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**Background Paper**

**Boosting African Trade Cross-Border Harmonisation of Transport Policy and Regulation**

**2013 ICA ANNUAL MEETING**

**Arusha, Tanzania**

**November, 2013**

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*This material has been funded by UK aid from the UK Government, however the views expressed do not necessarily reflect the UK Government’s or Infrastructure Consortium for Africa’s official policies.  The purpose of this paper is to gather background material, stimulate discussion and provide a focus for future learning.*

# EXECUTIVE SUMMARY

This Paper is intended to provide background for a discussion of how transport policies and regulation in Africa can be better harmonized in order to expand intra-regional trade in the region.

**Transport Infrastructure**

Infrastructure development is critical for economic growth and poverty reduction. Good infrastructure enables growth: increased growth results in a demand for more and better infrastructure. Conversely, deficient infrastructure restricts economic activities and constrains human development.

Transport infrastructure in Africa is under-developed compared with other regions of the world, suffering from low connectivity between modes, poor maintenance, management, and operations. There are wide variations in the quality of infrastructure between countries and regions: land-locked countries (LLC) are particularly poorly endowed.

Road transport is the dominant mode of motorized transport in Africa, accounting for 80 per cent of the goods traffic within the continent. The structure of the trucking industry varies between sub-regions, but in West and Central Africa it is characterized by cartels offering high prices and low service quality. In East Africa, the trucking environment is more competitive and the market is more mature. The main transport corridors in Southern Africa are the most advanced in terms of efficiency, competitive prices, and service quality.

The rail system of Africa comprises small networks which offer low-density coverage and poor interconnection between regions and with ports. The lack of inter-modal and cross-border coordination increases transit times at ports and border crossings and weakens the comparative advantage of rail over road.

Africa has many ports, most of which are small by world standards. Few can accommodate the largest ships. In general, African ports are poorly equipped, have low productivity, and have been slow to respond to rapid changes in global trade and shipping patterns. Estimates of port capacity and demand suggest that several ports have either reached or are close to reaching full capacity. While some ports in Africa are moving from public ownership to the landlord port management model, they still lag behind in the development of modern port-management structures compared to ports in other regions.

Industry structure and operating practices have a major impact on the quality and cost of transport service to users. Public ownership still weights heavy on rail, ports and air sectors. Concessioning of railways has sometimes improved their performance, but few concessions have generated the cash flow needed to fund investment in network maintenance and improvement.

As a result of these unfavourable features, the transport sector has attracted a smaller share of total private investment in infrastructure than in other regions of the developing world.

**The Impact of Transport Infrastructure on Trade**

UNCTAD reports that Africa’s share in world exports and imports has fallen significantly since 1970. In addition, Africa trades little with itself, the share of *intra-African* exports in total merchandise exports was 11% compared with 50% in developing Asia, and 21% in Latin America and the Caribbean.

While there are substantial variations between sub-regions and countries, inland transport prices in Africa are much higher than in any other region of the world. UNCTAD has estimated that African users in 2012 faced transport costs at 7.7 % of the delivered value of exports, more than twice as high as the world average of 3.7%. Transaction costs are higher for intra-African trade than for trade with the rest of the world. High transport and trade facilitation costs are also evident in container shipping.

Also, the timeneeded to trade is significantly more than in other regions. About three-quarters of the delays along major transport corridors are attributed to Non-Tariff Barriers (NTB) and poor trade facilitation, the rest being due to poor infrastructure.

In summary, poor infrastructure and inefficient transport services, which result in higher costs and slower deliveries, are major causes of Africa's poor trade performance and penalize land-locked countries in particular. By one estimate, reducing the inland travel time by one day would lead to a 7% increase in exports for all countries, and a 9% increase in exports for African LLCs.

The growth of Global Value Chains (GVC) further emphasises the importance of transport infrastructure and logistics in enabling trade and confronts African countries with new challenges.

**Policy and Regulatory Obstacles to Transport and Trade**

Weaknesses in the policy and regulatory framework in many African countries create substantial obstacles to efficient transport and expanded trade. The incidence of these obstacles varies widely between countries, but few avoid them completely.

The lack of appropriate and well-formulated **policies and strategies** hinder the development of sustainable transport, particularly by failing to address major issues including defining (a) the extent to which competitive markets in transport should be encouraged; (b) the regulatory regime over transport infrastructure and operations; (c) the role of pricing, cost recovery and taxation in encouraging competition; and (d) the respective roles of government and the private sector in developing transport infrastructure and services. Without a clear policy statement to give direction to decision-makers and operators, a country lacks a solid and consistent basis for articulating a compatible sets of rules applicable to different modes of transport or for encouraging an economically efficient allocation of resources between them.

In Africa, few countries have set up a system of qualitative **regulation** necessary to effectively regulate the major modes of transport. The lack of regulation contributes to perpetuating poor service quality and safety, and allowing the proliferation of anti-competitive practices. In addition, the absence of a predictable and transparent framework for PPPs is reflected in the low level of private investment in transport infrastructure and the frequency of renegotiation of concession contracts.

There are also significant institutional obstacles to the effective **implementation** of transport policies and regulation, particularly in promoting seamless connections between different modes or competition between them. Non-tariff barriers, including border procedures, rules of origin and technical regulations and standards, are pervasive throughout all African regional groupings and impede transport and trade. Responsibility for policy and planning of transport modes is often separated among several line ministries, making it difficult to reach a cohesive approach to inter-modal transport.Implementation of national transport policies and regulations has also typically been weak, particularly by failing to pass national legislation to give effect to agreements reached at regional level.

The trend in the Enabling Trade Index (ETI) indicates that African countries have, in general, made progress in improving the level of their transport and communications infrastructure, but not in the quality of their border administration*.*

To deliver competitive transport and logistics services will require improvements in the “soft” infrastructure, including policy, regulatory and institutional reforms as well as investment in upgrading hard infrastructure. This will call for action on major policy and institutional reforms by national governments. But harmonizing transport policies, regulatory frameworks and administrative procedures *regionally* will also be critical to developing and integrating infrastructure networks and expanding regional trade.

**Initiatives to Promote Trade and Transport Efficiency**

Development partners are supporting a number of initiatives to increase transport efficiency and cross-border trade.

Initiatives to support **Regional Integration** in Sub-Saharan Africa (SSA) have a long history, but they have not so far met expectations. The 1991 Abuja Treaty defined Regional Economic Communities (REC), as the building blocks for a continent-wide customs union and ultimately an African Economic Community (AEC). Some RECs have set up free-trade areas, but implementation of regional trade agreements has proven a major challenge. The latest joint assessment of regional integration by the EAC, African Union (AU) and the African Development Bank (AfDB) concludes that “African RECs are still behind in their programmes to open borders and customs red-tape prevails”.

Many factors have militated against the full implementation of regional trade agreements, including overlapping membership of regional organizations, concern about ceding national sovereignty to supranational entities, inadequate financial resources and dependence on donor funding, as well as the common practice of setting unrealistic targets and deadlines. The activities of Africa’s donors can also have the unintended consequence of limiting the ability and willingness of member states to implement regional agreements.

The most extensive example of regional economic integration is the Tripartite Free Trade Area (TFTA) launched in June 2011 by the member states of COMESA, EAC and SADC. So far, the TFTA member states have agreed on the interpretation of Negotiating Principles (NP), but have not reached agreement on the modalities for the negotiations. In addition, some observers argue that the NPs appear to severely limit the scope of liberalization of tariffs and harmonization of NTBs beyond that already agreed within the three RECs.

**Transport corridors** have been widely adopted as a model for connecting African countries with international and regional markets. The record of development corridors and related spatial development initiatives, however, is mixed. Of over 20 corridors currently in operation across the continent, most have not so far translated improved infrastructure into broad-based growth. A recent World Bank study concluded that to make trade corridors efficient, governments and stakeholders should focus on properly implementing the fiscal, regulatory, and procedural principles for international transit that encourage quality-driven logistics services. This is substantially the approach taken by the North-South Corridor (NSC) Aid-for-Trade Programme launched by the Tripartite RECs in 2009.

Meanwhile, the model of the one-stop border post (OSBP) at transit points between countries has been widely adopted. Several OSBPs are already operational, and some achieved substantial reductions in crossing times, resulting in savings for operators and customs administrations.

**Trade facilitation** can be defined narrowly, as by the WTO, as actions aimed at reducing *on-the-border* transaction costs other than tariff cuts. This essentially involves the simplification and standardization of customs formalities and administrative procedures which are being addressed by the Tripartite Free Trade Area and other programs.

In a broader sense, trade facilitation also includes *beyond-the-border* issues, dealing with strengthening the policy, regulatory and institutional framework. A transparent and robust enabling environment is critical to attracting private investors to support the development of Africa’s transport infrastructure. In addition, taking steps to promote competition and regulate market behaviour by transport operators are also needed to making logistics services more efficient.

Multilateral and bilateral donors are helping to develop the policies, legal and regulatory frameworks for transport infrastructure through a range of programs, including PPIAF and PIDG. Programs are also in place to promote good road transport governance, for example by the Road Governance Initiative primarily supported by USAID (TradeHubs).

**List of Acronyms**

|  |  |
| --- | --- |
| AEC | African Economic Community |
| AICD | Africa Infrastructure Country Diagnostic |
| ATI | Africa’s Transport Infrastructure (see bibliography) |
| AU | African Union |
| AUC | African Union Commission |
| ARIA | Assessing Regional Integration in Africa |
| ATC | Air Traffic Control |
| BIT | Bilateral Investment Treaty |
| CCIA | COMESA Common Investment Area |
| CCTTFA | Central Corridor Transit Transport Facilitation Agency |
| CEMAC | Central African Economic and Monetary Community |
| CEN-SAD | Community of Sahel-Saharan States |
| CEPGL | Economic Community of the Great Lakes Countries |
| CFTA | Continental Free Trade Area |
| COMESA | Common Market for Eastern and Southern Africa |
| DfID | Department for International Co-operation |
| DRC | Democratic Republic of Congo |
| EABC | East Africa Business Council  |
| EAC | East African Community |
| EAIF | Emerging Africa Infrastructure |
| ECA | Economic Commission for Africa |
| ECCAS | Economic Community of Central African States |
| ECOWAS | Economic Community of West African States |
| EIB | European Investment Bank |
| EPA | Economic Partnership Agreement |
| ETI | Enabling Trade Index |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FTA | Free Trade Area |
| GDP | Gross Domestic Product |
| GVC | Global Value Chain |
| IATA | International Air Transport Association |
| ICT | Information and Communications Technology |
| IGAD | Inter-Governmental Authority on Development |
| IIA | International Investment Arrangement |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| IT | Information Technology |
| JICA | Japan International Cooperation Agency |
| KPA | Kenya Ports Authority |
| LLC | Land-locked Country |
| MDC | Maputo Development Corridor  |
| MIGA | Multilateral Investment Guarantee Agency |
| NC-TTCA | Northern Corridor Transit Transport Facilitation Agency  |
| NEPAD | New Partnership for Africa’s Development |
| NMC | National Monitoring Committee |
| NTB | Non-Tariff Barrier |
| OECD | Organization for Economic Co-operation & Development |
| OSBP | One-Stop Border Post |
| PIDG | Private Infrastructure Development Group |
| PPIAF  | Public Private Infrastructure Advisory Facility |
| PPIU | Project Preparation and Implementation Unit |
| PPP | Public-Private Partnership |
| RIA | Regional Investment Agreement |
| REC | Regional Economic Community |
| SAA | South African Airways |
| SACU | Southern African Customs Union |
| SADC | Southern African Development Community |
| SAR | South Asia Region |
| SATCC | Southern Africa Transport and Communications Commission |
| SDI | Spatial Development Initiative  |
| S&DT | Special and Differential Treatment |
| SSA | Sub-Saharan Africa  |
| SSATP | Sub-Saharan Africa Transport Policy Program |
| TEU | Twenty Foot Equivalent Unit |
| TFTA | Tripartite Free Trade Area |
| TMEA | TradeMark East Africa |
| TMSA | TradeMark Southern Africa |
| TTNF | Tripartite Trade Negotiation Forum |
| UEMOA | West African Economic and Monetary Union |
| UMA | Arab Maghreb Union |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Programme |
| UNECA | United Nations Economic Commission for Africa |
| USA | United States of America |
| USAID | United States Agency for International Development |
| WP | Working Paper |
| WTO | World Trade Organization |
| YD | Yamoussoukro Decision |

# INTRODUCTION

The Infrastructure Consortium for Africa (ICA) has been established to highlight and help key stakeholders address key constraints and barriers to improving infrastructure service delivery and increasing investment for infrastructure development in Africa. The theme for the 2013 ICA Annual Meeting is “Boosting African Trade: Cross Border Harmonisation of Transport Regulation & Policy”.

