

“Boosting African Trade: Cross-Border Harmonisation of Transport Regulation and Policy”

ICA Plenary Meeting

Synopsis: Plenary Session of ICA 2013 Annual Meeting

The objective of the Plenary Session of the ICA 2013 Annual Meeting is to focus attention on key policy issues affecting infrastructure and stimulate an in-depth discussion between policy makers, private sector actors and development practitioners, based on presentations by specialists and panel discussions. In this way, the meeting is central to ICA’s role of increasing knowledge and information on infrastructure in Africa and helping close the infrastructure gap by helping stakeholders make informed choices on necessary policy reforms and investments.

The theme for the 2013 Annual Meeting is “***Boosting African Trade: Cross Border Harmonisation of Transport Regulation & Policy***”. The plenary session will highlight the linkages between trade, infrastructure and the policy and regulatory environment, particularly in a cross-border concept.

The plenary session will bring together stakeholders in these three dimensions of development and draw out the lessons from recent efforts to strengthen cross-border infrastructure in several sub-regions and contribute to an agenda of actions by ICA members.

The plenary meeting will be structured in 4 sessions dealing with:

1. **The linkages between transport infrastructure and cross-border trade** – this session will provide a broad overview of the linkages between infrastructure, trade and enabling environment, and discuss recent trends in world trade that present new challenges and opportunities for African countries.
2. **The major issues constraining trade and transport efficiency** – this session is intended to identify and assess the major issues impeding transport efficiency and cross-border trade in Africa as well as review the experience of recent initiatives in achieving these objectives.
3. **The impact of these issues on financing for infrastructure** – the objective of this session is to demonstrate the relevance of effective cross-border harmonisation of policies and regulation as incentives or constraints in attracting investment in transport infrastructure, from the viewpoints of different types of investor.
4. **The reforms needed to improve cross-border harmonisation** – The objective of the concluding session is to elicit proposals, arising from the day’s discussions, of issues to be included in an agenda for a more holistic and systematic approach to cross-border harmonization, and the appropriate institutional framework for implementing it.

The sessions will combine presentations and panel discussions, and offer the opportunity for questions and contributions from other participants.

An outcome statement summarizing the event and the decisions/consensus reached will be circulated after the meeting.

ICA Plenary Meeting-Brief Concept Note

Purpose of Note

The objective of the plenary meeting is to focus attention on key policy issues affecting infrastructure and stimulate an in-depth discussion between policy makers, private sector actors and development practitioners, based on presentations by specialists and panel discussions. In this way, the meeting is central to ICA's role of increasing knowledge and information on infrastructure in Africa and helping close the infrastructure gap by helping stakeholders make informed choices on necessary policy reforms and investments.

Theme

The theme for the 2013 Annual Meeting is "Boosting Intra-African Trade: Cross Border Harmonisation of Transport Regulation & Policy". The plenary session will highlight the linkages between trade, infrastructure and the policy and regulatory environment. Regional integration depends heavily on regional infrastructure, which is essential for dealing with development constraints in small and fragmented markets. Regional infrastructure projects take advantage of economies of scale, reduce costs of services, and facilitate international trade to boost sustainable economic development. Regional integration also provides a framework in which countries can take action to remove the negative impact of non-tariff barriers to trade.

The plenary session will bring together stakeholders in these three dimensions of development and draw out the lessons from recent efforts to strengthen cross-border infrastructure in several sub-regions and contribute to an agenda of actions by ICA members.

Format

The plenary meeting will be structured in 4 sessions dealing with:

1. **The linkages between transport infrastructure and cross-border trade;**
2. **The major issues constraining trade and transport efficiency;**
3. **The impact of these issues on financing for infrastructure;**
4. **The reforms needed to improve cross-border harmonisation.**

The sessions will combine presentations and panel discussions, and offer the opportunity for questions and contributions from other participants.

Session 1: "Transport Infrastructure and Cross-Border Trade"

This session will provide a broad overview of the linkages between infrastructure, trade and enabling environment, and discuss recent trends in world trade that present new challenges and opportunities for African countries.

