In 2015, when the Kenya Maritime Authority (KMA), the industry regulator, took the National Maritime Conference to Nairobi for the first time, policy makers at the highest level became aware of what a sleeping giant the industry was. Underscoring how much the blue economy (BE) had become a priority for Kenya, the government hosted the first-ever global Sustainable Blue Economy conference in November 2018, with support from Japan and Canada. About 16,000 delegates drawn from all over the world participated.

Key political messages that came from Kenya included the need to mobilise financing for the industry; creation of a blue economy and people-centered strategies on sustainable development; streamlining gender equality in the industry; and strengthening science and research, among other measures to awaken the giant.

Participants made voluntary financial commitments amounting to $172.2 million in various aspects of the BE, as well as several non-monetary commitments in areas like partnerships and capacity-building.

On numerous occasions since 2015, President Uhuru Kenyatta has indicated that Kenya is prioritising the implementation of sustainable blue economy programmes since the sector has the
potential to accelerate the country’s development. He has cited the shrinking of land-based resources as a result of a rapidly rising population in Kenya as a good enough reason for a prudent government to lay more focus on resources spread in the ocean with an area of 245,000 km², or 42 per cent of her total land area, which makes Kenya a maritime state.

However, various measures that the government has undertaken in recent years to accelerate the BE have not yielded the envisaged results. This is largely blamed on many years of policy neglect and a consistent failure by the industry’s players to take remedial actions.

Policy gaps

From the onset, Kenya has not been keen on the growth of the maritime sector. Even Kenya’s first independence economic blueprint, African Socialism and its Application to Planning in Kenya of 1965, failed to anchor BE in the country’s economic growth agenda, in spite of its significant role in transporting 95 per cent of the country’s global transactions.

The industry has thus evolved without the support of state policy-making machinery. Instead, it has largely relied on foreign players, who continue to exploit it to date and who repatriate billions from the economy.

Merchant Shipping Act 2009, which was assented to by Kenya’s President Mwai Kibaki after two lapses in Parliament due parliamentarians’ ignorance of its urgency, was the first attempt to regulate the sector. The new law was the brain child of KMA, which was established in 2004 to oversee the transfer of responsibilities in shipping matters from the Kenya Ports Authority (KPA) to an autonomous state corporation. This push came from the US government, which was afraid that having succeeded to hijack planes and carry out the September 11, 2001 terror attacks, terrorists could also do the same on largely unsecured African ports.

The 2009 Act created a comprehensive and modern legal regime for merchant shipping in Kenya and replaced the outdated Merchant Shipping Act, 1967. The old law did not reflect major transformations in the industry globally, which prevented the full exploitation of Kenya’s maritime industry.

The president’s good intentions on the industry are clear. However, there is a clear policy gap on who should steer the growth of BE. The president, in January 2017, appointed the Chief of Defence Forces, Samson Mwathethe, to chair a Blue Economy implementation Committee. The Kenya Gazette notice said that the eight-member team was mandated with co-coordinating and overseeing the implementation of the prioritised programmes in the industry and was to submit monthly reports.

Most importantly, it was supposed to develop an Integrated Maritime Transport Policy to galvanise and harmonise an industry that is currently overseen by 22 agencies with duplicating and conflicting roles. For over 3 years now, this has not yet been achieved and signs that the committee is working on it are nowhere to be seen.

The management of the BE is currently spread through three government departments without any clear mechanisms of collaboration despite the great interdependence among the players in the
maritime industry. Executive order no. 1 of May 2020 places KPA and the Kenya Ferry Services (KFS) under the transport department. The Department of Shipping and Maritime Affairs oversees KMA, Bandari College and Kenya National Shipping Line, while the state department for fisheries is in charge of the Kenya Marine and Fisheries Research Institute and the Kenya Fisheries Advisory Council.

Without a harmonised approach, the country has failed to exploit sea-based resources, which are worth a huge fortune. In 2018, the then Agriculture Cabinet Secretary, Mwangi Kiunjuri, said Kenya was losing over Sh440 billion annually by failing to fully exploit the blue economy.

**Marine fishing’s lost potential**

The Western Indian Ocean has resources worth more than Sh2.2 trillion annual output, with Kenya’s share being about 20 per cent of this. The marine fishing sub-sector alone had an annual fish potential of 350,000 metric tonnes in 2013 worth Sh90 billion. However, the region only yielded a paltry 9,134 metric tonnes worth Sh2.3 billion.