This Paper is intended to provide background for a discussion in the Plenary Session of the 9th ICA Annual Meeting on how transport policies and regulation in Africa can be better harmonized in order to expand African trade. It analyses the linkages between transport infrastructure, trade and the policy and institutional environment that are critical to making the informed decisions about policy reforms and investment. In particular, it aims to highlight the importance of focusing on “soft” infrastructure as a key enabler of trade and investment.

The Paper identifies and elucidates major issues hindering the growth of trade but it does not provide a comprehensive description nor evaluate current donor programs. Following the meeting, a further report will be prepared to reflect the conclusions of the discussion on an agenda for future action.

The Paper is based on a review of the extensive literature on the interaction between trade and transport, in particular the reports produced in connection with the Africa Infrastructure Country Diagnostic (AICD), and the Africa Regional Integration Assessments prepared by the Economic Commission for Africa (ECA), African Union Commission (AUC) and the African Development Bank (AfDB). A detailed bibliography is attached in Annex 6.

The remainder of the Paper is structured in four sections, as follows:

* Chapter 2 reviews the current status of transport infrastructure and services in Africa, focusing on their capacity and efficiency;
* Chapter 3 discusses the level of intra-African trade and the factors limiting African exporters’ ability to compete in global and regional markets;
* Chapter 4 identifies the major policy, regulatory and institutional obstacles to efficient cross-border transport services and trade;
* Chapter 5 summarizes the scope and experience of a sample of recent initiatives by regional organizations and donors to increase transport efficiency and cross-border trade.

# TRANSPORT INFRASTRUCTURE AND TRADE IN AFRICA

This section reviews the state of the transport infrastructure in Africa, why it matters for trade and growth, and highlights the major policy and institutional obstacles impeding the development of infrastructure and growth of trade.

## The State of Transport Infrastructure

Africa’s economic geography is characterised by low population density and high proportion of landlocked countries. These features act as critical constraints on trade and infrastructure, although the challenges those pose vary for different types of economy. In addition, the political geography of Sub-Saharan Africa (SSA), comprising nearly 50 nation-states most with a population of fewer than 20 million and international borders that bear little relation to natural features, creates additional barriers to accessibility.

Infrastructure development is critical for economic growth and poverty reduction. Good infrastructure enables growth: increased growth results in a demand for more and better infrastructure. Conversely, deficient infrastructure restricts economic activities and weakens human development. According to the African Infrastructure Country Diagnostic (AICD), the poor state of Africa’s infrastructure cuts economic growth by 2 percentage points a year and reduces business productivity by as much as 40 per cent.

Transport costs typically account for 20% or more of total product costs. Studies have found that most of Africa's poor trade performance can be accounted for by poor infrastructure. In particular, the median landlocked country (LLC) in Africa has only 30 percent of the trade volume of the median coastal economy. Reducing high transport costs for these countries depends on improving transport infrastructure and transport services in both LLCs and transit countries. This emphasises the importance of regional co-operation for achieving significant improvements.

Transport infrastructure in Africa is inadequate in two important senses. First, the region is quantitatively under-endowed with transport networks and suffers from low connectivity between modes. Second, the region’s physical infrastructure is not well maintained, managed, or operated and impairs efficient transport operations[[1]](#footnote-1)

The state of the transport infrastructure and quality of transport services varies widely between countries, with LLCs and fragile states being particularly poorly equipped to improve their international competiveness and low level of income.

### Roads and Road Transport

Road transport is the most dominant mode of motorized transport in Africa, accounting for 80 per cent of the goods and 90 per cent of the passenger traffic within the continent.

#### The Road Network

The size of the classified road network, including the main roads and secondary network, is estimated to be 1,052,000 kilometres (km). Together with an unclassified network of 492,000 km and an urban road network of about 193,000 km, this makes an estimated total network of 1,737,000 km.

Relatively few international road transport corridors play a crucial role in maintaining the economies of the landlocked countries of Africa. Of these, the main international trade corridors that connect the landlocked countries to their respective ports are the most important. Some US$ 200 billion worth of imports and exports per year move along these key corridors, which have a combined length of little more than 10,000 km.

* For Central Africa, regional transport is dominated by two road and rail corridors, which link the port of Douala in Cameroon with Chad and the Central African Republic;
* In East Africa, Mombasa - the main port for the region - handles more than 13 million tonnes of freight per year and serves not only Kenya and Uganda but also Burundi, the Democratic Republic of Congo (DRC), and Rwanda through the northern corridor. The central corridor from Dar-es-Salaam also serves the Democratic Republic of Congo as well as being an alternative for Zambia;
* In southern Africa, the main route, the north-south corridor from Durban, serves as an intraregional trade route linking Zambia, south-eastern Democratic Republic of Congo, and western Malawi with Botswana, Zimbabwe, and South Africa;
* For West Africa, several gateways, in Benin, Côte d’Ivoire, Ghana, Guinea, Senegal, and Togo, serve the landlocked countries of Burkina Faso, Mali, and Niger.

Africa has a much lower spatial density of roads than any other region of the world. It has only 204 km of roads per 1,000 km² of land area, with only one-quarter paved, while the world average is 944 of roads per 1,000 km², with over half paved. Moreover, given low GDP, the fiscal burden of maintaining this limited road network is significantly higher than elsewhere.

On average, about 27 percent of the main African networks are in poor condition, and a further 31 percent are in fair condition. The percentage in good condition ranges from 4 percent in the Republic of Congo to 90 percent in South Africa. In five countries, more than 50 percent of the primary network is in poor condition (Democratic Republic of Congo, Republic of Congo, Guinea, Senegal, and Togo).

There is huge variation in maintenance expenditure efforts, both across countries and across rural and main road networks. Half of the countries do not devote adequate resources to routine and periodic maintenance of the main road networks. In countries such as Chad, Niger, Nigeria, Senegal, and Uganda, maintenance spending comes to less than half the norm requirements. Moreover, around a quarter of the countries are not devoting enough resources to cover even routine maintenance activity.

#### Road Traffic Volumes

Traffic volumes in Africa are low by international standards. The annual average daily traffic on roads in the primary network ranges from only 50 vehicles in the Democratic Republic of Congo and the Republic of Congo to over 7,000 in Mauritius and slightly less in South Africa. Of the larger countries, only Nigeria and South Africa have heavy average volumes on the main road network. Such low volumes effectively preclude the possibility of financing roads exclusively from tolls in most countries.

Road safety is a very serious problem in most African countries. Road accident statistics, even those for fatalities, are difficult to obtain. Nevertheless, it is believed that Africa has 10 percent of the world’s road fatalities with only 4 percent of the world’s vehicle fleet.

#### Institutional Reform

The central focus of road sector reforms over the past decade has been institutional reform to improve the availability of funds for road maintenance and the capacity to execute public works. Through initiatives such as the Sub-Saharan Africa Transport Policy Program (SSATP), country governments and development partners have largely come to agree on the establishment of or increase in road funds to provide ring-fenced revenues for road maintenance based on a user charge implemented through fuel levies.

A review of the performance of second-generation road funds found that while they were steadily improving, their effectiveness was impeded by the inefficiency with which resources were used by the implementing agencies. A second area of action has concerned the establishment of independent road agencies with strong capabilities for the execution of public works.

Countries with both a road fund and a road agency have 20 percent more of their main and rural road networks in good or fair condition than countries without these two elements. The quality of the road fund institutions’ also has a significant effect on the percentage of the main road networks in good condition. In countries with high fuel levies, an additional 10 percent of the main road networks and an additional 5 percent of the rural road networks are in good or fair condition.

#### Economics of Road Freight

Freight transport services are very important to the African economies, many of which are dependent on exports of relatively low value-for weight goods to world markets.

Transport prices in Africa are substantially higher than other regions of the world, as shown in the following charts. Prices (per ton-kilometre) on the Central African route linking Cameroon with Chad (Douala-N’Djaména) are more than three times higher than Brazil and five times higher than in Pakistan.

**Chart 1: Comparison of African Transport Prices with Other Regions**

**US¢/tonne-km**

 Source = Teravaninthorn and Raballand, 2009.

But the evidence also clearly shows that regional trade routes with limited competition in road transport services, as in West Africa, face higher prices than those where there is more competition in e.g. Southern Africa.

### Rail Infrastructure and Transport

The share of rail freight is insignificant. Rail systems largely radiate from sea ports to the hinterlands with limited connectivity between them.

#### Rail Network: Sparse and Disconnected

The rail system of Africa comprises various lines and small networks that, combined, offer low-density coverage and little interconnection between regions. The total African network size is around 70,000 kilometers (km), of which about 55,000 km is currently being used. The network is single track except for sections of the South African network. Very little is electrified outside of South Africa. Most rail networks in Africa, outside of South Africa, still operate at the standards to which they were constructed. They are small-scale, undercapitalized networks designed for relatively low axle loads and low speeds, ill-suited to modern requirements. Because of chronic under maintenance, many sections of the aging track have deteriorated and require repair or replacement. Major sections are inoperable in several countries, including Benin (23 percent), Angola (69 percent), and Uganda (91 percent). The cost of repairs is beyond the financial capacity of most railways based on current traffic volumes.

#### Railway Operations and Competiveness

Railways in Africa are predominantly freight railways carrying bulk and semi-bulk commodities, primarily to and from ports. Many are run by small companies, although South Africa’s Transnet Freight Rail, has about 40 percent of the operating network and carries 70 percent of the traffic. Mine-connected rail lines in both West and southern Africa constitute only 4 percent of the network but carry over half the freight.

In 30 countries, railways remain under state ownership although 14 have opted for some form of concession arrangement, generally limited in scope. Few governments have seriously considered the European model of full vertical separation in which track management and train operations are performed by different companies. There is thus little scope for extensive competition between different companies operating on the same track.

Revenues have been generally insufficient to finance the modernization of track and rolling stock. Conservative management under state ownership has not helped, and facilities have suffered disproportionately in post-independence civil wars. While concessioning to the private sector promises to improve operational efficiency, the railways still face serious financial problems.

Because of increasing competition with the road sector, rail companies have experienced slow or sometimes negative growth. Several factors prevent rail transport from attracting more traffic despite a large price advantage over roads (over long distances). First, national transport policies (or lack of them) have favoured roads, particularly because road charges do not reflect the full costs of maintaining the road network. Secondly, the lack of trade facilitation and cross-border coordination increases transit times at ports and border crossings and offsets the natural comparative advantage of rail over road. Rail transit times from the Democratic Republic of Congo to Durban have been quoted as 38 days - 9 days for travel and 29 days for interchange and border crossing, despite the fact that the rail corridor is effectively under the control of a single operator. Thirdly, state-owned railways have difficulty competing against road operators because they do not have the freedom to set rates provide poor door-to-door service, and a lack of commercial incentive to change.

### Air Transport

Air freight plays an increasing role in the world markets for high-value, time-sensitive cargo such as horticultural and fish products and tourism. These can be particularly important for sparsely-populated LLCs.

In an increasingly liberalized air-transport market, many of Africa’s indigenous air transport operators - state-owned flag carriers in particular - have failed but some East and North African carriers have expanded beyond their home sub-regions, notably into West Africa.

#### Airport Infrastructure

Africa has at least 2,900 airports. Yet less than 10 percent of these receive scheduled services. Moreover, that number is falling. The level of international connectivity, measured in terms of the number of airports receiving direct international service, is also in decline.

Ground-based navigation installations are sparse in Africa. The main corridor in the east of the continent—stretching from South Africa to the Arab Republic of Egypt—has the most ATC installations. Inadequate passenger terminal capacity is common. Several African airports are operating at or above design capacity.

Charges at Sub-Saharan African airports are on average 30 to 40 percent higher than at [Frankfurt Airport](http://en.wikipedia.org/wiki/Frankfurt_Airport), while those in North Africa are comparable or lower.

