



# 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- Outdated, low-capacity port facilities make it impossible to realize economies of scale;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,...



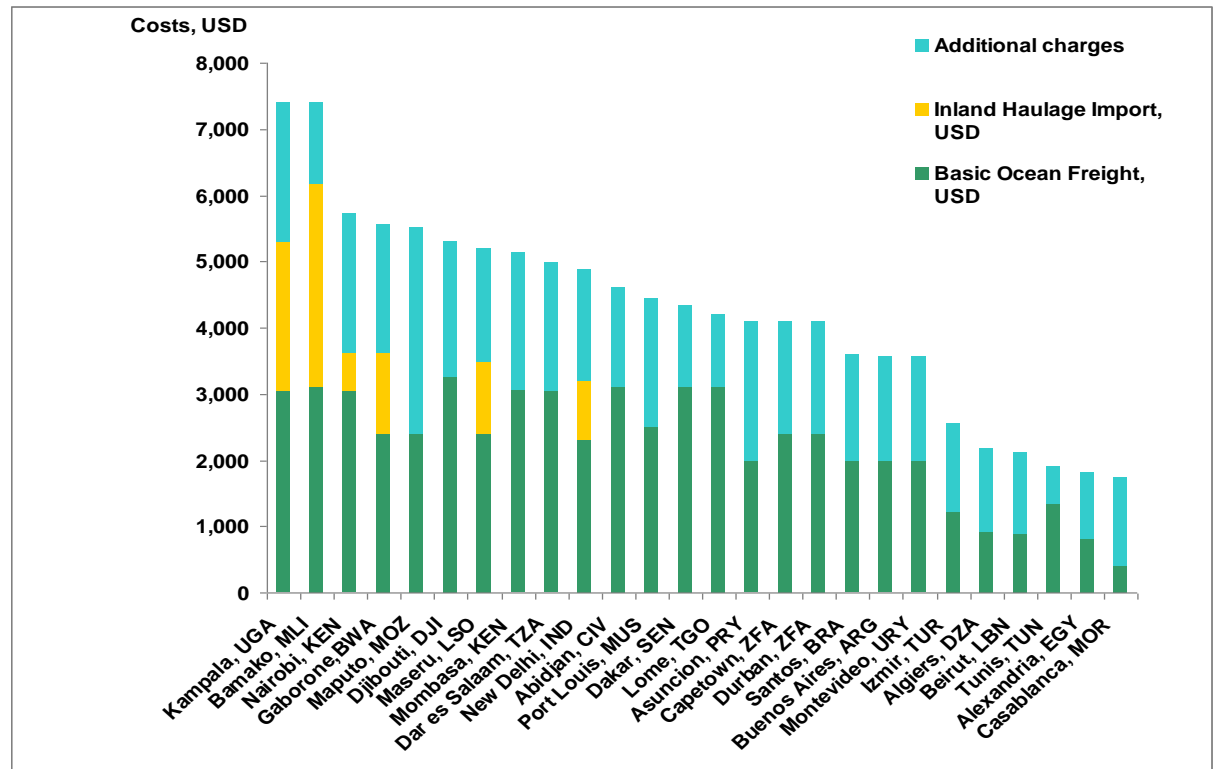
- ❑ Low trade volumes contribute to high per-unit trade costs:
  - ❑ During the past 3 decades, SSA's share of world exports dropped by nearly two-thirds from 2.9% in 1976 to 0.9 in 2006;
  - ❑ If Africa's share of world exports had remained constant since the mid-1970s, its export revenue would be almost 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



