



Ports, Logistics and Trade in Africa: An Overview





Outline

- Trade and Trade Costs in Africa
- Port Development in Africa
- Reforms and the Regulatory Framework of African Ports
- Connecting Ports to the Markets
- Conclusions



Key Observations

- High transaction costs in ports contribute substantially to the high overall trade costs in Africa;
- Outdated, low-capacity port facilities make it impossible to realize economies of scale;
- Private sector involvement in port management is advancing in Africa, but lags behind other regions in the world;
- Export/import procedures often remain cumbersome, and require better coordination between border agencies;
- Capacity bottlenecks and anti-competitive behavior of private transport operators impede linkages to the hinterland;

Trade costs in Africa are high,...



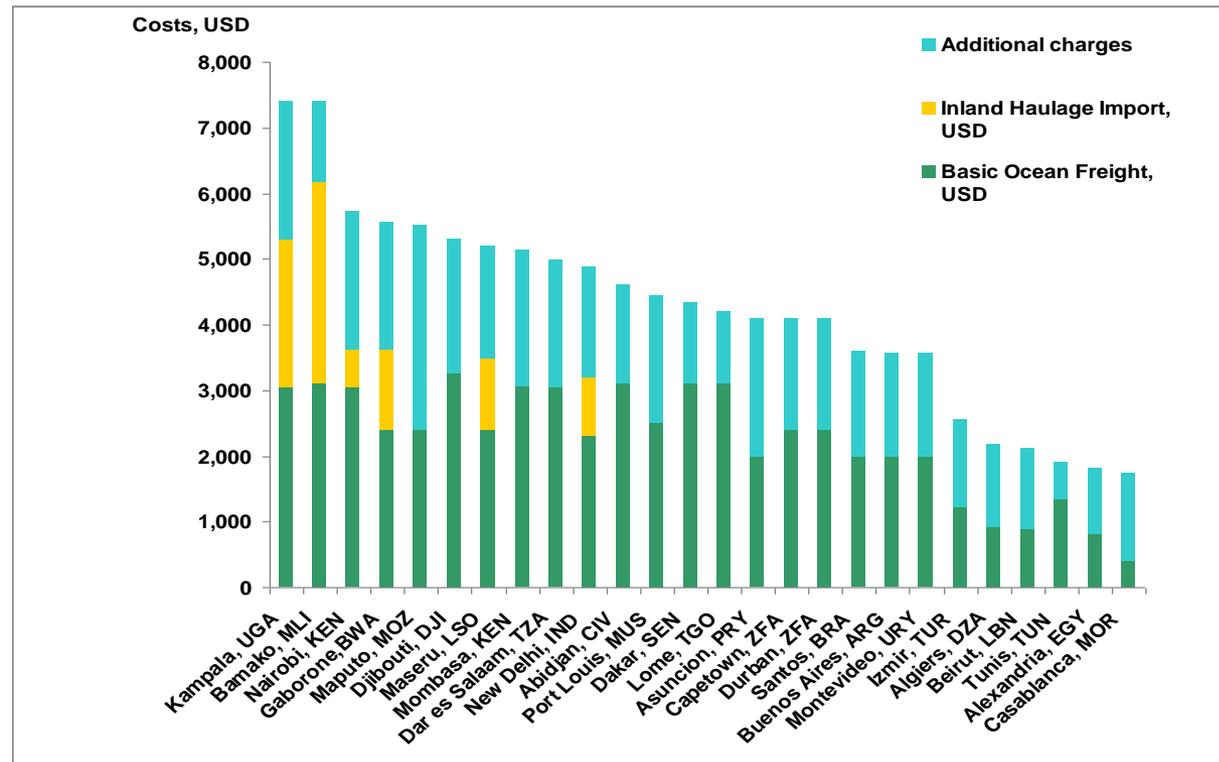
- ❑ Low trade volumes contribute to high per-unit trade costs:
 - ❑ During the past 3 decades, SSA's share of world exports dropped by nearly two-thirds from 2.9% in 1976 to 0.9 in 2006;
 - ❑ If Africa's share of world exports had remained constant since the mid-1970s, its export revenue would be almost 10 times larger than its current value.
- ❑ Africa's exports are largely in bulk, while its imports are containerized, resulting in an imbalance of container/ship traffic;
- ❑ Poor infrastructure is a major cause of high trade costs;
 - ❑ Infrastructure accounts for 40% of transport costs for coastal countries and 60% for landlocked countries.

..., and charges add substantially to the total



- Charges in ports are high for SSA shipments to Europe;
- Inland hauling is an additional cost driver for landlocked countries;
- It is cheaper to ship from Latin America to Europe than from SSA.