#### Airline Ownership and Operations

Of the 54 states in the whole African continent, 25 have a national flag carrier in which the state has at least a 51 percent share. There are two main groups of flag carriers: the three large companies (Kenyan Airways, South African Airways, and Ethiopian Airlines); and the rest, most of which are small and financially distressed. The high costs of fuel, maintenance, and insurance in Africa contribute to high operating costs for carriers. Many also serve very limited markets. Attempting to privatize instead of liquidating flag carriers often leads to even larger sustained losses as countries pour good money after bad to support essentially non-commercial operations.

In 1999, African ministers responsible for civil aviation adopted the Yamoussoukro Decision (YD) on the liberalization of access to air transport markets in Africa (UNECA 1999). In essence, the Yamoussoukro Decision is a multilateral agreement among most of the 54 African states. It allows the multilateral exchange of up to fifth freedom air traffic rights between any signatory states by using a simple notification procedure.

While the YD is far from being fully implemented (see Chapter 4), there are indications that liberalization has had an impact on African air transport services stemming from the worldwide trend toward liberalization which has increased competition for African carriers’ long-haul operations. In addition, domestic liberalization policies have ended domestic monopolies, and in some cases caused the disappearance of state ownership of flag carriers.

African airlines, although they carried only 4.5 percent of total air traffic, were responsible for a quarter of all fatal air transport accidents worldwide in 2007. IATA identifies poor regulatory oversight as the top threat to air safety in Africa, followed by inadequate safety management systems. Only Cape Verde, Ethiopia, and South Africa meet international standards for safety.

### Ports

Africa has many ports, most of which are small by world standards. Few can accommodate the largest ships. In general, African ports are poorly equipped, have low productivity, and have been slow to respond to the rapidly unfolding changes in global trade and shipping patterns. While they are moving slowly from public ownership and operation to the landlord port management model, they still lag behind in the development of modern port-management structures compared to ports in other regions.

#### Container Traffic

Container traffic in Africa, with the exception of South Africa, is still at an early stage of system development. In 2005, African ports handled a combined 8.6 million twenty-foot equivalent units (TEUs), of which Durban handled nearly 2.0 million.

Container traffic development in Africa is presently constrained by transit arrangements in the major transport corridors. Most road and rail systems serving the corridor ports are in poor condition and do not support container transport. With a few exceptions (such as in South Africa), containers are stuffed and stripped close to the port of entry or departure. As a result, the volume of containerized traffic moving to landlocked countries across land borders is very low. In a recent study, Mundy and Penfold did not find much evidence that national or regional transport authorities have prioritized port development, or that port management is generally involved in developing links to land transport.

The average size of container vessels serving African ports is relatively small, under 3,000 TEUs, but it is steadily increasing in line with port system improvements. The constraints on economies of scale imposed by size limitations on vessel access to African ports raise the costs of shipping. So do port inefficiencies and inadequate links between ports and hinterlands.

Estimates of port capacity and demand suggest that several ports have either reached or are close to reaching full capacity.

#### Performance, Cost, and Quality

African ports perform poorly compared to other regions. Container-handling performance in modern container terminals utilizing container gantry cranes falls mainly in the 20–30 moves per hour bracket, while the norm for ship-to-shore handling performance in the African ports considered is below 20 moves per hour. A significant number of ports in Africa do not as yet possess purpose-built container-handling cranes and rely on ships’ gear for across-the-quay handling operations.

Deficient soft infrastructure also represents a significant operational bottleneck at many ports in the region. In particular, customs procedures are often outdated or subject to corruption, and frequently delay cargo clearance (and have even prompted temporary port closures). Other obstacles include lack of IT-supported management, information, and communication systems both within the port area and down the supply chain. While upgrading physical equipment has been the focus of many port development projects, improving soft infrastructure is equally important to the continued development of the sector in Africa.

Costly delays are a problem in many ports. They are mostly a result of long processing times and poor handling in congested port areas rather than insufficient quay capacity.

#### The Institutional and Regulatory Framework

The institutional and regulatory framework for the port sector has three components: port facility planning and reform, customs arrangements, and regulation of port management.

##### Port Facility Planning and Reform

New master plans for the port sector have been prepared in around 15 countries, including Namibia, South Africa and Tanzania. Although planning focuses on the development of facilities and physical capacity, a number of strategic issues must also be addressed. Africa can support only a limited number of major regional hubs. Competition is already intense among ports in East Africa, and regional collaboration seems unlikely. A port must do more than invest in capacity to become a hub; it must also be able to offer low handling costs and have fairly high cargo potential in its local market.

##### Customs Arrangements

Customs and other procedures associated with the movement of goods across borders within the continent increase the time and cost of transport and impede its flexibility. For example, in almost half the African countries surveyed in a recent study, it took more than one week to clear goods through the major port, compared with one day or less in many developing countries in other parts of the world. The failure of governments and port authorities in Africa to speed international, intermodal transport by streamlining customs and other formalities at border crossings has stifled trade, slowed inland movement, and driven up prices.

Regulation of Port Management

 Only South Africa has an independent port regulator, which monitors and enforces the compliance of the National Ports Authority with the National Ports Authority Act. Nigeria is planning to establish an independent regulator.

### Inland Waterways

Inland waterway transport has historically been important for carrying primary product exports from landlocked countries in Africa but is now in decline. The three major lakes in East and Central Africa—Victoria, Tanganyika, and Malawi—once played an important role in transit and intraregional trade. On Lake Victoria, in particular, waterway transport was linked to railheads at the inland ports of Kisumu (Kenya), Bell (Uganda), and Mwanza (Tanzania). The Ugandan and Kenyan lake operations were concessioned together with the railways in those countries, while in Tanzania, the lake services have been separated from the railways since the introduction of the Uganda and Kenya concessions. Only one service now operates on Lake Victoria, and some of the railway track leading to the ports is in poor state of repair, especially in Kenya.

The situation is similar in West and Central Africa, where the Congo basin has a navigable network of 12,000 kilometres and covers nearly 4 million square kilometres in nine countries. However, the Congo system suffers from outdated and insufficient infrastructure (as well as inadequate channel markings and maintenance, feeble regulation, and numerous nonphysical barriers to movement) and plays a marginal role as a mode of transport. Overall, the current levels of trade on Africa’s inland waterways are far below their potential and have limited impact on organised economic activity.

## Investment in Transport Infrastructure

In Africa, the transport sector has attracted a smaller share of total private investment in infrastructure than in other regions of the developing world: less than 20%, if South Africa is excluded. Elsewhere, investors’ interest in transport has been constrained by the limited size of many economies, but also by concerns about the enabling environment (discussed further in Chapter 4).

**Chart 2: Share of Transport in Total PSI by Region, 2002-2012**

 Source, PPIAF, PPI database.

Only 10 African toll road projects involving private participation are recorded since 1990.[[2]](#footnote-2) These include eight projects in South Africa alone. The potential for toll road concessions in Africa remains limited because of the relatively low traffic flows. Based on the AICD sample of countries, less than 9,000 km of the region’s road network has traffic levels in excess of 10,000 vehicles per day, which is the threshold to make toll road concessions economically viable.

Around 20 railway concessions have been negotiated in Africa since the 1990’s. These vary substantially in terms of contract length, the range of assets covered, and the attribution of responsibility for investment during the concession, and the limitations on the commercial freedom of concessionaires. Concessioning of railways has generally improved their performance, but few concessions have generated the cash flow needed to fund investment in network maintenance and improvement. The failure of government ministries to coordinate their actions - which have included administratively imposed salary increases, restrictions on access to container facilities, and unfunded public service requirements - has also negatively affected the performance of several concessions. As a result, concessionaires are averse to investing in infrastructure with a life significantly beyond that of the concession.

Changes in port management models have been associated with increased private sector participation in the funding of African port infrastructure. Twenty-six ports spread over 19 African countries reported 42 major private sector transactions in recent years involving private sector investment commitments of US$1.3 billion. Most are concession contracts, and a large number of these are associated with the comprehensive port reforms in Nigeria.

Data compiled by ICA, estimates private sector investment in the African transport sector at US$ 4.3 billion over the past 5 years or about 20% of total private sector investment in infrastructure. However, several emerging economy government agencies – including China and Brazil – committed US$ 8.7 billion in 2012 alone for transport infrastructure projects promoted by companies domiciled in their home countries.[[3]](#footnote-3) However, these projects are typically located in mineral rich countries and structured on an enclave basis without regard to the macro-regulatory framework for transport.

# THE IMPACT OF TRANSPORT INFRASTRUCTURE AND SERVICES ON TRADE

The shares of both Africa and sub-Saharan Africa in world exports and imports have fallen significantly over the period from 1970 to 2011. This downward trend can be observed in almost all regions in Africa and almost all African regional economic communities.

Africa accounts for less than 2.5% of world trade and its non-oil exports for about 1% since 1992, which is half their 1980 value. In addition, African exports are highly concentrated with continued reliance on primary commodity exports mainly to the European Union (EU), United States of America (USA) and China. Without similar opportunities to trade profit from enlarged markets and greater economies of scale, the economic prospects in Africa remain vulnerable to disadvantageous geographies and unfavourable global dynamics.

In addition, Africa trades little with itself, at least to the extent that is recorded in official customs statistics. Over the period from 2007 to 2011, the average share of *intra-African* exports in total merchandise exports in Africa was 11 per cent compared with 50 per cent in developing Asia, and 21 per cent in Latin America and the Caribbean. The low share of intra-regional trade is common all-sub regions.

**Table 1: Intraregional trade in Africa is low and stagnating**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| % of total exports/imports |  | Exports |  |  | Imports |  |
|  | **1996-2000** | **2001-2006** | **2007-2011** | **1996-2000** | **2001-2006** | **2007-2011** |
| Developing Africa | **9.7** | **9.8** | **10.9** | **13.3** | **13.5** | **12.7** |
| Eastern Africa | 12.4 | 14.1 | 13.9 | 8.8 | 9.3 | 7.1 |
| Central Africa | 1.2 | 1.0 | 1.3 | 2.6 | 2.5 | 3.1 |
| Northern Africa | 3.2 | 2.9 | 3.9 | 2.6 | 2.5 | 3.1 |
| Western Africa | 10.2 | 10.0 | 9.0 | 11.3 | 12.5 | 10.2 |
| Developing America | 19.1 | 17.6 | 20.6 | 17.6 | 19.0 | 21.1 |
| Developing Asia | 41.5 | 45.1 | 50.1 | 40.6 | 49.3 | 53.0 |

Source: UNCTAD, Economic Development in Africa, 2013

There are several important reasons why African countries have not made significant progress in boosting regional trade. In part, the region is constrained by its physical and economic geography characterized by small national economies, low population density and constrained access to the sea. As highlighted in the previous section, Africa is quantitatively under-endowed with transport infrastructure compared with other regions of the world. But transport services are also generally poor because infrastructure assets are not well maintained, managed, or operated.

## Cost and Quality of Transport Services in Africa

Africa’s infrastructure services, in particular road freight, are more expensive and of lower quality than elsewhere, although there are substantial variations between sub-regions and countries.

### Prices

Inland transport prices in Africa are much higher than those in any other region of the world. The United Nations Conference on Trade and Development (UNCTAD) estimated that international transport costs faced by African users in 2003, at 12.6 percent of the delivered value of exports, were more than twice as high as the world average of 6.1 percent. More recent studies have found that transport prices in Africa are, on average, higher than in South Asia or Brazil. Prices (per ton-kilometer) on the Central African Douala–N’Djame´na route) are more than three times higher than in Brazil and more than five times higher than in Pakistan. Only the Durban–Lusaka corridor in Southern Africa approaches the price level of other regions of the world.

Landlocked countries face a longer inland transportation distance than other countries. This is an important consideration given that overland distances are more penalizing than sea distances because of the higher cost per mile. Limão and Venables estimate that overland transport costs rise by as much as US$ 1 380 per 1 000 km compared to US$ 190 for overseas transport.

In addition, transaction costs are higher for intra-African trade than for trade with the rest of the world. For example, average transport costs in Africa represent 7.7 per cent of total export value, which is twice the world average of 3.7 per cent. The persistence of high intra-African trade costs more generally reflect traditional trade patterns, where infrastructure and trade policies oriented trade towards exports.

