Financing and Investment to Improve Transit for LLDCs

Aid for Trade in Action: Success Stories

Nora Neufeld, WTO
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GLOBAL REVIEW of
AID FOR TRADE
5th
Case studies
June/July 2015
Mombasa: 1 port, 200 million people

The Northern Corridor

- Services South Sudan, DRC and EAC states
- Gateway to consumer base of 200 million people
- Mombasa Port handled 30% of transit cargo & experienced 11.5% related growth between 2013 and 2014
- Efficiency issues initially crippling the port’s performance
Trade facilitation reforms along Northern Corridor & their results

USAID – Kenya border
• Joint Border committees reduced border crossing time (4 days - 2 hrs)
• Compliance cost faced by truckers reduced by $50 million

TradeMark East Africa
• Trade Facilitation through the Uganda Revenue Authority Customs Business Systems Enhancement Project (CBSEP)
• Upgrading of customs clearing system to ASYCUDA world
• Authorised Economic Operators (AEOs) scheme
• Electronic Cargo Tracking System (ECTS)
• Total savings for businesses estimates at $373 million per annum

Northern Corridor Transport Observatory
• Monitoring tool assesses performance of the Corridor
• Supported by various donors
Additional examples

EAC Reforms

- Planned establishment of 13 One-Stop-Border Posts - 7 already operational
- Introduction of Single Customs Territory which removed multiple weighbridges, and police and customs checks along the Mombasa-Kampala-Kigali route
- Computerization of clearance and electronic cargo tracking

Results

- Reduced costs of doing business by about 50% in the East African region
- Time to move cargo from Mombasa to Kampala now 4 days instead of 18
- Time for truck to move from Mombasa to Kigali reduced from 21 to 3 days
"Transit time from Mombasa to Malaba has been dramatically reduced by over 50% over the last 1.5 years"

Amina Mohamed
The Relevance of Infrastructure

- Mombasa, the busiest container terminal in East Africa, processed nearly 25 million tonnes of cargo in 2014
- estimated 400% increase by 2030
- TMEA works on corridors, ports, borders and railways to increase trade competitiveness in the EAC region

"Bottlenecks are also shifting outside the terminal where the flow of empty containers is hampered by road congestion, and the inefficiency of empty depots."

Steve Felder, Maersk
Improving border processing times reveals capacity constraints elsewhere

- Most cargo in the EAC travels by road – some 96% of all trade
- The rail system does not function well - work to enhance its capacity is ongoing
- Currently some 95-96% of road capacity is used. This affects prices and therefore also consumers

Gilbert Langat, Shippers Council for East Africa
Infrastructure projects along the Northern Corridor (2006-2013)

- Construction of one stop border posts, WB
- Nairobi Outer Ring Road upgrading AfDB
- Construction of Nairobi Southern Bypass, China
- Northern Corridor rehabilitation programms, EC
- Mombasa port development, JICA
- Mombasa-Nairobi-Addis Road Corridor Project, AfDB
- Mombasa Southern Bypass & Kipevu New Container Terminal Link Road
- Arusha-Namanga-Athi River Road Development, AfDB
Trade Facilitation and A4T Facilitation (2006-2013)

Source: OECD-DAC/CRS aid activity database
Success factors

- Political will and commitment
- Public-private partnerships
- Sequencing
Relevance of the TFA Agreement

• In addition to the direct benefits from applying the Agreement - estimated to amount to export gains between $750 - over $1 trillion per annum - TFA implementation provides a legal basis on which to enshrine progress made and spurs continued reform
Observations

- Soft infrastructure and hard infrastructure ideally go hand in hand
- Important trade in services dimension – efficient operation of public infrastructure services (port, road and rail services)
- Public-private partnerships can be very successful
- Positive multipliers from TFA implementation maximized if accompanied by infrastructure and services components
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