Improving African Transport Corridors

For Africa's landlocked countries, transport corridors through other countries to the sea are vital. Imports of food, fuel, and spare parts move through these corridors by road or rail, as do the exports that are essential to these countries' foreign exchange earnings. Yet international corridor transport in most of Sub-Saharan Africa is costly, slow, and unreliable. Some of the problems are caused by political conflicts and security risks and others by the weaknesses of transport systems.

Since 1970 the World Bank has invested in more than 60 transport projects in Africa whose stated goals included enhancing transport corridors. A recent OED study examines the effects of these projects and draws lessons.* It emphasizes that improvements in transit facilities and traffic volumes should benefit coastal as well as landlocked countries. Recognizing these benefits may help to promote the collaboration among countries that is essential for progress.

The stakes

For landlocked countries (LLCs), the ability to move exports and imports efficiently and economically is key to maintaining consumption levels and to economic growth. Trade also plays an important role in the economic adjustment of countries destabilized by drought, civil unrest, or deterioration in the terms of trade.

Costly and unreliable transit depresses trade. For LLCs, it makes exports less competitive and imports erratic and prohibitively expensive—a serious problem for essentials such as fuel, chemicals, and spare parts. In the Central African Republic (CAR) and Chad, for example, importers pay c.i.f. prices (that is, prices including transport and insurance costs) that are 1.3 to 1.8 times the cost of the products when they left the exporting countries. For exports from CAR and Chad, c.i.f. prices on arrival in Europe are 1.7 times the production cost for timber and 2.8 times for coffee.

The challenge

Roads and railways are poorly maintained, while complicated customs and administrative procedures add to delays and costs. Inefficiencies when goods are handled at terminals, and transferred from one transport mode to another, are compounded by delays in the interactions between the agencies involved in transit. For Mali’s imports from Europe, for example, delays in African ports and terminals take longer than the sea section of the journey. For Uganda, Malawi, and Eastern Zaire, Tanzania potentially offers the cheapest access to the sea, but the poor state of Tanzanian roads and railways rules this option out.

Worsening security has added to costs and risks. Many traditional—relatively efficient—routes have been closed by civil unrest or political differences between countries. The closure of major corridors from Beira, Nacala, and Maputo, on the Indian Ocean, and Lobito, on the Atlantic, has severely affected the economies of LLCs. For Malawi by the late 1980s, for example, additional transport charges since the closure had caused cumulative losses of more than $75 million.

To cover security risks most landlocked countries have had to develop multiple corridors. This means that infrastructure is overused on some routes and underused on others, and that countries run the financial risk of building facilities that may be underused. Such problems are not readily solved.

Integrated regional approach needed

To shippers, the key concerns are the total cost, the time taken in transit, and the reliability of service. Successful transport in corridors results from the joint efforts of private operators, public operators, and government agencies.

Box 1: Scope of study

The study covers 42 completed projects in 14 countries including eight that are landlocked (LLCs)—Burundi, Burkina Faso, Central African Republic, Malawi, Mali, Niger, Rwanda, and Zambia—and six that are coastal—Benin, Cameroon, Côte d’Ivoire, Kenya, Senegal, and Tanzania. Approved in the 1970s and early 1980s, the completed projects were country specific but designed directly or indirectly to facilitate transit traffic for LLCs. The study also reviews ongoing projects with implications for corridor transport.

Africa’s major corridors link LLCs with the Indian Ocean ports of Beira, Dar-es-Salaam, Maputo, Mombasa, and Nacala, or the Atlantic Ocean ports of Abidjan, Cotonou, Dakar, and Lome.

Thus transit is best thought of as a chain including all the physical, organizational, and administrative operations needed to carry goods from their origin to their destination. Not only transport by land, sea or air is involved, but also collection, handling, insurance, customs and many other activities. (Box 2.)

Projects to facilitate transit for LLCs need to be conceived in a regional framework, so that they can address issues and support improvements in all countries through which LLC trade passes.

Transit traffic does impose costs on a country’s facilities. Côte d’Ivoire, for example, one of the coastal countries serving Mali, builds its roads for vehicles with a ten ton axle weight; it is not compensated for damage by trucks from Mali, whose legal axle weight limit is 13 tons.