#### Shipping costs

High transport and trade facilitation costs are also evident in container shipping. For example, according to the latest Doing Business survey (2013) the average cost of shipping a container by African exporters is US$ 1,990 compared with US$ 923 from East Asia/Pacific, US$ 1,268 from Latin America and US$ 1,603 from South Asia. (see Table below). Container-handling charges at ports in Africa range from $100 to $300 per container, compared to between US$80 and US$150 per container elsewhere.

### Quality

The World Bank’s Logistics Performance Index, based on a worldwide survey of global freight forwarders and express carriers, demonstrates that African countries lag significantly behind other regions in key areas such as customs, infrastructure, competence in logistics, and timeliness of exports and imports. Naudé and Matthee (2007) estimate that the reduction in trade resulting from poor transport performance could be well in excess of 20 percent. The 2013 Doing Business report shows that in sub-Saharan Africa it takes, on average, 37 days to import and 31 days to export goods across borders, significantly more than in other regions.

**Table 2: Trading Across Borders in Sub-Saharan Africa is Costly and Slow**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Region | Days to export | Cost per Container to export US$ | Days to import | Cost per Container to import US$ |
| EAP | 21 | 923 | 22 | 958 |
| ECA | 26 | 2,134 | 29 | 2,349 |
| LAC | 17 | 1,268 | 19 | 1,612 |
| MENA | 19 | 1,083 | 22 | 1,275 |
| OECD | 10 | 1,228 | 10 | 1,080 |
| SAR | 32 | 1,603 | 33 | 1,736 |
| SSA | **31** | **1,990** | **37** | **2,567** |

 Source: Doing Business 2013. Note times for SAR, heavily weighted by Afghanistan

### Efficiency

Many trucking companies, particularly in Central and West Africa, have poor efficiency factors (low yearly vehicle utilization rate, aging vehicle fleet, unbalanced trade), but can still charge high prices and have relatively large profit margins. In many countries market regulation hinders efficiency improvements in the trucking industry and stifles competitiveness, leading to high transport costs for traders.

### Major Factors Impacting Trade Performance[[4]](#footnote-4)

High trade costs have a negative effect on country economic performance in several ways. Domestic producers are less competitive because inputs sourced outside the country are relatively more expensive, and reduce their margins on exported goods.

In addition to the deficiencies of the transport infrastructure and geographic constraints several other factors have limited Africa’s ability to develop the type of modern logistical systems critical to trade and economic growth in the modern global economy, in particular to meet the demands of tightly organized trading chains.

For road transport, the most serious impediments to reducing transport costs to users are the regulation and market structures of the road freight industry. Research shows that regional routes with limited competition in road transport services face higher prices (e.g., West Africa) than those where there is more competition (e.g., Southern Africa). The lack of competition along the different segments in the trade logistics chain can result in high mark ups favouring cartels among logistics service firms.

Secondly, the *time* needed to trade and the uncertainty associated with the time needed to trade result from inland transit delays, documentation, and ports and customs delays. Freund and Rocha (2010) conclude that the negative impact on trade of transit delays is nearly four times larger than delays due to documentation or ports and customs. Reducing by one day the inland travel time leads to a 7% increase in exports for all countries, and a 9% increase in exports for African landlocked countries.

Thirdly, the prevailing poor state of road safety remains a serious challenge in Africa, which is not being effectively addressed because of the absence in some countries and the weakness in other countries of lead institution responsible for road safety.

## Recent Trends in World Trade

A number of recent trends in world trade highlight the linkages between infrastructure and trade, and raise important new issues.

### The Growth of Global Value Chains

An important and characteristic feature of recent economic globalization has been the growth of Global Value Chains (GVC). This is reflected in the rising trade in intermediate inputs, which now represents more than half of imports to OECD countries. As part of global production chains, products at different stages of value added may be imported and re-exported multiple times, increasing the size of reported exports and imports relative to global and national value-added.

The GVC business model has become important in business sectors of interest to African countries, including horticultural products, but it presents major challenges as well as opportunities. First, the lead firms within value chains, which may be dominant producers or purchasers, are continuously re-evaluating the costs and risks of sourcing their production in alternative locations in the light of range of factors, including changing consumer preferences, technological changes, and geographic shifts in demand, competitive conditions and locational risks. Secondly, economic power within chains has been increasingly concentrated in fewer, large firms as a result of technical changes; mergers and acquisitions; weakened institutional infrastructure for quality control and predictable levels of supply (e.g. for Ugandan coffee and Ivoirian cocoa); and the imposition of controls in importing states in response to the perceived consumer concern over standards.[[5]](#footnote-5) These firms are well placed to capture a high proportion of the value added along the chain.

But most African countries are much less well placed to seize the emerging opportunities for cross-border trade in intermediate goods. The potential for regional production chains to drive global exports of manufactures, such as those in East Asia, has yet to be exploited. (World Bank, Defragmenting Africa’s Trade, 2013)

Against this background, for African countries to participate successfully in GVCs will depend on upgrading several critical capabilities. First, firms need to preserve or develop the competitive advantages to enable them to become viable links in a value chain. Secondly, the transport and logistics infrastructure and services will have to be improved to meet demanding global standards for efficient, reliable and economic delivery. Thirdly, to maintain or secure access to important global market will call for countering the potential risks of increased protectionism arising from the introduction of stringent quality or health standards and the loss of preferential access to traditional markets in the EU and USA.

Overall, the opportunities and risks inherent in GVCs pose important policy challenges for African governments and regional organizations. They will need to formulate dynamic industrial policies, improve transport and logistics infrastructure and implement proactive and co-ordinated trade policies.

### Increasing Demand for African Minerals

Increasing global demand for African minerals has created the need for major development of dedicated transport and energy infrastructure, together with offering new sources of financing.

China, in particular, has committed to finance and supply rail and port facilities to help extract oil and precious mineral in Angola, the Democratic Republic of Congo, Ethiopia, Gabon, Nigeria and Zambia. Chinese financial institutions, such as the China Development Bank, provide non-concessional loans to governments which in return contract Chinese companies to build infrastructure projects and extend the right to extract natural resources. Effectively, African governments pay for new infrastructure through mining or oil extraction rights. In this way, China’s strategic economic interest in obtaining raw materials is combined with constructing infrastructure assets with important development potential for the host countries. These transactions nevertheless raise important issues about ensuring that the benefits of China’s engagement in Africa are equitably distributed: for example, by negotiating a role for African private enterprises to participate in project construction or access by local communities to the transport and energy infrastructure. It also poses issues for the donor community in engaging with China to co-ordinate development assistance and promote a coherent reform agenda.[[6]](#footnote-6)

# POLICY AND REGULATORY OBSTACLES TO TRANSPORT AND TRADE

The section identifies a range of weaknesses in the policy and regulatory framework in African countries which impact on the transport sector and trade. The incidence of many of these problems varies widely between regions, but few countries avoid them completely. Collectively, they represent substantial obstacles to efficient transport and expanded trade.

## Transport Policy

The lack of appropriate and well-formulated policies and strategies remain major obstacles to the development of sustainable transport in Africa. Most African countries have a formal transport-policy statement, but frequently these have substantial weaknesses. A widespread weakness is the failure to cover the fundamental issues of transport policy including defining (a) the extent to which competitive markets in transport infrastructure should be encouraged; (b) the regulatory and licensing controls which should be exercised over transport infrastructure and service operations; (c) the role of pricing, cost recovery and taxation in encouraging competition between modes of transport; and (d) the respective roles of government and the private sector in developing transport infrastructure and services.

As a result, transport policies to do not provide a coherent approach to ensuring effective competition, for example by countering the non-competitive practices in the sector, as in the case of on market sharing and centralized allocations of freight common in Central and West Africa.

A transport policy statement should reflect a country‘s level of development, the structure and characteristics of its transport systems, the pattern of demand and needs of transport users, and the governments’ overall philosophy and priorities. But, a critical overarching purpose of a national policy is to provide consistency in the rules applicable to all modes of transport to encourage an economically efficient allocation of investment and other resources between them.

In addition, many African countries do not have policies that allow and promote private sector participation in transport infrastructure development and operation, which also contribute to the limited progress made in liberalizing and privatizing rail, air and maritime transport. Private participation in supply of transport infrastructure and services is central to competition and can increase the efficiency of operations and the mobilization of private capital.

The policy deficit at national level is often carried over into the REC’s, as discussed further in Chapter 5. The EAC and COMESA member states have agreed to develop a common transport policy. However, international undertakings have not been domesticated in national policies. In spite of being signatories to common markets such as ECOWAS, COMESA, individual members continue to impose protective national regulations

Harmonizing transport policy is complicated by the multitude of international legal instruments, treaties or conventions applicable to transit trade. A comprehensive review of the agreements applicable to African countries in 2004 identified 28 global instruments, 8 regional instruments and 90 bilateral ones. Many of the bilateral agreements in francophone Africa have been in place longer than the regional agreements and maintain old-fashioned, freight-sharing agreements between countries which are neither consistent with general principles of customs transit nor conducive to overall transit efficiency.

## Legal and Regulatory Framework

Transport and transport infrastructure also call for effective and transparent economic regulation and a sound legal framework. Investors and service providers need certainty about the market, technical and financial parameters under which they will be allowed to invest and operate. In addition Consumers need protection against abusive behaviour by monopoly suppliers.

In Africa, few countries have set up a system of qualitative regulation and agencies necessary to effectively regulate road transport. Only one of the 32 members of the African Forum of Utility Regulators is a transport regulator.

One major diagnostic study documented how the lack of regulation in the EAC has several damaging consequences, perpetuating poor service quality and lack of safety and allowing the proliferation of anti-competitive practices.

The regulatory vacuum also creates an opening for protectionist measures to be reintroduced and for new non-tariff barriers to be erected. For example, states which have not licensed foreign trucks (e.g. Rwanda and Burundi) are contemplating introducing such requirements in contravention of the terms of the prospective Tripartite Agreement).[[7]](#footnote-7) Secondly, the regulatory vacuum creates a space for other government agencies to dictate transport policy without regard to the impacts on efficiency and cost. This is the case with rules imposed by revenue authorities in Kenya and Tanzania on licensing of transit vehicles and vehicles carrying goods under customs control.

Africa has seen little progress toward setting up independent port regulators. For example, although Kenya’s national transport policy has identified the need to convert the Kenyan Port Authority (KPA) into a landlord port authority, little progress has been made with this goal in Mombasa. The KPA still operates Mombasa as a service port acting both as landlord and provider of terminal and stevedoring services. Moreover, safety regulatory institutions are weak or nonexistent. In the absence of adequate supervision, Africa has arguably the worst safety record in the world in the road, rail, and air transport sectors.

In addition, the absence of a predictable and transparent framework for PPPs has contributed to the low level of private investment in transport infrastructure and the frequency of renegotiation and premature cancellation of concession contracts. By contrast, establishing a robust legal and institutional framework for private participation and a favourable foreign investment regime were among the key factors that has helped Nigeria to attract FDI by concessioning 25 port terminals to private investors and operators, many of them foreign.

Overall, an established, coherent and robust legal and regulatory framework is a critical condition for the success of infrastructure PPPs and is in the interest of all stakeholders. Investors and financiers need a predicable cash flow over the long life of infrastructure to ensure a project is financially viable. Governments and consumers want assurance that the pricing and quality standards will meet public service expectations. Achieving an explicit and durable balance of those interests depends on a stable and transparent policy and contractual framework.

## Non-Tariff Barriers[[8]](#footnote-8)

Non-tariff barriers (NTBs) - including border procedures, rules of origin and technical regulations and standards- are pervasive throughout all African regional groupings and act as significant procedural obstacles to transport and trade. A mapping of the various NTBs reported by firms in SADC countries to trade flows in the affected sectors shows that these barriers impacted US$3.3 billion of regional trade in 2008, or one-fifth of regional exports). Nevertheless, there has been progress in establishing reporting mechanisms and monitoring committees for non-tariff barriers (see following section). Raising awareness and improving transparency are useful steps, but it is becoming increasingly apparent that they are not sufficient due to the lack of progress in removing these barriers. Most relevant NTBs are described below.

