Sustainable Transit and Transport Corridors in Support of LLDCs Trade and Regional Integration and Cooperation

Jan.Hoffmann@UNCTAD.org - Ulaanbaatar, October 2019
• Corridors: Why they matter
• Making corridors work, and sustainable
• What UNCTAD can do to support
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Transport and insurance costs of international trade, 2006–2016 (Percentage share of value of imports)

Source: UNCTAD secretariat calculations.
Note: All modes of transport; the least developed countries grouping includes 48 countries for all periods up to 2016.
Transport and trade facilitation are critical for LLDCs trade

- LLDCs face special trade and transport challenges, arising from their lack of territorial access to the sea. Exports and imports of LLDCs have to transit through at least one neighboring country, and often use more than one mode of transport. Hence, they also dependent on their transit countries’ transport infrastructure and administrative procedures for moving their exports and imports.

- The geographical challenges of LLDCs compounded by weak/inadequate transit-transport infrastructure, inefficient administrative and customs operations have an impact on the cost of trade, where LLDCs pay more what the transit countries incur in transport costs and take longer time to export and import merchandise from overseas markets.
Sustainable Transit and Transport Corridors to support LLDCs Trade

During recent years a complementary approach to transit agreements that has been developed is transit transport corridor and cluster arrangements.

Transit transport corridors can be described as designated routes (unimodal, multimodal/intermodal) between two or more countries along which the corridor partners have agreed to cooperate, to apply and facilitate procedures and to provide support services, and promote regional integration and economic cooperation between neighbouring states.

Transit transport corridors link hard infrastructure (e.g. roads, rails, waterways, ports, border posts, and other facilities) and soft infrastructure (institutional, legal and regulatory framework, documents, standards, operational and logistics services, and ICT/technology) which allow for the development of a good physical infrastructure and harmonized and simple procedures along a corridor between LLDCs and transit countries, and promote coordination and cooperation among all relevant stakeholders, public and private.
Types of Corridors

There is no universal definition to corridors.

They may evolve to facilitate movement of goods and people, or support trade/transit, or the development of particular sector of the economy, or of a wider social and economic growth along the corridor; at regional/ subregional/ national levels.
• Corridors: Why they matter

• Making corridors work, and sustainable

• What UNCTAD can do to support
Transit facilitation measures

1. Bilateral / regional / multilateral transport or transit transport agreements
2. Customs transit arrangements
3. Other facilitation agreements
4. Harmonized border procedures
5. Corridor arrangements
Transit facilitation measures

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Example

Corridors Development: Bank’s Intervention

Lomé – Ouagadougou Corridor

- The Lomé port in the Gulf of Guinea serves as a transshipment hub on the West African coast & is a gateway to landlocked Mali, Niger and Burkina Faso, including the northern parts of Nigeria.
  - The Corridor forms part of the priority highways of the West African Economic and Monetary Union (WAEMU) community road network.
- The Bank supported over 300km of road on the Lomé – Ouagadougou corridor and a one stop border post between the two countries.
  - The Lomé port project involved the construction, development and operation of a new transshipment container handling terminal with an annual handling capacity of 1.5 million 20-feet container units....
Seaports and transit cargo

The good news:
An increasing awareness that transit trade is good for the transit countries!

- It is good for my own ports’ business.
- It is good for my own importers and exporters, because it helps improve shipping connectivity.
Facilitating transit trade and its transport

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The ports that connect the corridors

Chart prepared by Julian Hoffmann
The ports that connect the corridors
Institutional arrangements for corridor management (Public, Private, or PPP) and cooperation are key.
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Formalized corridor management is about getting the various parties (public and private) to coordinate, cooperate, produce plans and policies and implement targeted/focused interventions that complement efforts, in a collaborative approach.
An example of a Corridor: Transport, Transit and Trade Facilitation (1)

Northern Corridor is a multimodal corridor encompassing: road, rail, pipeline and inland waterways transport, linking the Great Lakes LLDCs of Burundi, DRC, Rwanda, South Sudan and Uganda to Kenyan seaport of Mombasa. It serves also Northern Tanzania, Ethiopia and Somalia. One of the busiest corridor in East & Central Africa handling over 30 million tonnes of cargo per annum.

Which legal framework for Sustainable Transport in NC?