Shipping costs per container to Europe



Source: Maersk, 2008



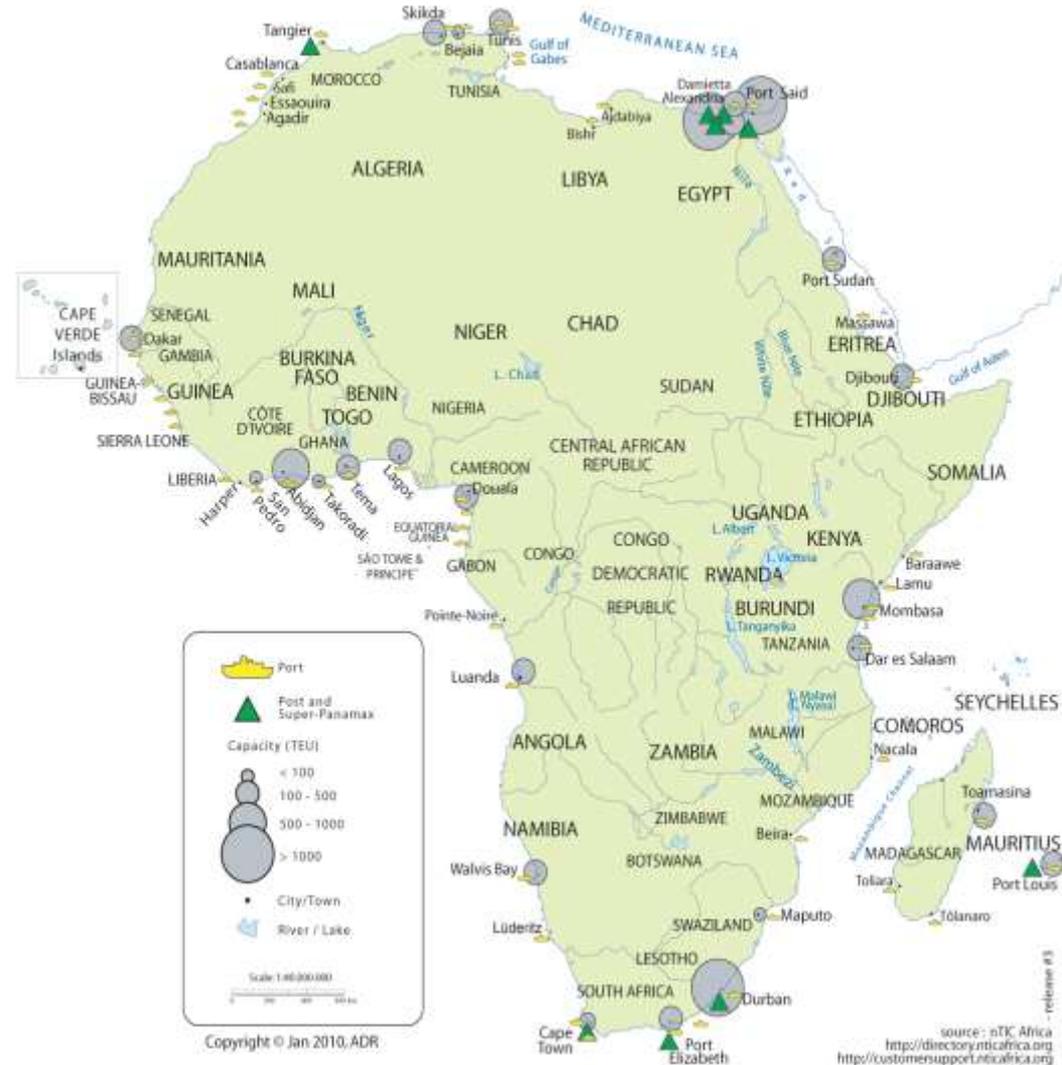
Port Development

... over the last decade, the amount of cargo transiting through Africa's ports has tripled, but containerization is still low and inland transportation linkages remain weak.

Ports are important for Africa, but show low productivity



- About 95% of Africa's international trade passes through ports;
- Africa has many ports, but few are capable of handling modern, large-scale vessels;
- Many ports suffer from congestion with average dwell time in Africa twice as high as in Europe;
- Berth productivity in Africa is only 25 moves per hour compared to 40 in Europe.





Some structural factors contribute to cost problems in African ports

- ❑ Unbalanced trade/shipment: as high as 85-100 % of containers shipped empty (Algeria, Angola, Libya, Nigeria)
- ❑ Lack of competition among shipping operators: 35 countries control 95% of world fleet; Africa accounts for 0.58% of world merchant fleet
- ❑ African ships relatively small and old by world standards

There are efforts to scale up investment in ports on the Continent



- North Africa: large-scale investments in Egypt; also large investments in Morocco and Algeria;
- Southern Africa: South Africa is expanding port capacity to meet demand (e.g., deepwater port of Ngqura became operational in 2009); Mozambique.
- East Africa: Djibouti terminal offering most modern facilities, but still faces capacity constraints.
- West and Central Africa: Equatorial Guinea; but in general the region is lagging behind in terms of infrastructure development.