Optimal exploitation marine fishing is hindered by infrastructural limitations and inappropriate fishing craft and gear. Artisanal fishers mainly restrict their operations to the continental shelf because they are ill-equipped in terms of craft and equipment to fish in the deep sea.

The Kenyan coastline is rich in fish species. For instance, Malindi is the only place in the world that offers the best chance of catching five different billfish species in one day – broadbill swordfish, black, blue and striped marlin and sailfish.

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The deep sea waters are left to Distant Water Fishing Nations (DWFN) who mainly fish tuna species. Kenya lies within the rich tuna belt of the West Indian Ocean where 25 per cent of the world’s tuna is caught.

Foreign fishing fleets can operate in Kenya’s Exclusive Economic Zone (EEZ) in accordance with the regional and international agreement and cooperation provision of the National Oceans and Fisheries Policy, which allows governments to continue granting fishing rights in their EEZs, taking into account the state of the stock and economic returns.

In December 2017, President Kenyatta suspended the licences of foreign trawlers as part of efforts to grow the country’s blue economy through value addition. During the 54th commemoration of the country’s independence, he said that the ban on foreign vessels would help increase fish processed locally seven-fold to 18,000 tonnes per year. Kenya, the president announced, loses about 10 billion shillings ($97 million) a year to foreign boats fishing without permission.

**Lack of specialised maritime training**

Although Kenya requires fishing vessels to land 30 per cent of their catch in the country to create processing jobs, coastguards lack sufficient capacity to police the country’s territorial waters.

Andrew Mwangura, a maritime expert in Mombasa, argues that carving out coastguards from the military was a big mistake. Coastguards have more roles to play and need specialised training. With only one boat at their disposal and less than 40 officers, he opined, coastguards lack capacity to
effectively deal with the issue of illegal fishing. Coastguards are supposed to offer maritime safety and security with on-board other officers from customs, fisheries, port health, immigration and police.

Kenya’s effort to venture into deep sea fishing is not only limited due to lack of physical infrastructure but the country’s ill-trained workforce as well. The International Convention on Standards of Training, Certification and Watchkeeping for Fishing Vessel Personnel, 1995 (STCW-F 1995), entered into force on 29 September 2012, sets certification and minimum training requirements for crews of seagoing fishing vessels of 24 metres in length and above.

For maritime training institutes worldwide, the International Maritime Organisation (IMO) has developed a series of model courses that provide suggested syllabi, course timetables and learning objectives to assist the instructors to develop training programmes to meet the STCW Convention standards for seafarers.

Out of more than 30 courses offered in maritime training, as recommended by IMO, Bandari (which has since last year been renamed Bandari Centre of Excellence) is only able to offer 6 of these courses.

In addition, Bandari lacks shipboard training opportunities due to the nascent development of seafarer training in Kenya, which has caused delays in completion of training courses, given that shipboard training is compulsory in order to be certified. An integral part of the programmes for Sea Training is to ensure that the students acquire practical knowledge through actual work experience. One has to learn by doing while at sea and in port.

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Lack of training of seafarers will also lock Kenyans from the off-shore gas and oil industry exploration taking place in our high seas.

To optimise the gains in the sector, there is a serious need to invest in human resources by rolling out training in higher education institutions and tertiary colleges.

Despite the growing demand to create enough workforce commensurate with the industry’s growth, the status of maritime training is not very encouraging. Only three colleges and two universities offer maritime courses in the country, with most of the other professionals having trained overseas at highly prohibitive costs.

By 2016, the Philippines had over 37 maritime academies, 20 maritime training centres and 17 crewing manning agencies, enabling it to supply 20 per cent of the world seafarers.

**High shipping costs and lack of a competitive environment**

In its endeavour to facilitate and promote global maritime trade, the Blue Economy Implementation Committee identified the revival of the Kenya National Shipping Line (KNSL) as a critical intervention, with a potential of contributing to the exchequer Sh304 billion annually.

To do this, KNSL partnered with the Mediterranean Shipping Company (MSC) of Italy, in what was described as a government-to-government arrangement that would see the government retain the
majority shareholding (51 per cent) at KNSL to turn it into a major national carrier. Merchant Shipping Act section 16 A was amended and assented to allow the deal. However, the Dock Workers Union (DWU) challenged this in a court of law and when the ruling was done in its favour, the government deal collapsed.

