered reforms of public institutions that provide, direct, and regulate port services in developing countries. In particular the purpose of the Toolkit is to provide public officials with support in:

- Understanding the needs, challenges, and risks for sector reform and institutional redesign that are emerging from the changing business environment surrounding port operations
- Choosing among options for private sector participation and analyzing their implications for redefining interdependent operational, regulatory, and legal relationships between public and private parties
- Preparing legislation, contracts, and institutional charters to govern private sector participation
- Managing the transition to increased private sector involvement

The Toolkit draws together practical institutional designs and transferable modalities for increasing private sector involvement without compromising the public interest. It presents “best international practices” in a manner that is relevant to decision makers. The Toolkit is designed to be easily understood by non-specialists. Thus it attempts to make general points with concrete examples. It is illustrated with experience drawn from recent port reform activities around the world.

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## ARCHITECTURE OF THE TOOLKIT

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The Toolkit is made up of eight modules plus a financial model. The framework module sets the stage for all of the modules that follow. It provides a unifying “decision framework” that policymakers can use to guide them—step by step—through the processes of reforming and re-inventing port institutions. It also provides a common language and a set of concepts used throughout the Toolkit that represent the common language port reformers use in communicating with their various constituencies. Importantly, the framework module also includes a road map for the modules that follow. It explains the interrelationships of these modules with one another and their relevance to the framework presented in this keystone module.

The framework module therefore lays out an ordered set of decisions that are linked together logically as well as in their time order for consideration. For each decision, the Toolkit attempts to articulate the principal options and alternatives that are available to policy makers and to assess the expected consequences associated with each option based on recent international experience. The framework is presented in the form of a decision tree, which thus provides a background for understanding the sequence of all the Toolkit modules, which are displayed as follows:

### **Module 1: Framework for Port Reform**

Readers of this module should be able to grasp the overall approach of port reform through an overview of all the various issues to be dealt with throughout the reform process, as detailed in the subsequent seven modules.

### **Module 2: The Evolution of Ports in a Competitive World**

Readers of this module should be able to understand the roles and functions of ports and be able to place their ports in the context of current and historic port developments. They should also be able to understand the major trends shaping port dynamics in the 21st century.

### **Module 3: Alternate Port Management Structures and Ownership Models**

Readers of this module should be able to reach a decision about the most effective, efficient, and feasible structure of their ports based on the identification of their ports’ strengths and weaknesses and given each country’s/region’s unique economic, political, and social environment.

### **Module 4: Legal Tools for Port Reform**

Readers of this module should be able to understand and take steps to develop specific port reform measures based on the port’s/government’s economic, financial, political, and social goals and within institutional and legal frameworks. The module includes updated reference clauses and checklists for preparing concession agreements and other legal instruments.

### **Module 5: Financial Implications of Port Reform**

Readers of this module should gain an appreciation for port finance and its relationship to reform as well as how the financial risks and rewards vary from one reform option to another. Some of the financial implications that need to be taken into account include risk allocation among port stakeholders, potential sources of funding for the reform process, and pricing port services to achieve revenue and public policy objectives. A comprehensive financial model is also included as an annex to Module 5.

### **Module 6: Port Regulation**

Readers of this module should gain a solid understanding of oversight mechanisms and methods, the role of regulatory bodies, inspections, audits, the reporting requirements, and the interplay between competition and regulation.

### **Module 7: Labor Reform and Related Social Issues**

Readers of this module should be able to plan for and implement rationalization of port labor in a manner that treats affected parties fairly while achieving essential efficiency and economic improvements.

### **Module 8: Implementing Port Reform**

Readers of this module should receive practical advice on how to take the many elements of port reform and put them into a procedurally logical and politically feasible sequence of steps that maximize the chances for success.

A wider range of reform models and of public/private partnership formats exists for the delivery of port services than for any other infrastructure-intensive service sector. This is because the ensemble of services provided by ports is wider and requires more diverse and specialized skills and involves more categories of service-indivisible assets than other public/private institutions. Although the Toolkit does not elaborate on all models available to sector reformers, it does define the options on either end of the public/ private spectrum as well as the most common risk-sharing arrangements, such as concessions and terminal operating leases. Importantly, it also provides tools for assessing hybrid options and for understanding their merits and risks.

In dealing with reform in the port sector, the World Bank has tried to pool knowledge from around the world. This knowledge is abundant. Over the past 15 years, more than 200 port projects involving private participation in developing countries and investments totaling over US\$ 21 billion have been completed. The problem confronting public policy makers when they take up the challenge of port reform is not a lack of information, but rather a lack of useful knowledge that they can use to support their own process of reform.

The Toolkit makes use of a diversity of communication media to convey knowledge and insight to its users, including narrative text, mini case studies, graphics, models, and stylized representations of decision processes. The objective of the World Bank in developing and disseminating this information is to provide not only a comprehensive but also an easy-to-use Toolkit for port reform.