Reforms and the Regulatory Framework of African Ports

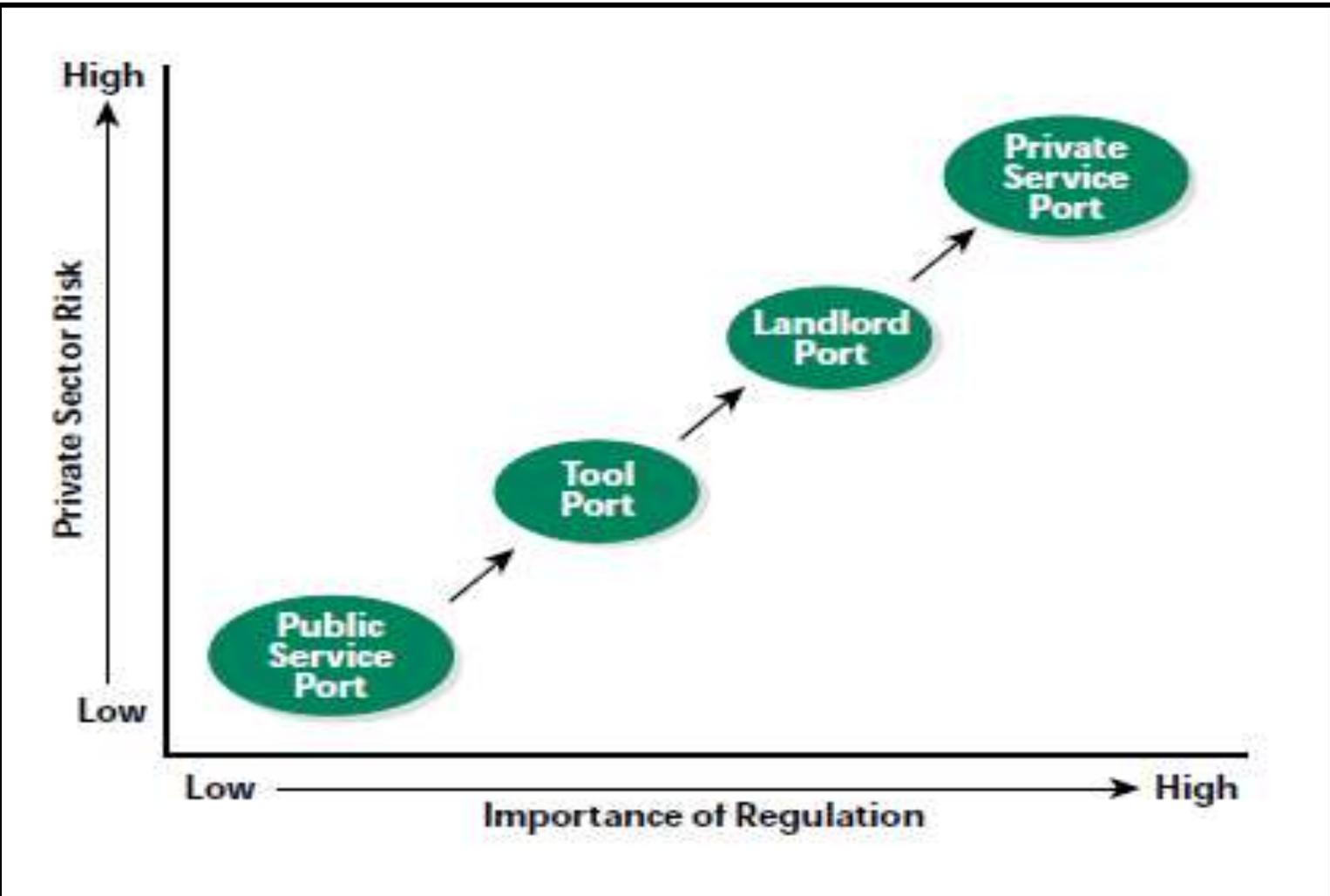
...one of the most promising avenues for efficiency-enhancing reforms is deregulation that leads to more competition.

Port management structures matter,...



- World-wide and in Africa there has been a shift to more private sector involvement in ports;
- Still, about half of all African ports are fully owned and managed by the public sector;
- Some African ports have recently adopted the landlord model (e.g. Nigeria), in which the Port Authorities owns the infrastructure while private operators manage the facilities;
- The political economy of reforms is often a major challenge.