While corridors are critically important to landlocked countries, benefits from transit traffic can be substantial for coastal countries. For Kenya in 1990, for example, transit traffic yielded a net value added of $53 million, while Tanzania could enlarge its annual foreign exchange earnings by 12–18 percent if its transit traffic system were better managed.

Bank lending

Transport projects supported by the Bank in Africa have significantly added to countries’ physical infrastructure, in roads, railways, and ports and harbors, and achieved some measure of institutional reform. Thus far their direct contribution to improved transit traffic for LLCs has been modest. But the fact that Sub-Saharan African transport infrastructure, especially ports and highways, now accommodates volumes of traffic that were unimaginable 30 years ago suggests that projects have indirectly benefitted transit traffic.

Projects suffered from the economic and fiscal deterioration of many countries in Africa. Overvalued local currencies slowed or reversed export growth. When exchange rates were adjusted in some countries but not others (the CFA franc zone), they generated traffic in some corridors at the expense of others. Traffic is almost impossible to forecast when country conditions change erratically and quickly. Both internal conflicts and insurgencies and international conflicts and rivalries took a heavy toll on projects.

Earlier projects had narrow focus

Most of the projects already completed have been country-based and country-oriented. Of the 42 projects reviewed—all of which sought explicitly to enhance transport corridors—only 15 had components that catered explicitly to inter-country links. In most, transit traffic formed only a small part of the total traffic and was not important in project design.

Even in the individual country context, projects mostly limited their focus to a particular transport mode or agency. On the whole, they did not take a sufficiently integrated view of the sea port and the connecting rail/road links, and paid little attention to intermodal links such as port/rail and rail/road interfaces.

Some of the projects concentrated excessively on physical infrastructure and did not address major capacity constraints, such as the availability of locomotives for Kenya and Tanzania railways, or the limits on road traffic between Rwanda and Uganda or into and out of Mombasa.

Unless reinforced with appropriate reforms of policies and institutions, investments in infrastructure may not actually reduce costs to shippers. Thirty two of the projects had institutional development goals. These concentrated mainly on the legal, organizational, and financial framework of the transport agencies involved in the projects themselves. The goals were substantially achieved in seven of the projects, whose achievements are likely to be sustained. Only a few projects included measures—such as simplification and harmonization of customs procedures—to streamline transit logistics. Changes in policies occurred in only four cases.

New approaches in the 1980s

The Bank began studies of corridors in East and West Africa after the Sahel drought of the mid-1970s drew attention to their problems. These and subsequent studies have greatly improved knowledge of corridor issues in Africa and have helped to increase the focus of operations on necessary policy and institutional reforms.

Transport sector operations, introduced in the mid-1980s, take an overall view of transport systems. Their main thrust is to improve...
efficiency by encouraging commercial orientation and promoting competitiveness in transport services. Typical measures include restructuring state-owned or operated transport enterprises (parastatals), reforming regulations, and increasing private sector participation.

Three ongoing transport corridor projects take an integrated view of the transport corridors linking LLCs to coastal countries. The Malawi-Northern Transport Corridor project and the Mozambique-Beira Transport Corridor project deal specifically with transit issues and were preceded by inter-country agreements to facilitate LLCs' transit trade. The third project provides technical assistance to improve the operations of the agency handling corridor transport within Mozambique.

Tasks ahead

Narrow and strengthen the role of government

Most African ports and railways are administered by parastatal organizations, for whom transit traffic may not be a significant concern. Africa's transport parastatals have been generally costly and overstaffed and slow to react to market changes. Governments have strong vested interests in these agencies, particularly in railways. They will not easily give up their tradition of direct control and convert themselves into the "arms length" regulators who can foster the autonomous and competitive enterprises that are needed.

Increasingly—especially in West Africa—private operators such as truckers, freight forwarders, and customs brokers belong to the informal or semi-formal sector. Beyond the reach of government and assistance agencies, they do not pay taxes and are often inadequately insured. Better regulation and control are desirable, particularly to ensure the safety of vehicles, though not at the expense of driving out the most effective service providers.

The Bank should assist governments to reconsider their role as regards corridor transport. This should now be chiefly to:

- ensure that infrastructure is maintained;
- encourage divestiture in services that the private sector can provide efficiently;
- concentrate on public administration reform, to improve the performance of customs, documentation, and control;
- develop and implement a legal framework that minimizes rent-seeking, supports fair competition, and punishes abuses.

