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How Can Transport Infrastructure Impediments Be Improved to Boost Intra-Africa Trade?

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Executive Summary

In Africa, the effects of inadequate transport infrastructure such as increased production and transportation costs, poor quality products and low trade volumes are critical. For landlocked countries, the challenges are more severe as they incur higher costs of transport when moving goods from the seaport to the final consumer. Therefore, improving connectivity between ports, roads, rail and air modes of transport is vital to realize sufficient transport infrastructure, address limitations to trade flows across borders, movement of people, information, and capital, since these factors greatly affect Africa's regional integration and development. This brief highlights how these hurdles can be addressed to boost intra-Africa trade, and recommends that:

- African governments simplify regulatory frameworks to expedite the approval processes for infrastructure projects and regulations across borders.
- African governments strengthen public-private partnerships to attract funding for big infrastructure projects and lessen the financial burden on national governments.
- Regional economic communities support national governments to collaborate and develop multi-modal transport networks such as establishing intermodal hubs at strategic locations near border posts to enable efficient transfer of goods between different modes of transport across Africa, particularly for landlocked countries.
- Collaboration among African governments should be strengthened by regional bodies to increase regional security collectively, to guarantee security and safety for the movement of goods and people across borders.

The Challenge

In Africa, the transport infrastructure system mainly made up of roads, railroads, ports, and airports is inadequate and inefficient. This results in increased production and transportation costs, poor quality products and low trade volumes. Africa has approximately 31 kilometres of paved road per 100 square kilometres of land compared to 134 kilometres in other low-income countries. Also, the cost of freight in Africa is three times higher (except North Africa) than other emerging regions.[i] Therefore, Africa is disadvantaged especially the landlocked countries because they incur more transport costs via road to move goods from the port to the final consumer. This is partly attributed to the geography of the continent comprising 16 landlocked countries out of 55, (which the highest of any continent) and low purchasing power of the population, rendering road transport vital for the continent's economic and social development. Improving connectivity between ports, roads, rail and air modes of transport is thus vital to realize sufficient transport infrastructure.

Funding is another constraint for many African countries because they lack sufficient resources to maintain roads regularly which speeds up their wear and tear. African governments have in the past funded a considerable proportion of the continent's infrastructure development projects, however long-term infrastructure investment has not been sustained due to budget constraints. Landlocked countries particularly have scarcer resources to invest and maintain transport infrastructure and fewer economic opportunities compared to countries with direct access to the sea. On average, Sub-Saharan countries spend about 2 percent of Gross Domestic Product (GDP) on roads. For example, in Madagascar, Malawi, Mozambique, and Niger, the asset value of the road network surpasses 30 percent of GDP, which shows that road maintenance is still a big obstacle in the region.[ii] Hence, countries budget approximately 30 percent of road expenditure on average for maintenance as opposed to the standard of more than 50 percent.

Moreover, less than half of the countries are allocating adequate resources towards necessities for periodic maintenance while several find themselves in a vicious cycle of budgets that are low maintenance, which leads to poor road networks and further affects the opportunities to attract Foreign Direct Investment (FDI) in the region.[iii] Addressing this challenge thus requires collaboration between governments and private sector players to minimize these budgetary constraints in order to maintain and sustain transport infrastructure investments in the region.

The African Development Bank suggests that once transport costs are reduced, trade is likely to increase by 25 percent.[iv] For landlocked countries however, infrastructure related challenges are more severe as they incur higher costs of transport when moving their goods from the seaport to the final consumer. It is evident that transport costs account for 30-40 percent of final commodity prices in Africa, but for landlocked countries this soars to 60 percent.[v] Countries such as Uganda, Zambia and Rwanda export less due to high costs of transport. For example, transporting a 20ft container from Mombasa to Nairobi (481 km) costs USD 1.77 per kilometre, whereas from Mombasa to Kampala (1,169 km) it averages USD 1.97 per kilometre.[vi] Delays have been recorded at the border points such as Busia and Malaba which have negatively affected the total cost of transporting cargo in transit.