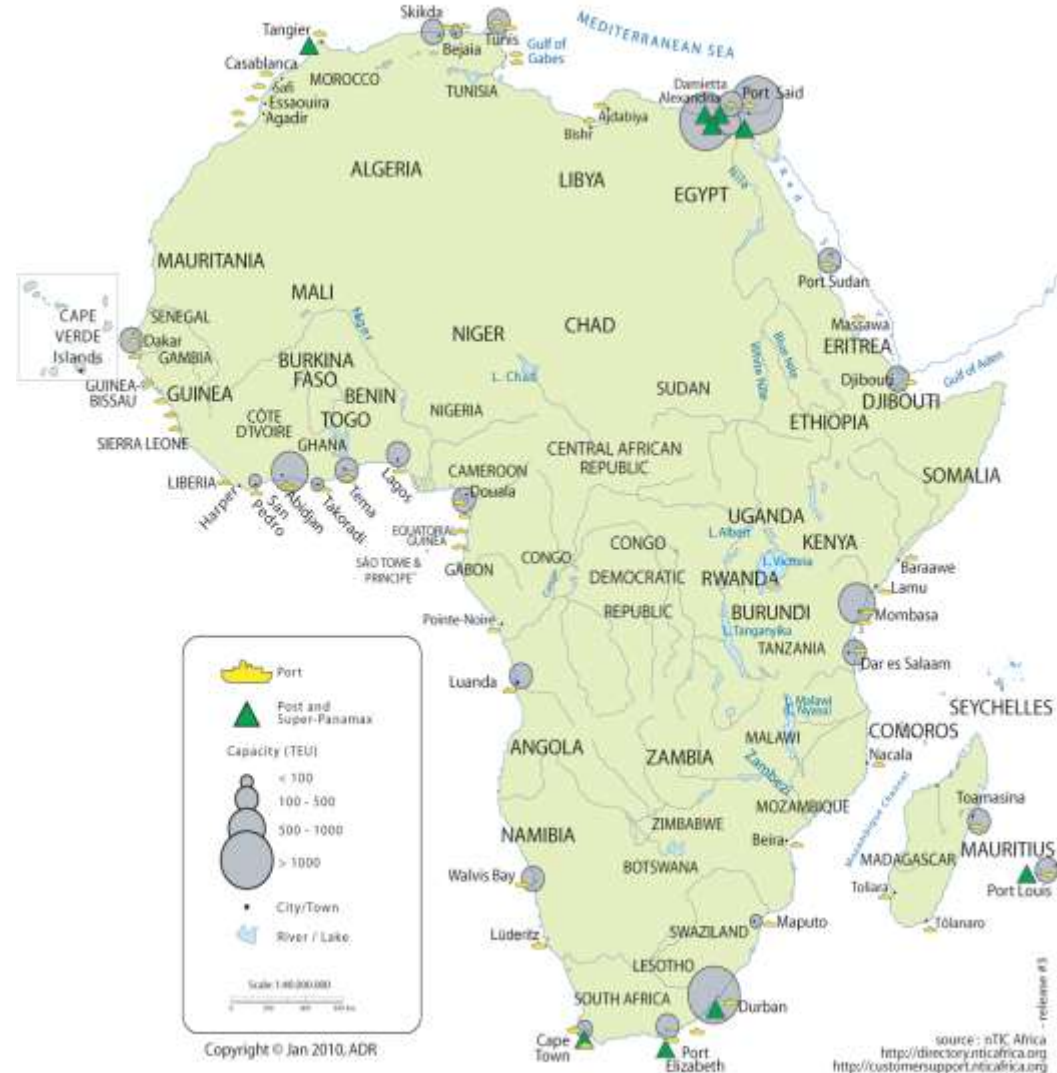
# Port Development

*... 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.

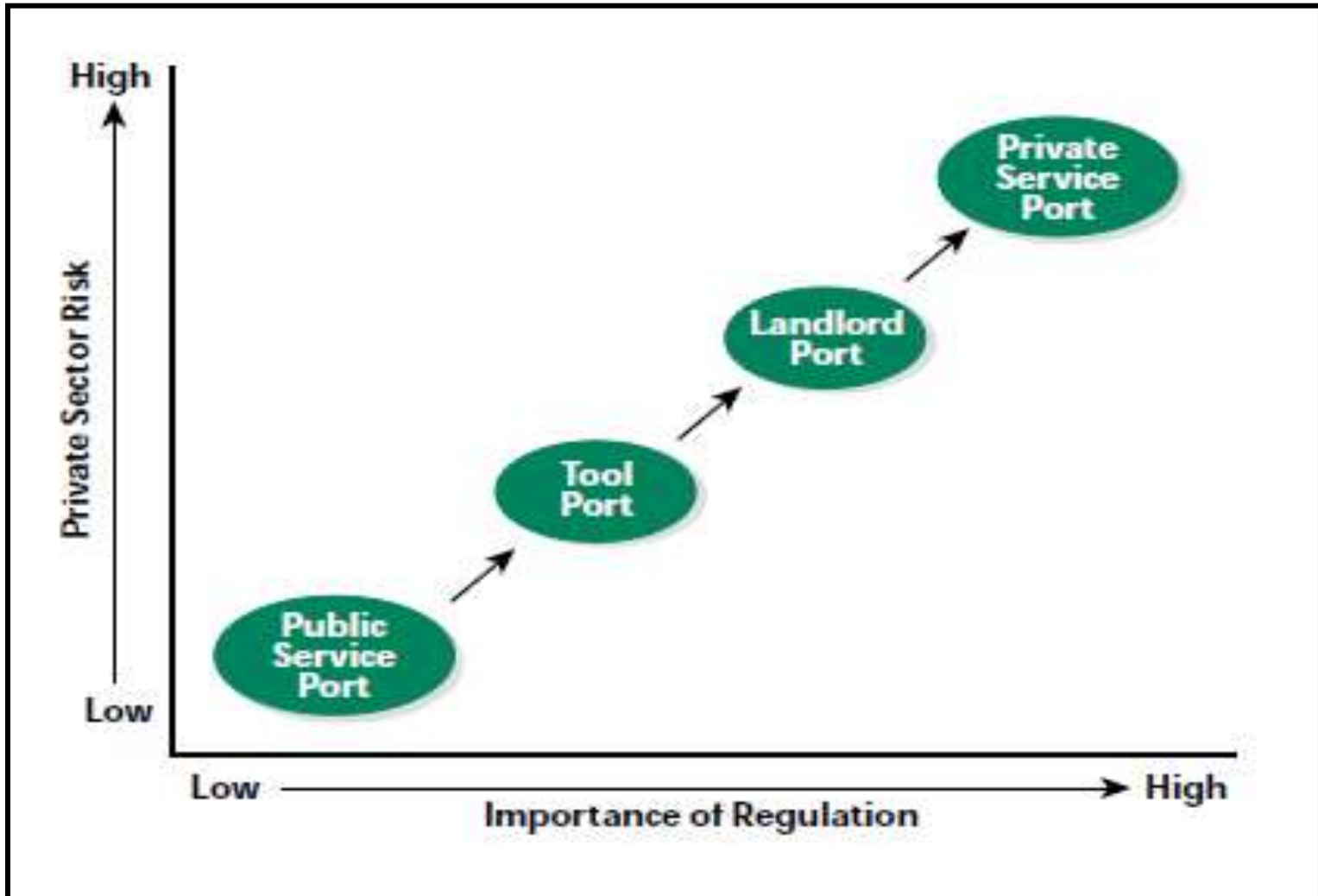
# Port management structures matter,...



