The Development of Trade Transit Corridors in Africa’s Landlocked Countries

I. Introduction

Africa has 15 landlocked countries that face specific challenges. Botswana, Burkina Faso, Burundi, Chad, Central Africa Republic, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, Swaziland, Uganda, Zambia, and Zimbabwe have no direct coastal access to the sea and thus also to maritime trade and therefore face very specific challenges. The lack of territorial access to the sea, remoteness and isolation from world markets and high transit costs continue to impose serious constraints on the overall socio-economic development of landlocked developing countries.

Landlocked developing countries are generally among the poorest of the developing countries. Moreover, out of 30 of the world landlocked developing countries 16 are classified as least developed. ECA Research finds that on average transport costs for these countries could be as high as 77 per cent of the value of exports. With exception of Botswana, Uganda and Swaziland, which are middle-income countries, the rest of the 15 countries are classified as least developing countries (LDC).

Remoteness from major world markets is the principal reason why many African landlocked developing countries have not been very successful in mitigating consequences caused by their geographical handicap as compared to landlocked countries in Europe. Compared to those in Africa, landlocked developed countries of Europe are surrounded by major developed markets and their maritime trade accounts for a relatively small part of their external trade. Their export is mainly high value added products and their distance from the seaport is relatively short. Moreover, the ability of the landlocked African countries to fully engage in international maritime trade depends heavily on the “good will” of their neighbouring transit countries. Furthermore, additional border crossings and long distance from the market substantially increase the total expenses for transport services.

Compounding the challenges of African landlocked countries is the fact that most their transit neighbours are themselves developing countries, broadly with similar economic structure and lack of resources. The recorded trade between landlocked and transit developing countries in Africa is insignificant. Furthermore and in most cases, the transport infrastructure in transit developing countries are very weak and therefore offers no advantage to their landlocked neighbours.

Although being landlocked is a major obstacle, it is not destiny. There are practical solutions to many of the problems faced by landlocked countries - ranging across comprehensive approaches to transit corridors, overall regional integration efforts, legal
and regulatory reforms, institutional and administrative overhauls. The need for cooperation between African landlocked and transit countries has always been addressed at the continental, sub-regional and national levels. This has resulted in many of these countries, especially landlocked and their coastal transit neighbours, entering into bilateral agreements at the sub-regional levels to facilitate the movement of goods and persons. Unfortunately, these agreements are yet to be implemented.

Thus the United Nations has embarked on the Almaty Programme of Action to address the special needs of landlocked countries, within a new *Global Framework For Transit Transport Cooperation for Landlocked and Transit Developing Countries*.

II. The UN Almaty Programme of Action

With the aim of addressing the constraints facing landlocked countries, an International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation was held in Almaty, Kazakhstan, from 25-29 August 2003. It was the first venue that provided the international community with a unique opportunity to mobilize international support and partnership to address the special needs of landlocked countries. At its successful conclusions, the Ministerial Conference adopted the *The Almaty Ministerial Declaration and the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing countries*.

The Almaty Programme of Action, as is commonly referred to, was adopted as a global framework for action for developing efficient transit transport systems in landlocked and transit developing countries. The Programme aims to: (1) secure access to and from the sea by all means of transport for landlocked developing countries according to applicable rules of international laws; (2) reduce costs and improve services so as to increase the comprehensiveness of their exports; (3) reduce the delivered costs of imports; (4) address problems of delay and uncertainties in trade routes; (5) develop adequate national networks; (6) reduce loss, damage and deterioration en route; (7) open the way for export expansion; and (8) improve safety of road transport and security of people along the transport corridors.

In order to reach those objectives, the Almaty Programme of Action highlighted five priority policy areas for landlocked and transit countries to address:
• Transit policy and regulatory frameworks: landlocked and transit countries to review their transport regulatory frameworks and establish regional transport corridors.

• Infrastructure development: landlocked countries to develop multimodal networks (rail, road, air, and pipeline infrastructure projects).

• Trade and transport facilitation: landlocked countries to implement the international conventions and instruments that facilitate transit trade (including the WTO).

• Development assistance: the international community to assist by providing technical support, encouraging foreign direct investment, and increasing official development assistance.

• Implementation and review: all parties to improve their monitoring the implementation of transit instruments and conducting a comprehensive review of their implementation in due course.