### Complex border procedures

Across Africa border and customs proceduresare unnecessarily complicated and inefficient and contribute to higher trade costs. Southern African Customs Union (SACU) countries retain internal border posts, even though it is a customs union in part to record data on intra-SACU trade used for revenue sharing purposes. In addition, there has been little standardization of procedures and documentation by the RECs other than the SACU and the Trans-Kalahari corridor of the Southern African Development Community, which are adopting a single clearance document.

To illustrate the impact of complex border procedures, a study by the Federation of East and Southern African Road Trans­port Associations (FESARTA) determined that it took its members 15 days on average to complete the distance between Kolwezi in the DRC and Durban in South Africa and that 50% of the time was spent at border crossings.

More positively, during 2012, the Customs authorities in Kenya and Uganda modified business procedures that resulted in a dramatic decrease of the border crossing times at the Malaba border post between the two countries. Crossing times that had been routinely over 48 hours dropped to less than six hours. Based on estimates of the value of time for trucking enterprises (releasing capacity for increased activity and revenue) and for traders (through reduced inventory costs), the savings generated by the improvement represent up to $70 million per year.

### Onerous Rules of Origin

Strict local content requirements in rules of origin (ROOs) reduce the incentive to trade regionally. For products where ROOs have been so contentious or simply not agreed upon preferential trade within the SADC region has been effectively prohibited.

### Technical regulations and standards

Poorly designed technical regulations and standards limit consumer choice and hamper trade: Standards regimes in Southern Africa are often characterized by an over-reliance on mandatory inspections and certifications, unique national (rather than regional or international) standards and testing as well as overlapping responsibilities for regulation. These factors create unnecessary barriers to trade, especially when technical regulations and standards are applied in a discriminatory fashion against imports. Other non-tariff barriers such as trade permits, export taxes, import licenses, restrict opportunities for regional sourcing.

The trend in the Enabling Trade Index (ETI), shown in the chart below, indicates that African countries have, in general, made progress in improving the level of their transport and communications *infrastructure*, but not in the quality of their *border administration*.[[9]](#footnote-9) Over 2008-2012, the infrastructure sub-index for Africa improved from 2.72 to 3.05, while the border administration sub-index was virtually unchanged. Countries in northern and southern Africa score higher than eastern and western Africa, but the pattern of improved infrastructure and unchanged quality of border administration holds in all sub-regions. The quality of infrastructure for 9 landlocked countries is lower than for coastal countries, but also improved from 2.41 to 2.58. Appendix 2 sets out the ETI ratings for individual African countries.

**Chart 3: Improvements in Transport Infrastructure have not been matched in Border Administration**

Source: Enabling Trade Index: Sub-Indices B and C.

Source: Enabling Trade Index: Sub-Indices B and C.

## Institutions and Governance

The most recent joint review of African regional integration concludes, “Although virtually all the regions have strengthened the institutional framework of RECs difficulties have started to emerge in co-ordinating and harmonizing activities”.

There are significant institutional obstacles to the effective implementation of transport policies and regulation, particularly in promoting seamless connections between different modes (road, rail and water) or competition between them. For example, uncoordinated measures imposed by a range of government ministries on rail companies - including administratively imposed salary increases, restrictions on access to container facilities, and unfunded public service requirements - have negatively affected the performance of several rail concessions.

Often these issues reflect a lack of strong political commitment to establish independent regulatory agencies or to resource them. For example, riparian states on most of the major, river and lake basins have set up intergovernmental commissions to manage water resources, including their use for transportation, but so far too little effect.

### Organizational Framework

In many countries, responsibility for policy and planning of transport modes is separated among several line ministries, preventing a cohesive inter-modal transport framework from emerging. (World Bank, Africa’s Infrastructure, 2009). The most common failing of this institutional structure is to leave sector strategies uncoordinated or undermined by lack of co-ordination between implementing agencies.

The comparative advantage of using rail over roads for long-distance transport of time-insensitive commodities means that railways depend heavily on international trade. Good rail-port connections are essential to complete the journey of goods overseas, but such connections are often inhibited by conflicts between rail and port authorities over control of rail movements in port areas

### Implementation of Policies and Regulations

Implementation of national transport policies and regulations has also typically been weak. For example, limits on vehicle axle-loads agreed by the EAC have not been applied by all the member states.

In addition, 20 years after the initial Yamoussoukro Decision of 1988, only a few cases of the exercise of new air traffic rights resulting from applying the principles and mechanism of the YD have been observed. In many cases, especially in North and southern Africa, countries have failed to establish rules of competition, operational monitoring or dispute settlement mechanisms, or have simply ignored it by continuing to apply earlier restrictive bilateral agreements.

In 2007, at the Third African Union Conference of Ministers Responsible for Air Transport, the role of the executing agency was assigned to the African Civil Aviation Commission (an institution of the African Union). This agency has not yet proven effective in formulating and enforcing general rules and regulations governing competition.

### Governance

Many of the failures of implementation result from limited institutional capacity and dysfunctional behaviour. Policy formulation and regulatory reforms often require fundamental institutional changes which are difficult to plan and implement and challenge vested interests. But, many national line ministries with responsibilities for trade and transport, regulatory agencies and REC’s are under-resourced. Inadequate skills and leadership impose a serious constraint on policy development and operational efficiency in the transport sector.

A particularly damaging example of dysfunctional behaviour at the interface of transport and trade is the prevalence of corruption. At the operational level, poorly paid officials create artificial delays in customs administration to extract bribes from operators for speedier service. This practice increases transport costs and adversely affects competitiveness.

The conditions conducive to corruption - the combination of a monopoly and administrative discretion - frequently arise in the transport sector. In West Africa, the number of checkpoints erected by law enforcement agents along the international highways range from seven (7) per 100 kilometres between Lagos and Abidjan to two (2) per 100 kilometres between Accra and Ouagadougou. The artificial creation of queues for licenses, customs clearance, provides a platform for the extraction of bribes. Sequeira and Djankov found that bribe payments at ports in southern Africa, while varying by port and product, are generally high and frequent.

Despite the unfavourable environment in which transport infrastructure institutions work, actions at the sector level can improve behaviour and performance. First, situations that combine monopoly and administrative discretion - the institutional circumstances in which corruption thrives - can be reduced by computerization. Second, liberalizing transport markets replaces incentives that protect corrupt operators with incentives that increase efficiency.

Most of the remaining state-owned railways are subject to significant political and governmental influence. Arrangements vary across countries, but typically the sector ministry (normally transport) exercises political and administrative control, while the ministry of finance exercises financial control.

# INITIATIVES TO PROMOTE TRADE AND TRANSPORT EFFICIENCY

This section summarises the experience of a selected sample of recent initiatives by development partners to address the obstacles to transport efficiency and cross-border trade in Africa through support for:

* Regional integration, particularly in supporting trade liberalization and reduction of NTBs through Regional Economic Communities;
* Transport corridors focused on routes linking several economic centres, countries and ports;
* Trade facilitation programs designed to remove obstacles to the swift movement of goods across borders;
* Reform of the enabling environment for investment in transport infrastructure.

## Regional Integration[[10]](#footnote-10)

Although Regional Integration initiatives in SSA have a long history, they have so far delivered mixed results.

African leaders agreed in the 1991 Abuja Treaty to develop Free Trade Areas (FTA) in each Regional Economic Community (REC), as building blocks for a continent-wide customs union and ultimately an African Economic Community by 2028. A significant step in the integration process is intended to be the formation of a customs union at REC level, a move which entails the elimination of tariffs and quotas between members and the creation of a common external tariff.

The trade policies of SSA countries impede their own trade – both regionally and with global markets. Although they have fallen in recent years, the McKinsey Global Institute found that SSA’s tariffs are on average 50% higher than those of comparable countries in South America and Asia. Africa’s import tariffs impose an implicit tax on exports which may be as high as 12%. This anti-export bias is created by raising the domestic price of imports relative to exports as well as the price of intermediate goods. One estimate is that exports could increase by up to 20% if those tariffs were eliminated.

Some RECs have set up free-trade areas as envisaged (COMESA, EAC, ECCAS, ECOWAS and SADC), but implementation of regional trade agreements has proven a major challenge. The latest joint assessment of regional integration by the EAC, AU and the AfDB concludes that “African RECs are still behind in their programmes to open borders and customs red-tape prevails”. For example, the EAC Customs Union was initiated in 2005 with a target completion date of 2010, but is unlikely to be fully operational by 2016. ECOWAS which established its own FTA and customs union jointly with the West African Economic and Monetary Union (UEMOA) faces persistent barriers to trade. Private sector perceptions are that member states have still not fully implemented the provisions of the ECOWAS trade liberalization scheme, launched in 1990 and reaffirmed in 1993, providing for free movement of persons, goods and transport. There are also problems of implementation in other regional economic communities. The Economic Community of the Great Lakes Countries and the Economic Community of Central African States have failed in their attempts to eliminate tariffs on products made within their respective regions.

While there has been some success in removing import duties within some eastern and southern RECs, a range of non-tariff and regulatory barriers stillraise transactioncosts and limit intraregional trade. Trade among ECOWAS members is still hindered by differing standards and certification measures covering food safety, fair trade and organic certification standards, as well as labour and several kinds of environmental and labelling standards.

One of the main challenges facing Africa’s RECs in implementing their integration programmes is overlapping membership. As shown in Appendix 3, seven African countries are members of one REC, 36 are members of two RECs, 9 are members of three RECs, and one country belongs to four RECs.[[11]](#footnote-11) For example, SADC faces a particular challenge because of the overlapping membership of several of its member states with COMESA, EAC, SACU and ECCAS.

Since each regional community has tended to develop its own trade regime, membership in multiple agreements often entails applying differing trade rules to different regional partners. This approach, sometimes characterized as “variable geometry”, hampers trade flows by raising the costs involved for traders in meeting multiple sets of trade rules and gives rise to inconsistencies in the rules and procedures applied by the different trade agreements. To remove these obstacles to intra-African trade will require reforming the pattern of regional trade agreements between African countries.

Overall, a review of the literature suggests that many factors have militated against the full implementation of regional trade agreements, including overlapping membership of regional organizations, concern about ceding national sovereignty to supranational entities, inadequate financial resources and dependence on donor funding, as well as the common practice of setting unrealistic targets and deadlines. To offset these factors will need greater commitment and concerted actions by African Governments.

The UNCTAD Review of Economic Development in Africa points out that the activities of Africa’s development partners can also have the unintended consequence of limiting the ability and willingness of member states to implement regional agreements. The increase in the number of bilateral partnerships with development partners is a burden on African countries both in terms of human and financial resources.

Nevertheless, some actions are being taken to rationalize the network of regional trading agreements and accelerate their implementation.

### COMESA-EAC-SADC Tripartite Free Trade Area

The most concrete of these is the creation of a tripartite Free Trade Area (TFTA) launched in June 2011 by the member states of three RECs (COMESA, EAC and SADC). The TFTA aims to reduce tariffs imposed on goods originating in the region and traded in the region and to design and implement a programme to improve trade and transport, measures and reduce non-tariff barriers to trade. The TFTA covers 26 African countries, with a combined population of almost 600 million people, and a total gross domestic product of about US$ 1 trillion, representing over 50 per cent of Africa’s economic output.

Negotiations to establish the TFTA are being carried out through a Tripartite Trade Negotiation Forum (TTNF). The TTNF has agreed on the interpretation of the Negotiating Principles (NP) adopted by the Second Tripartite Summit and made progress on some procedural issues, including that preparatory phase of the negotiations would be concluded, once the negotiation modalities on tariff liberalization had been agreed.

The latest information available suggests that the NPs raise some major substantive issues which still need to be addressed. The original Negotiating Principles, adopted in 2012 were stated as separate axioms but they were not defined. The elaboration of these principles has subsequently become the focus of the process of establishing the TFTA. One observer argues that by including among the NPs the concept of the “acquis” – a French term meaning “that which has been previously agreed” – the parties have decided that the negotiations should start from the point at which the COMESA, EAC and SADC trade negotiations had previously reached, and that negotiations for new tariff concessions would be limited to those among Member/Partner States of the Tripartite FTA that have no existing preferential arrangements between them. If this principle is maintained it could result in a restrictive approach to the negotiations and a very limited outcome.

