Role of International Support in Establishing efficient transit transport systems to expand trade opportunities for Landlocked Developing Countries (LLDCs)

Statement By Mr. ModiboTOURE
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Midterm review of the Almaty Programme of action
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Your Excellencies,

Distinguished Participants,
Ladies and Gentlemen,

1. On behalf of the President of the African Development Bank, Dr. Donald Kaberuka, it is an honor and a privilege to address you today on the occasion of the Midterm Review of the Almaty Program of Action. The President would have liked to be here with us in person, but is unfortunately detained by other engagements at our Temporary Headquarters in Tunis. He has, however, requested me to convey his sincere apologies, and to extend his support and that of the Bank Group for this process.

2. Five years ago, at the International Ministerial Conference in Kazakhstan, the Almaty Program of Action was adopted to address the special needs of landlocked developing countries through efficient transit transport systems. Five priority areas of action were proposed. These priority areas are: first, fundamental transit policy issues; second, infrastructure development and maintenance; third, international trade and trade facilitation; fourth, international support measures; and fifth, implementation and review.

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3. Allow me to begin with a brief assessment of the situation in terms of trade and transport in Africa. As a result of rising commodity prices, especially for oil and metals, trade—though still low—is a critical factor in Africa's recent economic resurgence. Africa's exports grew by 21 percent in 2006. Imports grew by 14 percent. In 2007, trade accounted for 80 percent of GDP.

4. Despite the high share of trade in Africa's GDP, its share of trade with the outside world and within the continent is very little. Intra-African trade is just 9 percent of its trade flows, while its share of global trade remains extremely low at only 2.4 percent. The bottom line is that Africa's trade is not diversified. About 80 percent of Africa's exports are made-up of agricultural, fuels and mining products.

5. A number of factors constrain Africa's participation in global trade. One of the critical binding constraints is the cost and efficiency of the transport network. Estimates in the Africa Competitiveness 2007 Report show that indirect costs account for 30 percent of tradable products cost, of which transport bottlenecks are a major part.

6. Africa's transport systems have hardly changed from the colonial networks that were designed for the purpose of accessing raw materials. They are poorly integrated, lack common standards and in most cases, are badly maintained. The problem is most severe in landlocked countries, and 15 out of the 31 landlocked countries world-wide are

located in Africa. These countries are affected by the poor state of transport links on the continent and are isolated from major air and maritime routes.

7. As a result, transport costs in landlocked countries average 14 percent of the value of exports compared with 8.6 percent for all developing countries. In some countries, such as Malawi, Chad and Rwanda transport costs can, respectively reach as high as 56 percent, 52 percent, and 48 percent of the value of their exports. In Uganda transport costs sum up to the equivalent of an 80 percent tax on clothing exports.

8. In addition, customs requirements result in considerable delays at border posts accounting for close to 40 percent of transport time. The requirements are cumbersome involving a lot of red tape and mainly conducted manually despite the existence of computerized customs systems.

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9. Turning briefly to the African Development Bank's focus on improving the competitiveness and trading opportunities for African countries, with particular attention on landlocked countries, let me emphasize the following.

- The Bank is involved in key regional infrastructure development initiatives within the framework of the New Partnership for Africa's Development (NEPAD), adopted in 2001. Since 2002, close to US$ 750 million have been invested in transport corridor projects throughout Africa and more resources will be allocated to key trans-frontier schemes needed for inter-continental connections. To this effect, for the period 2008 – 2011, the Bank has allocated about US$ 1.6 billion of its concessional resources to multinational infrastructure projects.

- However, this amount is a far cry from the estimated infrastructure financing gap of US$ 20 billion. ODA resources earmarked for infrastructure projects, at US$ 6 billion in 2006 cannot close the gap. In addition, private sector participation in infrastructure remains limited. For instance, private sector investments in international port facilities and handling in Africa is estimated at 20 percent of total investment. However, private sector participation has been instrumental in the modernization of ports in Djibouti, Cameroon, Nigeria and Cote d'Ivoire.

- The AfDB is fully committed to, and supporting, one-stop-border posts projects in East, Central, West and Southern Africa in collaboration with other donors and strong participation of Regional Economic Communities. These projects will address long standing bottlenecks at ports and border crossing points. In this context, the AfDB is assisting the East Africa Community (EAC) in piloting a project in East Africa under the East Africa Trade and Transport Facilitation Project and also implementing a strategy for data exchange between customs administration. This is crucial in today's interconnected electronic environment.

- Further, the AfDB is assisting member countries in the implementation of regional instruments, through corridor authorities such as the Northern Corridor Transit Transport Coordination Authority, Central Corridor Transit Transport Facilitation Agency in Dar-es-Salaam, Tanzania, and the Tema-Ouagadougou-Bamako Corridor Management Committee.

- Finally, an AUC-AfDB-NEPAD coordinated program was recently launched to identify integrative projects at the continent level, prioritize and classify them hierarchically as well as define continental policies on infrastructure.

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10. Let me note that efforts by the Bank to improve Africa's infrastructure networks need commensurate concrete actions by National and Regional institutions. The legal, regulatory and institutional frameworks need to be adapted; procedures must be simplified and harmonized; communication technologies and custom systems modernized.

11. In this regard, we commend the efforts by RECs notably West African Economic and Monetary Union (WAEMU), Economic Community of West African States (ECOWAS), and Common Market for East and Southern Africa (COMESA) in spearheading transport facilitation instruments to harmonize vehicle standards and loading restrictions. Similarly, the introduction of regional transit bonds, regional carrier licenses, a common inter-State road transport document, a customs transit guarantee system, and a third party insurance program, are steps in the right direction. Nevertheless, full incorporation of these steps into national laws has yet to be achieved and more action is needed.

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12. In conclusion, the challenges that Africa faces are huge, and as such require concerted efforts. While ODA may play its role, there is need to harness the participation of other partners. In this regard, the AfDB is playing combined roles of development financier, advisor and catalyst in mobilizing resources through partnerships that include the private sector.

13. Developing efficient transport corridors that link landlocked countries to efficient trade routes is complex because of the myriad of cross-sectoral issues involved. Nonetheless, the integration of the African economies into the global economy depends on them and regional integration is a fundamental ingredient for Africa's future prosperity. The AfDB attaches utmost importance to investments in infrastructure for growth and sustainable development. The Bank shall therefore continue to provide assistance to member countries and the RECs to improve their regional logistic chains. This is a common challenge. It is in our common interest.