Restructuring Morocco's Port Sector

The World Bank's first port sector loan to Morocco helped the newly created autonomous public corporation, Office d’Exploitations Portuaires (ODEP), turn Casablanca's busy but inefficient port into a productive facility. The project's main achievement, however, was in helping ODEP itself develop into an efficient, financially viable operation. The project's success derived mainly from effective use of technical assistance and sector studies, which helped the corporation adopt a new organizational structure; establish a modern management information system; and introduce a tariff structure to cover the cost of port services. A recent OED audit notes, however, that in one area the project could have been stronger: promoting greater competition and a bigger role for the private sector in operating and managing port services. That task still remains, posing the next challenge for ODEP's management.

In response to severe budget deficits and an acute balance of payments crisis, the government of Morocco in the early 1980s adopted economic reforms to improve the performance of public enterprises and encourage private, export-oriented investment. Restructuring and strengthening the port sector supported both these efforts.

In restructuring the sector, the government's first and key decision was to replace the public enterprise Régie d’Acconage du Port de Casablanca (RAPC) with ODEP, a new autonomous public corporation. Until 1984, RAPC, under the Ministry of Public Works, had operated the ports, but the agency was highly inefficient and a drain on the public budget.

With the new corporation, the government sought to improve the management and operational efficiency of Morocco's 11 commercial ports, starting with Morocco's busiest port, Casablanca, and the Port of Mohammedia, while helping the corporation itself to attain financial viability. The World Bank supported these objectives through the $22 million Port of Casablanca and Mohammedia Project, approved in 1986 and closed in 1993.

The project had two sets of components: (1) physical, which included equipment and support for rehabilitating Casablanca's infrastructure, dredging Casablanca and Mohammedia's port basins, and repairing their breakwaters and (2) institutional development, which focused principally on studies, technical assistance, and training, mainly to enhance ODEP's organization, accounting, and management systems, and to strengthen the Directorate of Ports of Casablanca and Mohammedia (DPCM), the agency responsible for maintaining infrastructure in the two ports.

Implementation

The preparation of the project's physical components was marred by difficulties. The most critical problem, caused by Morocco's severe budget deficit, was shortage of counterpart funds for major port investments. This problem was compounded by contradictory signals from different ministries on key project features. As a result the project's scope kept changing right up to appraisal. Subsequently, implementation was delayed by two years. During the long delay, certain conditions changed, requiring adjustments to project components, which once revised were successfully implemented.

The institutional components were on firmer ground, mainly because the government took steps before and during project preparation to set the direction for the corporation's development. The government formed ODEP as an autonomous public corporation before project appraisal. In parallel, it set two immediate goals for the agency: achieving financial viability and establishing a sound organizational structure. Three studies were launched to help ODEP achieve these goals. And, with autonomy, the agency's management had relative freedom to act quickly on many of the studies' recommendations.

The organizational study, guided by a steering committee comprising

representatives from all ODEP departments, proposed a new organizational structure to reflect the agency's autonomy and broad responsibilities. The suggested structure was first tested in three ports—Casablanca, Safi, Tangiers—and refined during the two-year trial period before being implemented across the entire agency.

The 1988 tariff study produced a detailed analysis of port operating costs and a methodology for updating tariff adjustments. The aim was to devise a tariff system based on costs of services and to eliminate cross-service subsidies (e.g., cargo handling on ship and land, use of berth space, warehousing). Even before the study was completed, the company started making adjustments to the tariff structure, based on recommendations given in earlier draft reports, followed in 1991 and 1992 by further adjustments to cover other services. Since 1984, tariffs have increased 25 percent in real terms, perhaps excessively given the large productivity gains achieved during the same period. Cross-subsidies, although reduced, have not been completely eliminated, however, largely because ODEP wants to balance finances across all its ports, including the smaller, financially weaker ones. But to encourage efficiency, the tariff structure needs to be further adjusted to better reflect the cost of individual services.

The management information study, launched in 1987, introduced a comprehensive management information system (SIPOR) covering port traffic and operating efficiency, cost accounting and billing, management of physical assets and personnel, and maintenance of infrastructure and equipment. An ongoing port project is working to integrate the system with client computer systems and with databases for port and maritime services.

The studies were accompanied by technical assistance, mostly provided through short-term consultants working to implement efficient traffic management practices and training of the corporation and DPCM staff through two in-country programs.

Results

The project helped improve the operational performance of the Casablanca and Mohammedia Ports. During 1986-93, the productivity of cargo handling (tons per gang per shift) in Casablanca increased 25 percent, while the time containers remained in port decreased 40 percent. But unloading of containers is still comparatively inefficient. Casablanca moves 100 containers in a 12-hour period, against 300 to 400 containers in most other large ports.

The rehabilitation and maintenance works carried out on the breakwaters and the dredging of port basins allowed both Casablanca and Mohammedia to operate without disruptions, adding to productivity gains. But the project's main achievement was in helping ODEP establish the major elements of an effective port management framework: sound organizational structure, a new tariff system, and a relatively sophisticated information management system.

With the development of the management information system, ODEP was able to closely monitor port performance, even though the project had set no performance targets or indicators. Since then, the corporation has developed a comprehensive set of targets, with assistance from a later Bank-supported port project.

According to ODEP, several neighboring countries have entered into formal agreements with the agency for assistance in installing a SIPOR-like system. The experience has proven to be an excellent example of South-to-South transfer of technology through targeted, twinning-type arrangements.

The corporation's cash flow (net of debt) covered more than 40 percent of ODEP's investment program, a significant contribution to investment from internally generated funds. By 1994, total revenues amply covered direct operating costs and exceeded total costs, including financial charges. And the project's reestimated rate of return, at 20-25 percent, was high, though lower than the 30 percent estimated at appraisal.

One area that in hindsight could have been stronger is promotion of greater private sector involvement. At the time of project design it was already known that certain services, such as cargo handling, could be better performed by the private sector, yet no attempt was made to assess the possibility of transferring some of these services to the private sector.

Conclusions

ODEP enjoyed all the elements of a successful organization: a clear mandate and substantial autonomy in carrying it out; a dedicated and strong management team at the helm; support of top government officials, with strong sense of ownership of both the project and ODEP's priority goals; and a participatory approach both at the management and technical levels in evaluating and adopting recommendations proposed by the sector studies. With clear, highly focused objectives, ODEP, with Bank support, was able to identify the right sector studies and to carry them out early during project appraisal and implementation. And it used technical assistance effectively to develop a sound organization, improve the tariff structure, and build a comprehensive information management system to monitor port performance.