### Continental Free Trade Area (CFTA)

The TFTA initiative has stimulated interest of Africa’s policymakers towards a broader continental FTA. Accordingly, the African Union Summit, at its 18th Assembly held in Addis Ababa in January 2012, decided to fast-track the establishment of an African continental FTA. The general objective of establishing the CFTA is the creation of a single market with free movement of goods and services. It is intended that the CFTA would build on the experiences and structures of the existing RECs’ FTAs. It is envisaged that the CFTA would be implemented in three phases: the first phase covering the liberalization of trade in goods, the second phase on liberalizing trade in services and in the free movement of persons; the third phase addressing intellectual property rights, competition policy and investments.

### WTO Doha Round

The ongoing WTO Doha Trade Round covers many areas that could help increase SSA trade. The deal would bind existing liberalisation, as well as address trade distorting subsidies: locking in reforms to the EU’s Common Agricultural Policy and eliminating export subsidies for agricultural goods. The agreement on trade facilitation would address the implicit tax that penalizes SSA firms as a result of deficient infrastructure and could boost trade by more than potential tariff reforms by developed countries. SSA trade has been projected to increase by €10 billion a year as a result of a Doha Development Round.

According to the WTO, the trade facilitation negotiations have made significant progress. The outlines of a new Trade Facilitation Agreement are relatively clear. There is general consensus on the benefits to be obtained from a positive and ambitious outcome, and negotiations have been conducted in a spirit of cooperation and compromise. Indeed, several industrialized countries have submitted joint proposals with developing countries. Remaining issues that hamper progress include what the WTO refers to as “Special and Differential Treatment” (S&DT). This means the text needs to provide a framework that includes flexibility for developing countries that accommodates their capacity constraints but also provides for timely and effective implementation so they can benefit from the agreement as soon as possible.

However, the overall Doha round talks have stalled mainly because of fundamental disagreement between the major advanced and emerging countries on the balance of concessions over tariff reduction for specific industrial goods sectors. Consensus has been difficult to achieve partly because of changed geopolitical circumstances. In particular, the importance of large emerging market economies in world trade has grown enormously since the start of the round. Many new trade issues are calling for greater attention in the WTO, including food and energy security. But the remaining obstacles in Doha are unlikely to be overcome without high level political commitment.

In any event, it is not clear that African countries and REC’s are well prepared to respond to the opportunities which a successful Doha round would present, given the lack of consensus on the benefits of trade liberalisation acknowledged in the Tripartite Task Force Progress Report. The challenge of the WTO’s negotiated trade facilitation text implies a precise, obligatory commitment that is legally enforceable and binding which the RECs are as yet unable to offer.

## Trade and Transport Corridors

Since the 1970’s, African Governments and donors have sought to stimulate trade and investment in infrastructure through the development of transport corridors focused on routes linking several economic centres, countries and ports. African Union programs such as NEPAD and those of the regional economic communities place priority on enhancing interconnectivity and facilitating trade by focusing on transport corridors. The World Bank and AfDB as well as the EU have also funded corridor interventions.

While some corridors cover only road transport corridors, most of them include more than one mode of transport. Transport corridors are seen as an effective model for connecting African firms, particularly in landlocked countries, with international and regional markets. A summary description of the more established corridors is set out in Appendix 4.

The Maputo Development Corridor (MDC) was the first transport corridor to be implemented at the regional level. It involved a partnership between Mozambique and South Africa and conceptualized as a transport corridor by the transport departments of the two governments. Overall, MPC has been viewed as a success and provided a model and stimulus for other corridors in Africa, including the program for Spatial Development Initiatives (SDI) promoted by South Africa’s Department of Trade and Industry (DTI). MDC represented an unprecedented level of regional economic co-operation, which is now recognized as the result of the exceptional top-level political commitment from the leaders of the two countries.

The subsequent history of spatial development initiatives and development corridors in Africa, however, is mixed. Over 20 corridors are currently in operation across the continent, most of which have been unable to translate improved infrastructure development into broad-based growth that contributes to poverty reduction and employment creation.

Experience has shown that the success of a corridor depends on a range of factors, including: anchoring the corridor to viable economic activities which support the investment in infrastructure, incorporating proactive measures to remove obstacles to trade among the corridor and establishing strong institutions or legal structures to facilitate dialogue between both public and private stakeholders in order to harmonize policies and investment priorities.

### 5.1.3 The Case of Uganda

The experience of Uganda with reforms highlights the importance of identifying the binding constraints on trade in order to adequately sequence the reforms.[[12]](#footnote-12) During the 1990s, Uganda substantially liberalized its trade regime. The tariff structure was simplified, the average import tariff dropped from 17% in 1994 to 9% in 2000 and taxes on exports were eliminated. These policy measures were expected to stimulate the economy, but the impact on economic growth was disappointing because Uganda did not address the most binding constraints to trade, - which were the costs, length of time, and uncertainty of transport to and from the port of Mombasa.

In the 2000s, Uganda launched a broader successful package of reforms. Regional integration within the EAC helped improve access to member countries in its vicinity. Time costs were lowered as a result of improved customs procedures, and better access to ports reduced the time and uncertainty associated with exports and imports. Air shipping perishable non-traditional exports, such as flowers, fruits, and vegetables, also helped alleviate transport costs.

As a result, Uganda’s scores on both the customs and international sub-indices in the World Bank‘s *Logistics Performance Indicators* (LPI) improved significantly between 2007 and 2010, by 29% and 25% respectively.

A recent World Bank study argued that to make trade corridors efficient governments and stakeholders should focus on implementing the fiscal, regulatory, and procedural principles for international transit that encourage quality-driven logistics services. This should be done through readily available existing tools and address the political constraints by developing co-operative agreements among stakeholders.

### North-South Corridor Aid-for-Trade Program

The North-South Corridor (NSC) Aid-for-Trade Programme was launched by the Tripartite RECs in 2009, and is managed by TradeMark Southern Africa (TMSA) and supported by DfiD. The Programme spans 8 countries and includes the road corridors defined by SADC as the North-South Corridor (NSC), the Dar es Salaam Corridor and segments of the Trans-Kalahari and Nacala Corridors. The road network of 10,647 km is the busiest transport network in the Tripartite region in terms of both traffic and freight volumes. Approximately 95% of all imports and exports transported along the NSC Aid-for-Trade network are transported by road, and only 5% by rail.

At the end of 2011, the Tripartite RECs established a central Tripartite Project Preparation and Implementation Unit (PPIU), which is supported by DFID and TMSA through funding of £5 million. The PPIU facilitates better cooperation among the wide range of available project preparation facilities in Africa to leverage adequate funding for preparing Tripartite infrastructure projects to a bankable stage. TMSA/ PPIU also provide technical support throughout the project lifecycle in areas where specific gaps are identified. The PPIU’s on-going program includes twenty-six projects of 2,122 km at the “identification and feasibility” phase and nine projects (1,115 km) at the “structuring and implementation” phases which together span approximately 37% of the North-South Corridor, excluding South Africa’s roads.

### One-Stop Border Posts (OSBPs)

To address transit problems at border crossings, several RECs have adopted the model of the one-stop border post (OSBP) to transform transit points between countries into gateways for efficient trade. At an OSBP, vehicles stop only once at the border, and exit one country and enter another at the same time. This helps reduce the time spent, and costs involved in, border crossings.

A number of Tripartite countries have fully embraced the concept and aim to convert most, if not all, of their border posts to OSBPs. Several OSBPs have already been established, including Chirundu border post between Zambia and Zimbabwe within the COMESA region and Malaba between Kenya and Uganda in the EAC. The West African Economic and Monetary Union and ECOWAS, with the assistance of the EU, is developing joint border posts at several sites, of which the Malanville (Benin - Niger) and the Cinkansé (Togo - Burkina Faso) OSBPs are functional.

The Japan International Cooperation Agency (JICA), together with the AfDB, has helped implement the OSBP concept, for example, by training border officials in customs and immigration procedures, and facilitating knowledge-sharing of lessons learned in dealing with the challenges of implementing OSBPs. In addition, JICA and the AfDB are helping to finance the bridge across the Zambezi River at Kazungula and the new border post on the Zambian side as well other parts of the network of highways, bridges and ports along several transport corridors.

Some OSBPs have already achieved substantial reductions in crossing times, resulting in significant savings for operators and customs agencies. Changes in business procedures introduced by the Customs authorities in Kenya and Uganda at the Malaba OSBP in 2012 - including mandatory pre-arrival lodgement of declarations by clearing agents, advance preparation of documentation by border management agencies, and introduction of traffic and parking rules to decongest the customs controlled zone - resulted in a dramatic decrease of the border crossing times without significant capital investment. Average border-crossing time dropped from 24 hours to 4 hours. Estimates of the value of time for trucking enterprises (releasing capacity for increased activity and revenue) and for traders (through reduced inventory costs), indicate that these improvements produce benefits of up to US$70 million per year.

However, converting a border post to an OSBP can require appropriate enabling legislation, finance for investment in the border infrastructure, including information and communication technology (ICT) and changes in border regulations and management practices.

## Trade Facilitation

Trade facilitation can be defined, as by the WTO, as actions aimed at reducing on-the-border transaction costs other than tariff cuts, which essentially involves the simplification and standardization of customs formalities and administrative procedures. The current WTO negotiations on trade facilitation are mainly linked to this dimension of border (or customs) facilitation. But in a broader sense, trade facilitation also includes beyond-the-border issues, dealing with the enabling environment, quality of infrastructure, transparency, and domestic regulations which have an impact on export performance through the cost channel.

Investments in physical transport projects to improve infrastructure quality alone do not necessarily lead to lower transport prices. Complementary steps to address the policy and regulatory constraints discussed in the previous chapter are also fundamental. Several studies have shown that improvements in the regulatory environment and operational performance of transport operators are major factors driving the growth of intra-African trade.

A number of programs have been initiated to remove obstacles to the movement of goods across borders, and to improve the enabling environment. In some cases, these programs are channelled through RECs or related to specific trade corridors, as discussed in the previous sections.

### Reducing Non-Tariff Barriers to Trade

An integral part of the Tripartite Free Trade Area is to implement measures to reduce non-tariff barriers to trade. TradeMark Southern Africa (TMSA) is providing technical, administrative and financial support to the COMESA-EAC-SADC Tripartite to foster bilateral country negotiations to eliminate NTBs, to turn National Monitoring Committees (NMC) into credible institutions and to help implement a web-based monitoring mechanism, which is credited with reducing dramatically the number of NTB complaints in a mere 4 months.[[13]](#footnote-13)

Similarly, TradeMark Eastern Africa (TMEA) has been providing technical backing for a landmark EAC regional law on NTBs. The draft law, once enacted, will create a legally-binding mechanism on EAC Partner States, with sanctions on Partner States which refuse to eliminate existing NTBs or which create new ones. The draft law has been technically approved by all NMCs and by the private sector through validation workshops held at national level. It is currently being analysed by EAC policy organs, and is expected to be approved by the end of 2013.

### Harmonizing Standards

TMEA has been supporting regional initiatives to harmonize standards, including the establishment of a Private Sector Standards Platform based at the East African Business Council (EABC), and training on new procedures aligned with international best practices. As a direct result of TMEA’s support, 74 standards have been regionally harmonized, 42 of which will be adopted as EAC regional standards during the course of 2013. The impact of TMEA’s activities on regional harmonization of standards is that US$ 290 million worth of products among the list of most traded goods in the EAC will no longer need to comply with multiple EAC national standards bodies for trading purposes, impacting 8% of intra-EAC trade.

### Improving Governance

The complex nature of the issues, the numerous stakeholders with conflicting interests involved and a general lack of relevant, reliable and timely information about local practices makes it difficult to design appropriate rules and procedures to regulate road transport operations and reduce corruption.

The Road Governance initiative on primary trade corridors is a joint effort of the West African Economic and Monetary Union (UEMOA/WAMEU) and ECOWAS, with technical and financial assistance from the USAID, designed to promote good road transport governance on primary West African trade corridors. The initiative includes setting up transport observatories of abnormal practices and 8 road corridors in the region. It aims to raise awareness among policymakers and leaders the public and private sectors and in civil society about the extent of “abnormal” practices and the scope for reforms to help ease transit and increase trade by collecting and publicizing information on the number of barriers to movement along corridors, including length of delays at road blocks, the agents involved and total bribes paid. The information reported by this program over 2010-12, summarized in the following chart, indicate that waiting times and the level of bribes have trended downwards, although the fluctuating results in individual countries suggest improvements have not been fully embedded in established practice.