The government’s plan intended to support the revival of the KNSL, which has been dormant for the last 23 years. Mismanagement sent the entity, which was established in 1987, into debt and loss of business. The deal was supposed to allow the MSC to run the second container terminal (CT2) at the port of Mombasa and it would also hire 2,000 seafarers every year for the next five years in return.

The estimated transport charges paid out to shipping lines calling at Mombasa port is about Sh304 billion annually. There is also another list of destination charges applied in the country that have made the shipping business in Mombasa costly.

The government, in supporting the deal, estimated that its cargo costs an average of Sh14 billion in freight per year, while local destination charges comprise another Sh34 billion. With local shipping capacity and the application of “Buy Kenya, Build Kenya” policies, the amount of Sh14 billion could be retained in Kenya, Transport CS Mr. James Macharia argued in support of the deal.

In the absence of a pricing framework or competitive environment, the destination tariff has proliferated in Mombasa port to 36 charge items. The revived KNSL could be used by the government to influence and leverage the reduction or doing away with components of destination charges thus reducing the national burden in maritime transport. Some of the charges include delivery order fee, amendment to bill of lading fee, supervision fee, manifest correction fee, currency exchange rate, container repair charges, and equipment management fee, among others.

In running the liner service, KNSL had the option of chartering or acquiring with time its own vessels. It was anticipated that income arising from transferring MSC trans-shipment cargo from Mombasa to other ports around Africa would yield sufficient funds to make consideration of vessel acquisition a reality in the long run.

The second container terminal is currently being operated by Maersk Shipping, the largest line calling at Mombasa, with control of over 30 per cent of the total cargo volumes at the port. When the terminal was finished over three years ago, it was supposed to be operated by a private player, who KPA was unable to pick from bidders due to a row that ended up in court.

Last year, Denmark, France, Japan and the UK protested that management of CT2 should have gone out to international tender since this was a condition for Japan to provide Sh28 billion for the first phase and Sh35 billion for the second phase construction.

Marine Cargo Insurance (MCI) also has huge potential. Its overall performance has significantly improved since the National Treasury directive to enforce Section 20 of the Insurance Act came into effect on 1 January 2017 that requires compulsory purchase of MCI from local underwriters. However, by importing cargo on Cost Insurance Freight (CIF) and the lack of proper coordination between various agencies has made the enforcing of this requirement a huge challenge.

Claims of undercutting have rocked the MCI insurance business as a record number of players entered the segment. The Insurance Regulatory Authority (IRA) had in the past raised concerns over unsustainable premiums.

Following the directive, the MCI performed considerably well compared to the years before 2017. The gross written premiums were Sh2.3 billion compared to Sh1.45 billion in 2016, representing an increase of 59 per cent. Based on the value of the imports, MCI premiums can generate up to Sh20
billion for local underwriters if the law is fully enforced.

Twenty-seven insurance companies have been brought on the online cargo clearing system run by the KenTrade, which is being integrated with the Kenya Revenue Authority’s Integrated Custom Management System (iCMS). This could help in enforcing section 20.

**Cruise ship tourism: The next frontier**

Cruise ship tourism is another area with huge potential as it targets high-end tourists. Industry experts say that 400 cruise tourists are equivalent to 4,000 tourists who come to the country via air. Kenya Ships Agents Association (KSAA) estimates that 40 cruise ships calling at the port could translate to US$20 million.

In 2004, at least 42 cruise ships arrived in Mombasa, with 15,166 passengers who took safaris to various destinations, especially to Maasai Mara and Tsavo national parks, earning the sector millions of shillings. But the number dropped as piracy took over in the Indian Ocean, with 2012 being the worst since not a single vessel called at Mombasa port.

A memorandum of understanding was signed early this year between Kenya and Vanilla Islands, a consortium of island nations including Seychelles, Madagascar, Mauritius, Comoros, Reunion, Mayotte and the Maldives.

Construction of the Mombasa cruise ship terminal at the port of Mombasa, which was supported by the Trademark East Africa. has been completed. The new terminal contains duty free shops, conference facilities, restaurants, offices, baggage conveyor belts, and migration and health offices. Further, the facility has a capacity to handle 2,000 cruise ship passengers at a time.

Stakeholders in the hospitality industry have been pushing to be represented at the KPA board so that they can help in understanding cruise tourism dynamics, such as developing cruise facilities at the other smaller ports, and in influencing the port to bid for as many cruise vessels as possible.

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