❖ The Northern Corridor Transit and Transport Coordination Authority (NC-TTCA) was established in 1985 to coordinate and oversee the implementation of the Northern Corridor Transit and Transport Agreement + 11 Protocols, ratified in 1986.

❖ The Agreement was revised in 2007 to take in account new vision of Partners States aiming at transforming the Corridor into a economic development corridor that will stimulate investments, encourage sustainable development and poverty reduction, in addition to offering safe and competitive transport and transit services that secure regional trade.

Source: Northern Corridor Initiatives on Sustainable Freight Transport, UNCTAD MYEM, Geneva, 14/10/2015
An example of a Corridor: Transport, Transit and Trade Facilitation (2)

NC reforms and measures applied (e.g. Single Customs Territory, a regional customs transit system, real-time sharing of customs information, digital tracking systems, introducing cargo tracking systems, building one-stop border posts; the development of the NC Transport Observatory and the NC Performance Dashboard - web based systems to monitor the corridor performance) have resulted in:

- Dwell time in Mombasa port reduced from an average of 13 days in 2006 to 2–3 days in 2016.
- Time to move cargo from Mombasa to Kampala down from 18 days to 3 days and from Mombasa to Kigali from 21 days to 6 days.
- Border clearance times down from 24 hours to 6 hours at Malaba border crossing point between Kenya and Uganda.
- Cost of transport from Mombasa to:

  - Nairobi -56%;
  - Uganda (Kampala) -26%;
  - Rwanda (Kigali) -28%;
  - DRC (GOMA): -38%;
  - South Sudan (Juba) -37%;
  - Burundi (Bujumbura) -23%. 

NCTTCA, Impact Assessment of the Northern Corridor Performance Improvement Activities
Conditions are imposed on transit

• Infrastructure
• Means of transport
• Operation
• Services
• Goods

Transit = Trade + Transport facilitation
Multi stakeholder approach
Products conformity, standards & regulations
Commercial regulations and practices
Traffic regulations and operational practices
Vehicle standards and regulations
Design, construction, maintenance and interoperability
What conditions can a transit state impose?

**Goods**

- Customs regime
- Sanitary/phyto-sanitary
- Radioactive
- Other controls
- Prohibitions/Restrictions (e.g. arms, alcohol etc.)
What conditions can a transit state impose?

Services
• Customs broker
• Convoy
• Opening hours
What conditions can a transit state impose?

Operation

• Operators licence
• Divers licence or professional certificate
• Immigration / visa
What conditions can a transit state impose?

**Means of transport**
- Weight and dimensions
- Environmental restrictions/conformity
- Licensing / permits
- Customs requirements for loading compartment
- Insurance
What conditions can a transit state impose?

**Infrastructure**

- Use of certain facilities, e.g. roads, itineraries, railways - or corridors
- Restriction for use at certain days or times during the day
- Observance of traffic rules and regulations
A new ally: The WTO TFA
Transit in WTO context
GATT Art. V and TFA Art. 11 & more

- **Freedom of transit** i.e. both a right to be able to carry out transit and an obligation to allow transit for goods/means
- **Non-discriminatory treatment** of goods and transport means in transit
- **No delays or restrictions** of the goods and transport means in transit other than those considered as normal and set out customs treatment
- **No excessive or unlawful levies** on the goods and transport means in transit
- Transit included in other articles about transparency and formalities
### Measure description

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<thead>
<tr>
<th>List of <strong>disciplines</strong> to be applied to <strong>goods in transit</strong></th>
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<tbody>
<tr>
<td>• Limited / simplified formalities, documentation and controls</td>
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<td>• No restrictions affecting traffic in transit and transit discipline application¹</td>
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<td>• No discrimination vs. import traffic or between Members States cargos</td>
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<td>• Controls limited to the beginning and conclusion of the transit operations</td>
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<tr>
<td>• Fees limited to transportation and administration services costs</td>
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<td>• No quality controls for goods in transit</td>
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<td>• Regulations of transit guarantees² and of customs convoy</td>
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### Nature of Obligation