The Almaty Programme of Action emphasizes that efficient transit transport systems can be strengthened through strong partnerships between landlocked and transit developing countries and their development partners at all levels including partnerships between public and private sectors. It is important that such partnerships are based on the mutual understanding that all stakeholders would undertake specific actions that have been agreed to in the Programme so as to establish efficient transit transport systems. Moreover the international community, including financial and development institutions and donor countries, are called upon to provide financial and technical support to support landlocked and transit countries to address effectively transit transport challenges and requirements.

The programme also stresses that the efficiency of transport systems will depend on the promotion of an enabling administrative, legal and macroeconomic environment in both landlocked and transit developing countries for effective policy-making and resource mobilization. Hence the need for cooperative arrangements between landlocked developing countries and their transit neighbours. An effective strategy to improve transit transport systems needs to be developed at the regional, sub regional and bilateral levels in order for there to be significant economies of scale as well as transit transport safety, particularly relevant for landlocked developing countries. This cooperation should be
promoted on the basis of the mutual interest of both land locked and transit developing countries.

III. Development of Trade Transit Corridors

With the view of addressing the special needs of the African landlocked countries, a number of trade and transport transit corridors have been established. This involves a collection of routes linking several economic centres, countries and ports. These corridors have been established either through: existing routes which are accepted by custom authorities; or RECs protocols; or protocols involving concerned landlocked and transit countries. The general function of a corridor is the promotion of both internal and external trade by providing more efficient transport and logistics services. By designating a network of routes having a sea port as starting or terminal point, corridors also focus attention on improving not only the routes but also the quality of transport and other logistic services in the corridor. Where quality is defined in terms of transit time and cost for shipment of goods along the corridor. Hence the reliability of a corridor is measured in terms of transit time and flexibility provided in terms of diversity of services offered on multimodal routes.

ECA has been promoting corridors as a mechanism for addressing the numerous hurdles, including border delays, a proliferation of road checkpoints, and other practices that increase monetary and time costs that impede trade. With the view of enhancing the efficiency and cost-effectiveness of the main transport corridors into landlocked countries, ECA has also been developing mechanisms for the monitoring of the performance of corridors and eliminating, physical and non-physical barriers as well as non-tariff barriers.

IV. Measuring the performance of a Corridor

In the above sections we have argued that corridor efficiency is important to the competitiveness of the economies of African countries, particularly those that are landlocked. The question then is how one determines the efficiency and performance of a corridor. What performance indicators should be used?

It is generally accepted in the corridor management industry that performance indicators are extremely important for guiding the management of the secretariats of the corridors in their planning. This is because appropriate indicators can support, guide, and justify decisions made by corridor groups. It also contributes to good governance, accountability and transparency, which are important ingredients for the success of a corridor. It is therefore important that the indicators are measurable, efficient, able to be forecast, and easy to understand.
Stakeholders participate in the establishment of corridor management groups largely to reap potential benefits. The objective of establishing the corridor structures is to enhance the operational efficiency of corridors and reduce the cost of doing business. Consequently, corridors enhance the facilitation of trade, which in turn contributes to economic efficiency of the participating countries of the corridor.

As argued earlier, corridors involve different stakeholders who are interested in different factors for the performance of any corridor. Each stakeholder measures the performance of a corridor by the use of the corridor he or she is able to reduce cost and make profits. The main stakeholders of a corridor: are the shippers, transporters, clearing agents, customs authorities, port and road authorities and the general population.

The performance of corridors is assessed at three levels: infrastructure, quality of services and shipment of goods. The assessment of infrastructure involves the quality, physical capacity and levels of utilization of the infrastructure. It is particularly useful when considering investment to increase the capacity of corridor system components. Delays and cost of transport services are the major considerations when looking at the quality of services provided along a corridor. These are important characteristics when assessing the performance of corridors.

The quality of service provided along a corridor is very important in assessing the performance and effectiveness of corridor groups. Indicators for measuring the quality of service include time and cost. These indicators contributes to identifying those components of a corridor that would offer the greatest savings if they were improved. Performance can be improved by reducing time and cost at specific points or along given links within the corridor. Reliability of a corridor, which is measured in terms of variation in transit time for a specific combination of services and between, given points within the corridor, is also a performance indicator. The greater the variation the harder it is to predict transit times and for users to coordinate related functions. In summary, some of the key performance indicators for corridors include: traffic volumes; transport cost; turnaround time of trucks and wagons; Port dwell time; border post transit times; and variation of all the above times.