..., and the public-private balance of risk and regulation is of key importance



Coordination among agencies is another central performance element



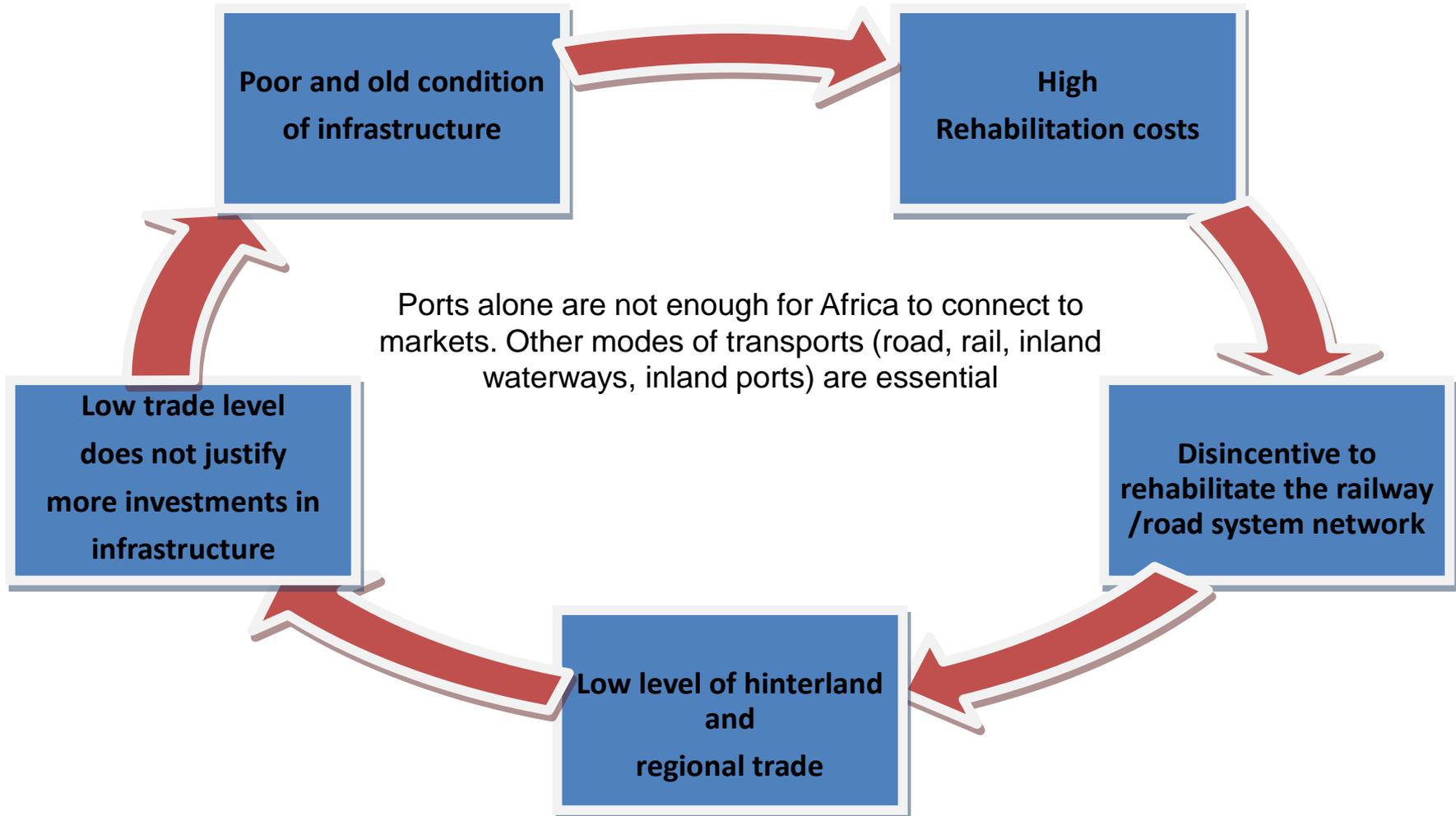
- While Customs has in the past received a lot of attention in capacity building and reform programs, many agencies intervene in ports (e.g. Agriculture, Commerce, Health, Security);
- Lack of coordination of agencies is often a major cause for extra paperwork and delays;
- The interface between public agencies and private transport operators or freight forwarders can also be a source of problems.



Connecting African Ports to the Markets

... it is the weakest link that determines the overall connectivity along the transport chain

The vicious circle of African infrastructure networks



Linking ports better to the hinterland is essential



- Road (and rail) links to inland markets are sparse;
- Efficient corridors are particularly crucial for landlocked countries;
- Roadblocks and transport cartels often add significantly to shipping costs;
- Logistics sector generally not performing well.

Conclusions



- Port expansion requires large-scale investments, which offer opportunities for PPP;
- Need for improved inland connections calls for support to regional integration;
- Hard and soft infrastructure are complementary, suggesting the simultaneous engagement of different types of donor assistance;
- Importance of sound regulations for efficient provision of logistics services necessitates increased technical assistance and capacity building efforts.



Thank you!

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