“Shall” obliged to implement as per description

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1. « Without prejudice to existing and future national regulations, bilateral or multilateral arrangements relating to transport, consistent with WTO rules » (§3)
2. In a manner consistent with its laws and regulations (§13)
<table>
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<th>Measure description</th>
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<tr>
<td>Making available physically <strong>separate infrastructure for traffic in transit</strong> (e.g. lanes, berths…).</td>
<td><strong>“Encouraged to”</strong> Best endeavor measure</td>
</tr>
<tr>
<td>Coordinating and coordinating with other countries with a view to enhance freedom of transit.</td>
<td><strong>“Shall endeavor to”</strong> implementation is not obligatory, but making efforts to implement the measure is mandatory</td>
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<tr>
<td>Appointing a <strong>national coordinator for transit</strong></td>
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In the 80s, the adoption of the Northern Corridor Transit Agreement was the result of 6-year development of a subregional corridor approach. Today the NCCTTA remains a reference model for the formalization of transit agreements around the world.

In 2003, UNCTAD developed a supply chain approach applied to transit transport corridors and also developed the cluster institutional collaborative arrangements solution to identify and tackle bottlenecks along the corridor.

In collaboration with UNESCAP, UNCTAD introduced the Toolkit for cross border and corridor management for LLDCs and transit countries. The toolkit combines the cluster development approach and the corridor performance measurement methodology named Time/Cost distance Model.
UNCTAD ongoing activities to develop and improve the overall sustainable performance of corridors includes:

Building institutional capacity through corridor management arrangements and regulatory framework, to strengthen the operational performance and management of corridors; promote coordination and collaboration among corridors stakeholders, public regulators, private operators, etc... E.g. IsDB and ADB cooperation

Promoting sustainability principles along corridors. Relevant principles include economic efficiency (i.e. seamless transport and trade movements, cost-effective, competitive, reliable, run smoothly and effectively, energy efficient, safe, etc.), environmental sustainability (i.e. environmentally-friendly, low-carbon, clean energy use, climate resilient, etc.), and social inclusiveness (i.e. affordable, accessible, supports rural areas and key sectoral development, etc.). E.g. Angola, Northern and Central Corridors in East Africa
UNCTAD SFT TOOLKIT

1) UNCTAD SFT Portal
https://unctadsftportal.org/

2) Training Programme

3) UNCTAD SFT Framework
https://sft-framework.org/
**i. A Self-Assessment Questionnaire:** allows for a qualitative evaluation of the current status and performance of freight transport along the three dimensions of sustainable transport (economic, environmental and social).

**ii. A filterable Key Performance Indicators (KPIs) List:** features more than 250 indicators related to sustainable freight transport. These can be used to measure performance and progress against the objectives set in the sustainable freight transport strategy.

**iii. A Sustainable Freight Transport Measures Catalogue:** includes more than 300 measures that can support the design and implementation of a sustainable freight transport strategy.

**iv. Tool** to measure CO2 emissions of corridors.

**v. Tool** to measure logistics performance of corridor and linkage with key economic sector/value chain (currently being developed).
EXAMPLE 1: UNCTAD SFT Strategy – Central Corridor

**Sustainable Economic Value Corridor**

- Reduced Emissions
  1. Reduce Air pollution
  2. Reduce GHG Emissions

- Improved Health
  1. Reduce freight transport accident fatalities
  2. Improve labour conditions

- Improved Trade Competitiveness
  1. Reduce Freight Costs
  2. Improve Energy Efficiency
  3. Reduce Travel Time and Delays
  4. Improve Infrastructure
  5. Improve freight productivity
  6. Improve accessibility and connectivity
  7. Improve security for freight movement
  8. High employment generation

- By 2030, Central Corridor is a “**Sustainable Economic Value Corridor**”
- Draft Strategy - 2018-2023
- ~ 5 targets, 18 Strategies
Course for Transit Coordinators

OUTLINE

Transit Coordination

- The importance of appointing a transit coordinator
- Process of appointing a Transit Coordinator
- The role of a transit coordinator

Other responsibilities of transit coordinators

Transit Coordinator in the Context of the NTFC, other stakeholders

Challenges faced by a TC
• Corridors: Why they matter
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Key take-aways

1. Involve the private sector. Promote PPPs
2. Involve the ports as key allies in strengthening the corridors
3. Make the corridors sustainable. E.g. UNCTAD’s sustainable freight transport tool kit, courses for transit coordinators, and support to seaports.
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