Main Topics to be covered

1. An introductory presentation will review the state of the transport infrastructure in Africa and why it matters for trade and growth. This presentation will highlight and update the findings of major recent studies, including:

- Infrastructure has contributed over half of Africa's improved rate of growth and is a key input for achieving the Millennium Development Goals.
- Africa's economic geography, characterised by low population density and high proportion of landlocked countries, is a critical constraint for trade and infrastructure, although the challenges vary for different types of economy.

- Africa’s infrastructure services, in particular road freight, are more expensive and of lower quality than elsewhere. Inland transport costs are much higher than those in any other region of the world. The United Nations Conference on Trade and Development estimated that international transport costs faced by African countries, at 12.6 percent of the delivered value of exports, were more than twice as high as the world average of 6.1 percent. Moreover, freight moves slowly and uncertainly: the reduction in trade resulting from poor transport performance could be well in excess of 20 percent.
- Despite the potential benefits of stronger regional infrastructure networks, including inland water transport, few cross-border projects have been realised.
- Improving transport quality depends not only on more investments but also on reforming and harmonizing administrative and regulatory policies and improving governance.

2. A second presentation will discuss the significance of several recent major trends in global trade for African countries. These will include:

- The growth intra-industry trade, which now represents more than half of all OECD imports, creates new opportunities for African countries to participate in Global Value Chains (GVC). The GVC business model has become important in agri-business products of major importance to African countries, such as cashews, coffee, cocoa and horticulture/floriculture as well as in manufactured products. But fundamental changes in GVCs are taking place. For African firms to participate more fully in this expanded trade requires both investment in both transport infrastructure and in upgrading production processes, and also strategies to counter-act the growing power of dominant chain “drivers” who seek to capture a larger share of the available value added.
- Asian demand for minerals has attracted additional sources of financing for investment in infrastructure associated with major extractive projects, notably from China. At least 35 countries in Africa have received financing from China or are discussing funding opportunities. Yet the finance is heavily concentrated, particularly in countries that have had limited access to conventional ODA, such as Angola, Ethiopia, and Sudan. China’s rising profile as a major source of development finance creates challenges for African governments to harness the growing commercial ties to sustainable domestic growth, for example by negotiating African private sector participation in project construction. It also poses issues for the donor community in engaging with China to co-ordinate assistance and promote the reform agenda.

A background paper on these topics will be distributed to participants in advance of the Annual Meeting.

Session 2: “Trade and Transport Efficiency” (Panel Discussion)

This session is intended to identify and assess the major issues and constraints on increasing transport efficiency and cross-border trade in Africa and review the experience of recent initiatives in achieving these objectives.

The discussion will be led by a panel of four or five representatives of stakeholders involving in promoting cross-border trade, investment and policy harmonisation, each of whom will give a short introductory presentation and respond to questions or comments from the floor.

Main Topics to be covered

1. A representative of one of the Regional Economic Community (REC) members of ICA will discuss **the role and contribution of the RECs to promoting cross-border harmonisation of transport policies, and trade harmonization**. In particular, this will review progress in implementing the COMESA-EAC-SADC Tripartite Free Trade Area set up in June 2011 by the member states of the three RECs to improve Africa's trade performance and competitiveness. The Tripartite Free Trade Area aims to reduce tariffs imposed on goods originating in the region and traded in the region. But, as high cross-border trade and transport costs are another major factor negatively impacting the region's trade performance. An integral aim of the Tripartite Free Trade Area is to design and implement a programme to improve trade and transport, measures and reduce non-tariff barriers to trade.

2. A representative of one the major transport corridors will assess **progress of the corridor model in enhancing interconnectivity in transport** through infrastructure development and trade facilitation. 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. While some are 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; reducing transport costs; promoting harmonized development of multi-modal transport systems, and stimulating inclusive social and economic growth. However, 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, creating opportunities for SME development, 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. The discussion will give participants the opportunity to engage on these issues.