- 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



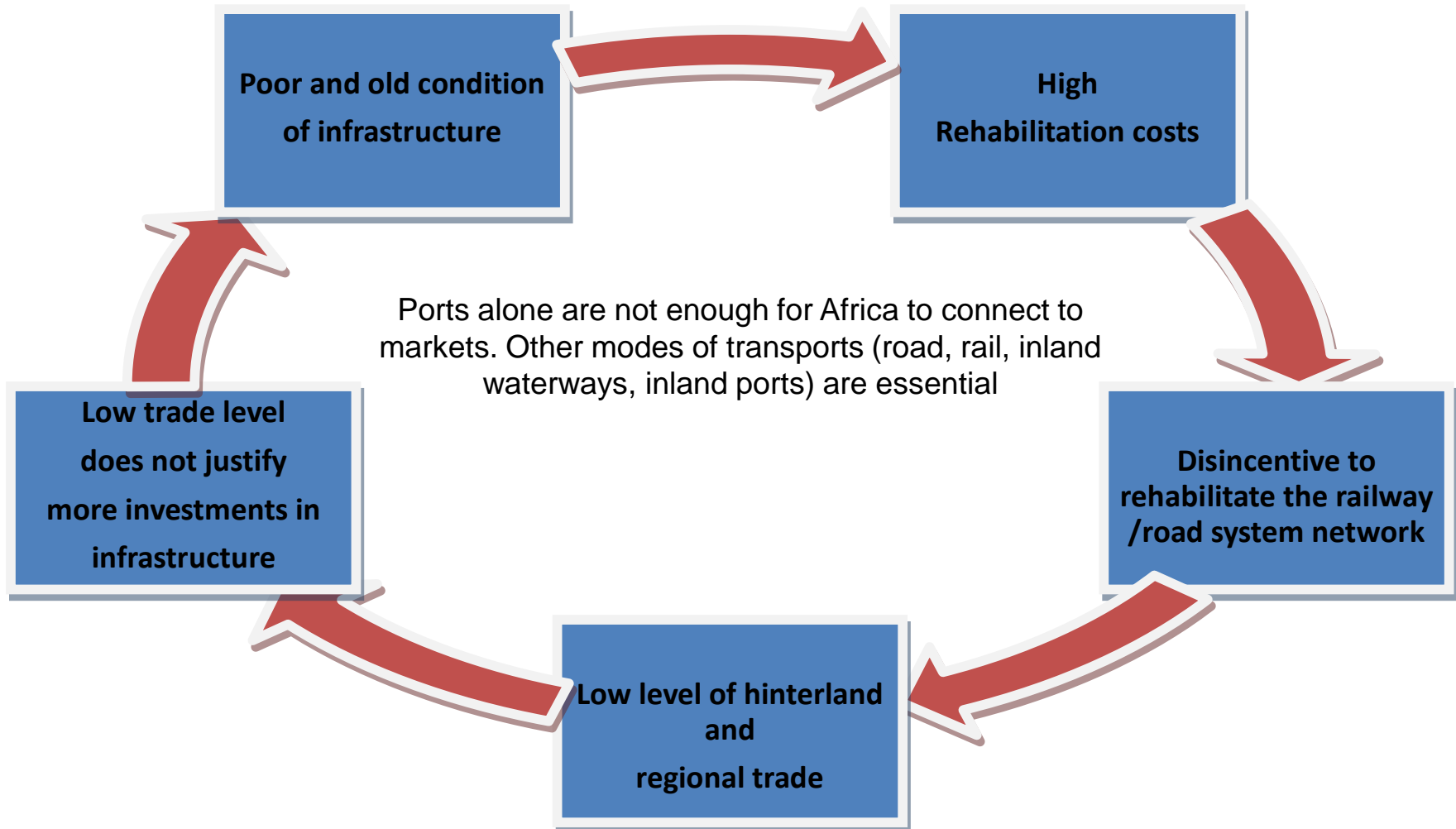
- While Customs has in the past received a lot of attention in capacity building and reform programs, many agencies intervene in ports (e.g. Agriculture, Commerce, Health, Security);
- Lack of coordination of agencies is often a major cause for extra paperwork and delays;
- The interface between public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