The Bank should encourage institutional and policy reforms. The reforms need to match borrowers' implementation capacity, and to be closely monitored during implementation. Reliability of transit remains the first priority, ahead of cost and price reductions for services.

Implement international agreements

Neither bilateral nor multilateral agreements have yet contributed much to facilitating the transit traffic of LLCs. The Northern Corridor Transit Agreement signed by Burundi, Kenya, Rwanda, Uganda, and Zaire has not noticeably reduced documentation costs and or transit delays. The central African customs union, created in 1964, has not helped improve transport and trade logistics among its members. An agreement signed by West African countries to regulate international transport of bonded freight is not being implemented. The Preferential Trade Area for Eastern and Southern Africa has had

Box 2: What helps make corridor transport efficient?

Infrastructure
- Seaport, rail, and inland transport capacities
- Handling and storage facilities at interface and terminals
- Adequate maintenance and maintenance budgets

User charges and regulations
- Adequately structured user charges
- Cost recovery from vehicles in transit
- Unified transport regulations across countries (e.g. on axle-loads, dimensions, insurance, documentation)

Efficiency of services
- Development of containerization
- Concentration of government efforts not on direct operation but on monitoring and efficient regulation
- Reform and privatization of parastatals
- Unified regional policies on intermodal traffic, including rail-road transfers

Facilitation
- Harmonization of customs provisions and trade standards
- Standardization and simplification of documents
- Compliance with trade agreements
- Common regional sector policy
- Orderly professional development for transport intermediaries

OED Précis
some success in harmonizing axle loads and vehicle dimensions but its implementation is taking time.

Transit agreements can only work if they are backed by political will and the capacity of governments to actually control their agencies. Both factors are related; during the economic and fiscal squeeze of many African countries in the 1980s, treasuries and individuals alike sought additional revenue from multiple controls and procedures.

The Bank should work with other multilateral organizations, such as the European Union and UNCTAD, and with bilateral aid agencies, to encourage its borrowers to harmonize their policies and practices in support of regional cooperation. Here the Bank's relative advantages are:

- The financial resources that it can provide;
- Its capacity to pool information and to mount projects on the basis of regional studies;
- Its capacity to insert a corridor project in a broad country policy framework;
- Its knowledge and experience of infrastructure-related issues; and
- Its influence on adjustment policies through its lending and technical assistance operations.

The Bank's role

The Bank should:

- Give corridor transport a prominent place in the donors' meetings and regional initiatives that it sponsors;
- Continue to carry out or participate in corridor and institutional studies;
- Design a corridor transport agenda; and
- Promote regional corridor projects, or, failing that, encourage the coordination of country-based ones.

To implement the regional corridor agenda, structural adjustment loans and transport sector projects could be undertaken, focusing on:

- Government policies and adherence to principles of open trade and traffic; and
- Improving public administration (especially customs), and developing local chambers of commerce and other self-governed professional bodies.

To complement these efforts, infrastructure divisions should develop international corridor projects focusing on investment, policy, and institutional development. A prerequisite should be inter-country agreements covering access to and maintenance of the corridor and streamlining and harmonizing regulation.

Bank management, responding to the OED study, agrees with all the recommendations in the report except with the recommendation to organize operations around the concept of transport corridors. Focusing on corridors does not ensure that all aspects of local, long-distance, and transit traffic will be addressed. Good project formulation always requires a proper analysis of traffic demands and constraints; in some cases this may lead to a corridor approach to project design, and in others, not. The corridor aspect, important as it is, should not be seen in isolation, but should form part of the analysis required, and action decided on, encompassing transport demands at the country level.

Discussing the study, the Joint Audit Committee of the Bank's executive directors noted statements by management that transport corridor issues merited consideration in the formulation of both adjustment operations and transport and other sector projects, and that there were cases where corridor projects might be appropriate. Speakers noted that the Bank could play a more effective role through its investments by emphasizing regulatory and legal frameworks and procedures, and maintenance and rehabilitation; they urged the Bank to do more in this area. The Committee agreed that both the corridor approach and national strategies had merit and should be used as the case dictated.