V. Policy Recommendations

Given the specific challenges faced by African landlocked countries it is important undertake a number of measures to tackle the challenges including:

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• **Trade Policy Reforms:** It is very important that landlocked countries examine their trade policies by focusing on the composition and direction of foreign trade. In developing export-driven sectors, landlocked countries should be mindful of transportation cost if it is far from major markets and has no real access via viable transit routes to the sea. In place of pursuing cost-ineffective-export-oriented growth, landlocked countries may consider developing sectors that are either high-value or high-value added and are less dependent on expensive imports. It could also consider developing a high-level logistics industry that can provide services to transiting operators, which in turn could help, increase the value to transit operations and help new sectors to flourish. In addition to the above measures, landlocked and transit countries should develop coherent and comprehensive transport policies to support the transit corridors needed to facilitate trade.

• **Cost reduction:** Landlocked countries should put in place measures that ensure the avoidance of complicated and lengthy customs clearance procedures, poorly coordinated control services, high fees, too much red tape, inadequate capacities, poor infrastructure, and poor packaging or loading technologies. Governments should create a climate of confidence, stability and security by stamping out corruption, fraud and other rent-seeking activities so as to reduce trade costs. In addition, government of landlocked and transit countries should reform regulations and procedures to meet regional or international standards and to adhere and implement the international conventions on trade and transit facilitation. Landlocked and transit countries should be encouraged to use ICT and better port infrastructure in order to avoid unnecessary delays of their shipments.

• **Infrastructure development:** Landlocked and transit countries need to continue to strengthen their infrastructure development such as building new roads and railway lines as well as upgrading the infrastructure of ports. In addition policymakers should ensure that regular maintenance work are carried out on the infrastructure as well as improving transport supply capacities, strengthening facility management systems including through information technology at the ports and upgrading of railway lines, rolling stock, ships, trucks and ports and handling facilities. The development of infrastructure requires substantial financial resources, which are generally obtained from bilateral or multilateral donor agencies. However, these resources are limited, time-bound and insufficient to finance infrastructure development in the long run. Hence there is the need for countries to alternative financing mechanism to support infrastructure development.
Regional/subregional coordination: It is important that landlocked countries establish strong bilateral and multilateral agreements between them and their neighbouring countries. These agreements can be effectively implemented through the establishment of trade-transit corridors management structures. The special needs of landlocked countries can be enhanced through integrated and targeted regional and international coordination and cooperation. Consultations or alliances with neighbouring landlocked or transit countries can help to share experiences, to economize on costs and to increase bargaining powers. International infrastructure or transport agreements contribute to facilitating transit procedures.

Institutional framework and capacity building: Institutional and staff capacity building is an important aspect in the improvement of transit transport. Hence it is important that landlocked and transit countries embark on public administration reforms to improve the performance of all agencies involved in trade facilitation, particularly the development of a single-window concept and the streamlining to one-stop-shops for import and export clearance. The strengthening of the whole institutional framework of stakeholders involved in the facilitation should be ensured. Initiatives include the establishment and implementation of region-wide harmonized transit procedures or trade facilitation measures should be embarked on the countries. The enhancement of trade facilitation for landlocked countries would require: institutional capacity building, training of staff from governmental institutions and private operators, raising awareness, and the strengthening of trade facilitation bodies and the participation of the business community. Furthermore, certain institutional and organizational structures have to be in place in order to facilitate and implement regulations, agreements and conventions.

Public-private cooperation and partnerships: The private sector has to be encouraged to participate in the management of corridor and other trade facilitation bodies. Given the external bilateral or multilateral resources are limited the private sector should be urged to invest in the development of infrastructure as well as in facility management. A fruitful dialogue between private-sector representatives and policy makers will help to better define the real needs of the market and encourage the search for viable and sustainable solutions. Private operators might also be better equipped to manage certain facilities, which are in many instances still State-owned. The private sector can also play a substantial role in the financing of certain projects or in entering concession agreements. The input of the private sector is also fundamental in defining and implementing trade facilitation policies and procedures. The public sector still has
a role to play in any PPP arrangement. The public sector also acts as a supervisory body of all the trade facilitation projects.