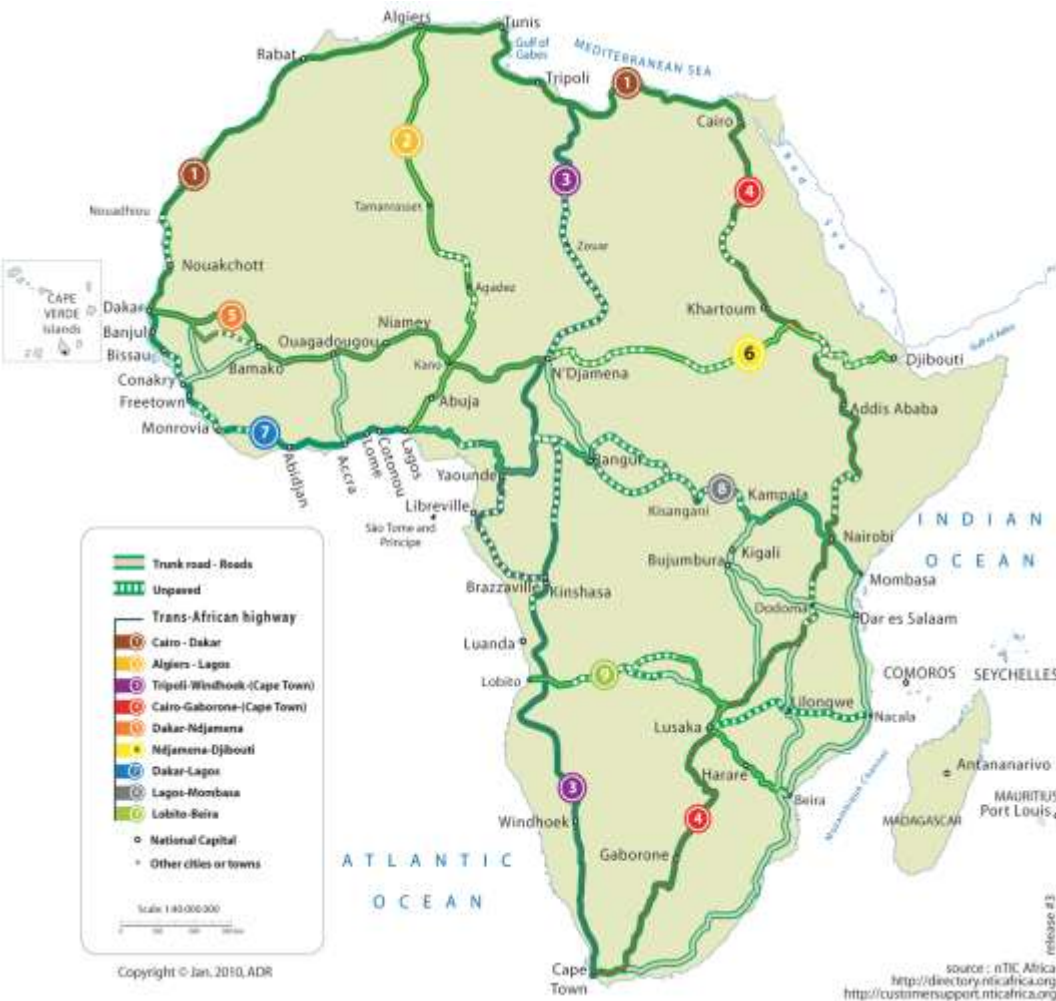
# Connecting African Ports to the Markets

***... 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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