3. A representative of private transport and logistics operators will discuss the continuing **importance of non-tariff barriers (NTB)** to trade. 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. NTBs - including restrictive rules of origin, onerous and costly import and export licensing procedures, and poorly designed technical regulations and standards.- are pervasive throughout all African regional groupings, although the specific burden varies from country to country. The discussion will also consider whether and how regional organisations can play an important role in providing a framework in which countries can take actions to remove the negative impact on trade of differing regulations and multiple requirements.

4. A specialist in utility regulation will review **the status of regulation of transport operations and infrastructure** in Africa. The regulation and market structures of the road freight industry are widely recognized as being binding constraints in reducing the costs and improving the quality of transport services to traders. However, many African countries lack the institutional capacity and political will to establish and support strong independent regulators.

Session 3: “Implications of Cross-Border Harmonisation for Infrastructure Financing” (Panel Discussion)

The objective of this session is to demonstrate the relevance of effective cross-border harmonisation of policies and regulation as incentives or constraints in attracting investment in transport infrastructure, from the viewpoints of different types of investor. Each panel member will give a 10 minute presentation based on their experience of and participate in a Question and Answer discussion with the audience.

Main Topics to be covered

1. A private infrastructure investment fund manager will review investors’ requirements for negotiating and operating stable and equitable Public-Private Partnerships (PPP), - citing relevant examples, - and the difficulties of structuring cross-border infrastructure projects in the transport sector. According to the PPIAF PPI database, in 2011, total private sector infrastructure investment closed in Sub-Saharan Africa amounted to US\$ 11 billion or 6.7% of all low and middle income countries: the proportion of private investment in transport infrastructure was only 2.4% of the global total for the sector, and that was mostly in ports.

2. One or more representatives of International Financial Institution (IFI) members of ICA will discuss the role that IFIs play in cross-border infrastructure projects and in securing inter-country agreements on major issues affecting them, citing the experience of selected projects in Africa. This discussion will provide an opportunity to discuss the role and modalities for the new Africa50Fund to leverage new sources of funding for infrastructure.

3. A capital markets specialist will discuss the potential for tapping African capital markets to fund infrastructure investments, .e.g. by encouraging the participation of institutional investors in project bonds, and the conditions to enable cross-border projects to raise funds on the more advanced regional capital markets, notably South Africa. Although capital markets remain underdeveloped, new issuers in infrastructure sectors—particularly of corporate bonds—are coming to market in several countries, a substantial proportion of which are by companies in infrastructure sectors. More cross-border listings could help overcome local capital markets’ impediments and may hold significant promise for financing cross-country infrastructure projects.

4. A representative of a regional or international sovereign wealth fund will discuss their policies and experience of funding infrastructure projects in developing countries.

This session is expected to indicate whether there is a general consensus on the importance of a stronger and stable enabling environment for infrastructure development, including a policy and regulatory framework conducive to private investment and the encouragement of local capital market development

Session 4: “Moving Forward: Towards a Framework for Harmonization” (Panel Discussion)

The objective of this session is to elicit proposals, arising from the day’s discussions, of issues to be included in an agenda for a more holistic and systematic approach to cross-border harmonization, and the appropriate institutional framework for implementing it. In this way, the session is expected to help demonstrate and cement ICA’s role in aligning Members’ priorities and activities with those of African stakeholders.

The Panel is expected to comprise representatives of an ICA Regional Member organization, a non-regional ICA member, the Host country Government (Tanzania), a private investor and a private logistics operating firm.

Main Topics to be covered

The Chair will canvass recommendations from the panel members or other participants. These may include, but not be limited to harmonisation of:

- Transport Sector Policies.
- Regulation of Investment in Infrastructure, and Transport Operations.
- Trade Facilitation, including measures to reduce NTBs.
- Enhanced regional co-operation in the development and operation of transport corridors.
- Measures to promote regional co-ordination and integration of financial markets and facilitate financing of cross-border projects.