**Chart 4: Trend in Governance Indicators on West African Corridors (per 100 km)**

 Source: USAID West Africa Trade Hub, *UEMOA Road Governance Report*, December 2012

In East Africa, three corridor authorities are developing transport observatories: Trade Mark East Africa and the AfDB are supporting this effort for the Northern Corridor Trade & Transit Co-ordination Authority (NC-TTCA) and the Central Corridor Trade & Transit Facilitation Authority (CCTTFA) in cooperation with the Sub Saharan Afirca Transport Policy Programme (SSATP). SSATP and the World Bank are supporting the Dar Corridor transport observatory.

## REFORM OF Enabling Environment for Investment

While public resources are important, private funding is indispensible for addressing Africa’s massive infrastructure needs. Strengthening the enabling environment is critical to attracting private investors to provide funding and management support for the development of Africa’s infrastructure. Part of the reason for the success of telecommunications infrastructure in Africa, for example, is because liberalisation in licensing led to the entry of new market players and more competition, which drove down prices and broadened access to more consumers. A recent study by MIGA found that alleviating political and regulatory risks can have an immediate impact in making countries’ business environments more competitive for investment. In addition, an analysis in a World Bank guide prepared for public sector officials charged with delivering infrastructure projects clearly showed that issues related to the quality of the policy, legal and regulatory environment were major concerns for both prospective project investors and lenders.

Both multi-lateral and bilateral donors are providing support for the enabling environment for transport infrastructure through a range of programs. These include:

**Private Infrastructure Advisory Facility** (PPIAF), a global multi-donor program housed in the World Bank, was set up in 1999 to support the creation of a sound enabling environment for the provision of infrastructure services by the private sector. PPIAF provides technical assistance to strengthen and reform the enabling environment through helping government formulate policies and strategies for infrastructure, and as well as develop the legal and regulatory framework and through capacity and awareness building. For example, PPIAF helped establish the institutional and regulatory framework for the transport sector in Senegal, which facilitated the construction of the Dakar-Diamniadio Toll Highway, the first toll road in Sub-Saharan Africa, outside of South Africa.

**Private Infrastructure Development Group** (PIDG), is a multi-donor organisation initiated by DfID in 2002 to tackle the major institutional market obstacles hindering private sector participation in infrastructure with a mandate to focus on low income countries, particularly in Africa. The PIDG donors fund a diversified portfolio of Facilities ranging from upstream advisory support to public authorities seeking to deliver projects with private sector involvement (DevCo and TAF), transaction development (InfraCo) and project financing for infrastructure through the Emerging Africa Infrastructure Fund (EAIF) and Guarantco. Specifically. EAIF helped financed the expansion and modernization of the Dakar container terminal, which was completed in 2012, and DevCo and TAF are currently exploring the potential for greater private participation in port and airport projects in several African countries.

**Infrastructure Consortium for Africa (ICA)** also acts as a platform to help remove policy and technical barriers, facilitate greater cooperation, and increase knowledge through monitoring, reporting and sharing best practices. Under ICA’s transport platform, the European Investment Bank (EIB) financed in 2012, a study to assess the potential for enhanced participation by the private sector in Africa’s air and maritime transport sectors. The outcomes of that study is feeding into a subsequent study towards the opening up of aviation services in Africa with a specific focus on the Yamoussoukro Decision and the PIDA-PAP West and Central Africa Air Transport Hubs.

**African Development Bank** (AfDB) has established the Africa Trade Fund (AfTRA), with seed money from the government of Canada, which will operated as a trade-related, technical assistance facility to accelerate the integration of African Countries and RECs in regional and global trading systems.

The AfDB also recently approved a grant of US $7.5 million to be deployed towards financing the COMESA-EAC-SADC Tripartite Capacity Building Programme (TCBP) developed in consultation with the respective RECs. The TCBP will support these RECs and their RMCs on market integration and industrial development by providing technical assistance and capacity support. The programme will lead to effectiveness and improve how the RECs address trade constraints in the Tripartite region while enhancing their capacity for the free trade area negotiations.

# Appendix 1: Public-Private Partnerships in the Transport Sector

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Projects' main features** | **Country with highest number** | **Current Status and Prospects** |
| **Sub-Sector** | **# of projects (operational or under construction)** | **Total Investment and royalty payments (US$m)** |
| **Airports** | 13 projects: 9 airport concessions , 2 mgt contracts and 2 divestitures | 241 | South Africa | * Few airports ready for concession ((i) 70% of airports make financial losses; ii) difficult for airports with less than 1 million pax to turn a profit).
* Demand for transport is growing and there is a need for additional capacity --> governments seeking private sector to finance infrastructure.
 |
| **Ports** | 48 projects: * 44 container terminal/port concessions
* 4 management contracts
 | 4,358 | Nigeria  | * Most ports are under world standards, poorly equipped and inefficient but moving to landlord port structures, embedding container terminal concessions.
* Momentum for modernization from the growing presence of global shipping lines and international terminal operators in African ports.
 |
| **Railways** | 15 projects: * 14 concessions
* 1 management contract
* 1 in construction (Maputo Corridor)
 | 712 | Mozambique | * Most railways have low levels of traffic are in poor conditions and remain disconnected. Costly investment backlogs .
* Frequent renegotiation of concessions.
* Mining activities dependent on rail improvement to increase economic capacity.
* Donors are supporting railways directly and also leveraging PSP that can boost intra-regional trade.
 |
| **Roads** | 10 toll-road concessions  | 2,504 | South Africa | * Only about 10 000 km of road connecting the different countries with a need to create additional 60,000km of roads. This connectivity is not only about physical but also the regulatory framework governing transport services.
* Prospects are limited by minimum traffic threshold.
 |
|  |  |  |  |  |
| Source: PPIAF, PSI data base; World Bank, *Africa's Infrastructure,*  2010 |

**Appendix 2: Enabling trade ratings for African countries**

|  |  |  |
| --- | --- | --- |
|  | **Border Admin Sub-Index** | **Transport Infrastructure Sub-Index** |
| **Country** | **2008** | **2010** | **2012** | **2008** | **2010** | **2012** |
| **Eastern Africa** |  |  |  |  |  |  |
| Burundi  | 2.7 | 2.3 | 2.3 | 2.1 | 2.1 | 2.0 |
| Ethiopia  | 3.1 | 3.2 | 3.3 | 2.7 | 2.6 | 2.8 |
| Kenya  | 3.1 | 2.8 | 2.8 | 2.9 | 2.9 | 3.2 |
| Tanzania  | 3.3 | 3.2 | 3.4 | 2.4 | 2.6 | 2.9 |
| Uganda  | 3.3 | 3.2 | 3.2 | 2.7 | 2.5 | 2.8 |
| **North Africa** |   |   |   |   |   |   |
| Algeria  | 3.3 | 3.2 | 3.1 | 2.9 | 3.1 | 3.4 |
| Egypt  | 3.8 | 4.0 | 3.9 | 3.3 | 3.7 | 3.9 |
| Morocco  | 4.3 | 4.2 | 4.4 | 3.2 | 3.5 | 4.0 |
| Tunisia | 4.7 | 4.5 | 4.5 | 3.5 | 3.9 | 4.1 |
| **Southern Africa** |   |   |   |   |   |   |
| Lesotho  | 3.0 | 3.0 | 3.0 | 2.2 | 2.6 | 2.6 |
| Madagascar  | 3.0 | 3.3 | 3.2 | 2.5 | 2.8 | 2.8 |
| Mauritius  | 4.5 | 4.7 | 4.6 | 3.5 | 3.8 | 3.9 |
| Mozambique | 3.3 | 3.3 | 3.5 | 2.3 | 2.6 | 2.8 |
| Namibia  | 3.6 | 3.5 | 3.5 | 3.2 | 3.2 | 3.4 |
| South Africa  | 4.2 | 4.3 | 4.2 | 3.7 | 3.6 | 4.0 |
| Zambia  | 2.9 | 3.1 | 3.2 | 2.6 | 2.5 | 2.9 |
| Zimbabwe  | 2.5 | 2.6 | 2.7 | 2.7 | 2.5 | 2.9 |
| **West Africa** |   |   |   |   |   |   |
| Benin | 3.3 | 3.3 | 3.2 | 2.6 | 2.8 | 3.1 |
| Burkina Faso  | 2.8 | 2.8 | 2.7 | 2.4 | 2.3 | 2.4 |
| Cameroon  | 3.4 | 3.0 | 3.0 | 2.4 | 2.5 | 2.7 |
| Chad | 2.2 | 2.0 | 2.1 | 1.9 | 2.1 | 2.1 |
| Mali  | 2.7 | 2.7 | 2.8 | 2.4 | 2.4 | 2.7 |
| Mauritania  | 2.9 | 2.8 | 2.9 | 2.6 | 2.7 | 2.6 |
| Nigeria  | 3.0 | 3.0 | 2.9 | 2.4 | 2.7 | 3.0 |
| Senegal  | 3.2 | 3.7 | 3.9 | 2.9 | 3.2 | 3.2 |
| Note: Data for countries included in ETI since 2008 |
| Source: Global Enabling Trade Report 2012 |

# Appendix 3: Membership of Regional Economic Communities in Africa

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **CEN-SAD** | **COMESA** | **EAC** | **ECCAS** | **ECOWAS** | **IGAD** | **SACU** | **SADC** | **UMA** |
| **CENTRAL AFRICA** |  |  |  |  |  |  |  |  |  |
|   | Cameroon |   |   |   |  |   |   |   |   |   |
|   | CAR |  |   |   |  |   |   |   |   |   |
|   | Chad |  |   |   |  |   |   |   |   |   |
|   | Congo |   |   |   |  |   |   |   |   |   |
|   | DRC |   |  |   |  |   |   |   |  |   |
|   | Equat. Guinea |   |  |   |  |   |   |   |   |   |
|   | Gabon |   |   |   |  |   |   |   |   |   |
|   | Sao Tome |  |   |   |   |   |   |   |   |   |
| EAST AFRICA  |  |   |   |   |   |   |   |   |   |
|  | Burundi |   |  |  |  |   |   |   |   |   |
|  | Comoros |  |  |   |   |   |   |   |   |   |
|  | Djibouti |  |  |   |   |   |  |  |   |   |
|  | Eritrea |  |  |   |   |   |  |  |   |   |
|  | Ethiopia |   |   |   |   |   |  |  |   |   |
|  | Kenya |  |  |  |   |   |  |  |   |   |
|  | Madagascar |   |  |   |   |   |   |   |  |   |
|  | Mauritius |  |  |   |   |   |   |   |  |   |
|  | Rwanda  |   |  |  |  |   |   |   |   |   |
|  | Seychelles |   |  |   |   |   |   |   |  |   |
|  | Somalia |  |   |   |   |   |  |  |   |   |
|  | Sudan |  |  |   |   |   |  |  |   |   |
|  | Tanzania |   |   |  |   |   |   |   |  |   |
|  | Uganda |   |  |  |   |   |  |  |   |   |
| **NORTH AFRICA** |   |  |  |   |   |  |  |   |   |
|   | Algeria |   |   |   |   |   |   |   |   |  |
|   | Egypt |  |  |   |   |   |   |   |   |   |
|   | Libya |  |  |   |   |   |   |   |   |  |
|   | Morocco |  |   |   |   |   |   |   |   |  |
|   | Tunisia |  |   |   |   |   |   |   |   |  |
| **SOUTHERN AFRICA** |  |   |   |   |   |   |   |   |  |
|  | Angola |   |   |   |  |   |   |   |  |   |
|  | Botswana |   |   |   |   |   |   |  |  |   |
|  | Lesotho |   |   |   |   |   |   |  |  |   |
|  | Malawi |   |  |   |   |   |   |   |  |   |
|  | Mozambique |   |   |   |   |   |   |   |  |   |
|  | Namibia |   |   |   |   |   |   |  |  |   |
|  | South Africa |   |   |   |   |   |   |  |  |   |
|  | Swaziland |   |  |   |   |   |   |  |  |   |
|  | Zambia |   |  |   |   |   |   |   |  |   |
|  | Zimbabwe |   |  |   |   |   |   |   |  |   |
| **WEST AFRICA** |   |  |   |   |   |   |   |  |   |
|   | Benin |  |   |   |   |  |   |   |   |   |
|   | Burkina Faso |  |   |   |   |  |   |   |   |   |
|   | Cape Verde |  |   |   |   |  |   |   |   |   |
|   | Cote d'Ivoire |  |   |   |   |  |   |   |   |   |
|   | Gambia |  |   |   |   |  |   |   |   |   |
|   | Ghana |  |   |   |   |  |   |   |   |   |
|   | Guinea |  |   |   |   |  |   |   |   |   |
|   | Guinea-Bissau |  |   |   |   |  |   |   |   |   |
|   | Liberia |  |   |   |   |  |   |   |   |   |
|   | Mali |  |   |   |   |  |   |   |   |   |
|   | Mauritania |  |   |   |   |   |   |   |   |  |
|   | Niger |  |   |   |   |  |   |   |   |   |
|   | Nigeria |  |   |   |   |  |   |   |   |   |
|   | Senegal |  |   |   |   |  |   |   |   |   |
|   | Sierra Leone |  |   |   |   |  |   |   |   |   |
|   | Togo |  |   |   |   |  |   |   |   |  |

# Appendix 4: Major Trade and Transport Corridors

|  |
| --- |
| **EASTERN AFRICA** |
| **Corridor** | **Country****Coverage** | **Date Started** | **Governance** | **Key Infrastructure** |
| **Djibouti-Ethiopia Corridor** | DjiboutiEthiopia | * 1981: First bilateral agreements
* 1993: Agreement on Road Transport Services
 | * There is no corridor institutional body.
* The governments of Ethiopia and Djibouti have signed bilateral agreements guaranteeing transit access, and issues dealt with by ad hoc bilateral committees
 | * The Rail line from Djibouti to Addis Ababa (length: 781km)
* The Road through Galafi (length: 910 km)
* The Road through Dewenle, (length: 840km)
* Port of Djibouti
* Port of Doraleh
 |
| **Northern Corridor** | BurundiEastern DRC KenyaRwanda Uganda | * 1985: Northern Corridor Transit Agreement (NCTA) signed between Burundi, Kenya, Rwanda and Uganda
* 1986: The Treaty entered into force in 1986
* 1987: DRC joined
 | NCTA, a regional institution, responsible for the implementation of the treaty. It comprises:* The Northern Corridor Authority (Council of Ministers of transportation): responsible for overall policy
* Executive Committee: an inter-governmental committee assists the Authority in formulating strategies for transport and trade facilitation, infrastructure development, and harmonization of national and regional policies
* Permanent Secretariat: responsible for coordinating the implementation of the NCTA and decisions or resolutions made by the NCTA. It was set up in 1988
 | * Northern Corridor Road network (length: 6,705 km)
* The railway network ( four lines: Mombasa-Nairobi, Nairobi-Kampala, Kampala-Kasese, Tororo Gulu-Pakwach) covering a length of 1,890 km
* Inland Waterways: Lakes Victoria, Tanganyika, Albert and Edward and the Congo River.
* Port of Mombasa
 |
| **Central Corridor** | BurundiEastern DRCRwanda | 2006: Tanzania,Uganda, Rwanda, Burundi, and DRC signed agreement to form the he Central Corridor Transit Transport Facilitation Agency (CCTTFA)  | CCTTFA - modelled on Northern Corridor Transit Transport Coordination Authority (NCTTCA).Corridor Authorities under ministry of Transport. However this requires units and programme managers in each of the participating countries. Governing organs are:* Interstate Council of Ministers: responsible for coordinating policy issues
* Executive board: comprised by the permanent secretaries of the ministries of transport and one representative from the PS from each country. It formulates general principles and policies and corporate appoints the senior technical staff of the
* CCTFA.
* Stakeholders consultative committee: comprised by fall transport actors from the corridor countries responsible for developing and implementing strategies of the CCTFA
* Permanent secretariat: coordinates implementation of decisions and resolutions made by the CCTTFA`s governing bodies
 | * Road linking Dar es Salaam through Dodoma to Rwanda and Burundi (length; aprox. 1,600km)
* Dar es Salaam-Kigoma railway which interfaces with water transport on Lake Tanganyika to Bujumbura and DRC (length: 1,254km)
* Port of Dar es Salaam
 |
| **Corridor** | **Countries Coverage** | **Date Started** | **Governance** | **Key Infrastructure** |
| **Dar es Salaam Corridor**(It forms part of the North-South Corridor)  | Malawi TanzaniaZambia | 2008: Dar Corridor Committee (DCC) established through a Constitution signed by both the public and private DCC stakeholders in Malawi, Tanzania and Zambia | DCC assists stakeholders to identify and address impediments to transport along the corridor. It has a permanent Secretariat. | * TAZARA railway linking Dar Es Salaam to Kapiri Mposhi in Zambia (length: 1,860 km
* The TANZAM road links Tanzania and Zambia and runs from Dar Es Salaam to Kapiri MPoshi (length: 1,710 km)
* The port of Dar es Salaam
 |
| **Mtwara Corridor** | Southern TanzaniaNorthern Mozambique*(northern central Malawi, and eastern and northern Zambia)* | 1992: Initiative conceived by the Southern African Transport and Communications Commission under (SADC) | * Not active, NDC under the Ministry of Trade and Industry with Champion being Ministry of Transport
* The SDI unit (in the NDC) is supported by Dti (South Africa) c $2.5 million over 3 years – starting Sept.2010

*NOTE: NEPAD- IPPF is funding the construction the 136km Mangaka-Tunduru road section, part of the Mtwara-Mbamaba Bay road (2012-17). AfDB is financing improvements to the interconnecting road on the Tanzanian side of the border. Mtwara Port which is also due to be upgraded by the Tanzania Ports Authority starting in 2013)* | * Ferry from Nkhata Bay in lake Malawi to Mbamba Bay in Tanzania (length: 69 km).
* Mtwara-Mbamaba Bay Road (length: 804km)
* Port of Mtwara
 |

**SOUTHERN AFRICA**

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| --- | --- | --- | --- | --- |
| **Maputo Development Corridor (SDI\* space)** | Botswana MozambiqueSouth Africa SwazilandZimbabwe | 1996 | Maputo Corridor Company (MCC) is the legal corridor management entity to engage the public and private sector players in South Africa, especially at provincial level | * Concessioned road Johannesburg – Maputo( length: 590 km)
* Railway line Polokwane – Maputo (length: 550 km)
* Port of Maputo
* Matola Bulk Terminal
* Recently a gas pipeline
 |
| **Corridor** | **Countries Coverage** | **Date Started** | **Governance** | **Key Infrastructure** |
| **North-South Corridor (SDI\* space)** | Botswana,DRCMalawi Mozambique South Africa Tanzania Zambia Zimbabwe | 2009: The Tripartite’s North South Corridor (NSC) Aid for Trade Programme was launched where pledges of $1.2 billion were made for implementation of NSC and related projects | COMESA-EAC-SADC Tripartite task force coordinates and supervises the implementation of the project | Port of Durban to the Copperbelt in DR Congo and Zambia and has spurs linking the port of Dar es Salaam and the Copperbelt and Durban to Malawi.   Diversified infrastructure investments including road, rail and ports and power generation and transmission* Roads network: Durban to Kolwezi (approx. length 3,000km) two routes through Harare or Kazungula and Durban to Blantyre (approx.. length: 2,300km)
* Rail network: Durban to Lubumbashi, two routes through Gaborone or Beit Bridge (approx. length 2,700km)
 |
| **Nacala Corridor (SDI\* space)** | Malawi MozambiqueZambia | MoU signed between participating governments2009: Implementation of the rehabilitation of the corridor began | * The company Corredor de Desenvolvimento do Norte (CDN) manages rehabilitates and commercially exploits the corridor.
* Joint Ministerial Committee is the overall decision making body, made up of relevant Ministers from the countries involved.
 | * Road from Luangwa Bridge to Mwami at the border with Malawi (length: 360 km)
* Northern Railway line: Nacala-Cuamba (length: 533 km).
* Cuamba-Entre-Lagos (length: 77 Km) and Cuamba-Lichinga (length: 262 km)
* Port of Nacala.
 |
| **Walvis Bay Corridor** | Angola,BostwanaDRC NamibiaSouth AfricaZambia | 2000: The Walvis Bay Corridor Group (WBCG) was established | The general corridor institution is the Walvis Bay Corridor Group (WBCG), a public-private partnership, was established to promote transport and trade along the WBC* The WBCG is governed by a board of directors; its day-to-day operations are handled by a technical secretariat
* The Trans-Kalahari Corridor Management Committee has so far been established for one of the arms of the corridor
 | Three trade routes linking the Port of Walvis Bay to neighbouring countries:1. Trans-Kalahari Corridor (TKC) through Botswana and SA.2. Trans-Caprivi Corridor (TCC), thru Angola, Zambia and DRC.3. Trans-Cunene Corridor (TCuC) |

**WESTERN AFRICA**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Corridor** | **Countries Coverage** | **Date Started** | **Governance** | **Key Infrastructure** |
| **Abidjan-Ouagadougou-Corridor** | Burkina FasoCote d’Ivoire | 2001 : UMEAO (1994) establishment of PACITR (Programme d’Actions Communautaire des Infrastructures et du Transport Routier)2005 : The improved road transport governance (IRTG), an ECOWAS and UEMOA initiative with funding from USAID’s West Africa Trade Hub and the World Bank’s Transport Policy Program in Sub Saharan Africa | * PACITR under the UMEAO
* The Improved Road Transport Governance (IRTG) initiative is monitoring and reporting on the number of checkpoints, the length of delays and the value of bribes drivers
* Progress in ECOWAS to establish a free trade area has been very slow and the customs union is still work in progress. In fact, the Treaty of Lagos was revised in Cotonou in 1993 towards a looser collaboration
 | * Road network: Abijan - Ouagadougou–(length: 1,228 km); 718 km are in Cote d’Ivoire and 510 km in Burkina Faso.
* Rail link privatised (SITARAIL ) in1995 but underperformed.
 |
| **Abidjan-Bamako-Corridor** | Cote IvoireMali | Road Network Abidjan-Bamako (length:1,174 km) |
| **Bamako Dakar Corridor** | MaliSenegal | Road Network Bamako-Dakar (length:1,476 km) |
| **Tema- Ouagadougou-Bamako Corridor** | Burkina Faso Ghana Mali | Road Network Bamako-Ouagadougou–Tema (1,900 km)  |
| **Ouagadougou – Lome Corridor** | Burkina FasoTogo | Road Network Ouagadougou – Lome(length:1,020 km) |

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# Appendix 5: Major Concerns of Private Partners in PPPs

|  |  |
| --- | --- |
| **Investors and Contractors** | **Project Lenders** |
| **Enabling Environment (policy, legal and regulatory framework, government actions** |
| Clarity and stability of legal and regulatory framework | Soundness and stability of legal framework for PPP |
| Enforceability of PPP agreements | Confidence in the regulatory regime when applicable |
| Wider operating environment for private capital | Effectiveness and enforceability of PPP agreements |
| Effective public sector decision-making | Bankability of public sector obligations |
| **PPP regime and process** |
| Cost, time, and quality of the PPP bid process: |  |
| Criteria for evaluating bids |  |
| Quality of the public sector project team |  |
| **Macro-Economic Environment** |
| Bankability of public sector obligations |  |
| Potential foreign exchange risk |  |
| **Financial Parameters** |
| Deliverables and assessment of performance: | Bankability of contractors and quality of guarantees |
| Availability and cost of long-term debt funding | Reputation impact of the project |
| Opportunities for refinancing | Availability of insurance cover, where needed |
| **Project Parameters** |
| Allocation of risks between public and private parties | Appropriate allocation of risks  |
| Reasonable Risk: return ratio | Certainty of the project cash flows to meet debt service |
| Track record of the construction contractor | Right to step in if a project fails  |
| Status and availability of connecting infrastructure | Ability of contractors to perform |

Source: Adapted from Farquharson et al, *How to Engage with the Private Sector in Public-Private Partnerships in Emerging Markets, World Bank*

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