In addition, seaports in Africa lack capacity to handle shipments which results in major delays and high costs of handling cargo. Ineffective connectivity between road transport and ports further exacerbates this challenge. The alternative is to establish dry ports or inland ports to provide linkages to roads, railroads, and waterways. Inland ports are often situated at major rail stations and combine customs services and bonded warehouses and thus can reduce transport costs and speed up containerization all over Africa if well-developed. They also ease the movement of goods from the producer to the buyer without requiring them to go through customs processes, or any other administrative requirements except the transfer between the different modes of transport. With regard to landlocked countries, dry ports are increasingly becoming important to access better services from distant seaports and offer opportunities to improve Africa's logistics significantly. Several countries in Africa have developed inland ports which serve an enablers for transferring shipments from one transport mode to another and as distribution centres in the region.[vii] Ethiopia for example took initiative to facilitate trade by way of signing an agreement with Somaliland, to utilize the Red Sea port of Berbera on the Somaliland coast via the Bab al Mandeb strait which is located between Djibouti and Yemen.[viii] Ethiopia depends on Djibouti for most of its maritime trade, so signing the agreement provides prospects for better access to the sea and ease movement of goods across the border.

Other challenges relate to air and rail transport. Air transport is expensive, the number and capacity of airports is lacking, and the level of safety measures is insufficient. The degree of market access in air transport is determined by bilateral agreements that are characterized by restrictions such as quotas which often results in weak transport networks and higher fares due to lack of competitiveness.[ix] Rail transport on the other hand is deficient, despite being more cost-effective over long distances in comparison to road transport. The level and quality of the rail transport infrastructure is very weak, and the demand is very low. It is also noted that the transport costs in Africa are higher than other parts of the world, which makes the total cost of transport to soar above the value of goods in transit. Hence, developments in transport infrastructure in form of investment in roads, railways, ports, and airports are requisite to boost trade flows and benefit African countries particularly landlocked ones.

Shortcomings of Current Approaches

At the continental level, countries in Africa recognize the value of effective transport infrastructure and connectivity in enhancing cooperation and regional trade, as manifested in the policies and frameworks for infrastructure development, and improvement in customs and border processes, such as those enshrined in the African Union (AU) Agenda 2063 and the African Continental Free Trade Agreement (AfCFTA). Infrastructure development under Agenda 2063 of the African Union (AU) aligns with the goals of the AfCFTA and aims to promote infrastructure development which supports economic transformation and regional integration. By promoting large projects via the Programme for Infrastructure Development in Africa (PIDA), integrating transport, energy, ICT and trans-boundary water networks; the AU strives to bridge Africa's infrastructure gap, enhance trade, growth and job creation.[x] However, these initiatives need to be implemented to realize AU's Agenda 2063. In addition, as the African Continent becomes more integrated, via the AfCFTA which is expected to significantly boost the demand for intra-Africa freight,[xi] and estimated to increase real incomes by approximately USD 450 billion; addressing the existing challenges which hinder its full implementation is equally important.

As earlier mentioned, many governments in Africa have little or no public resources to fund large-scale infrastructure projects. It is estimated that about USD 130 – USD 170 is required to annually bridge infrastructure deficits in transport, water, and electricity in Africa.[xii] Productive spending by the government on infrastructure (such as roads, transit etc) and human capital may significantly contribute to spur economic development and boost private investment.[xiii] This requires strengthening collaboration with various stakeholders to secure funding, and technical knowledge to undertake large-scale infrastructure development.[xiv] Additionally, joint efforts by national governments and the private sector through favourable and supportive policies can facilitate investment in good quality transport infrastructure development and increase trade competitiveness among State Parties.

Lastly, peace and stability are prerequisite for the trade flows and investment across borders.[xv] When borders and air spaces are closed due to political instability, cross-border infrastructure projects are disrupted such as regional railways that necessitate coordination among several countries, as they might result in delays or cancellations. Even in situations where strong transport policies are in place, the absence of political will to follow-up on long-term plans can prevent their effective execution. Alluding to the suspension of Niger, Mali and Burkina Faso from the Economic Community of West African States (ECOWAS) based on political factors, and their announcement to exit the community could significantly affect regional integration initiatives under the AfCFTA, as it is hinged on the pillars of regional economic blocs.[xvi] Accordingly, long-term regional policies under regional arrangements should be effected, to minimize changes and disruptions in recognized trade patterns due to political uncertainty.

Conclusion

Despite efforts by African countries to implement policies intended to improve transport infrastructure both at national and regional levels, limitations remain due to funding constraints, high transport costs, and political instability among others. These affect maintenance and investment in sustainable transport infrastructure, and slow down integrated infrastructure development and trade flows across the continent. Hence improving transport infrastructure via implementing transport related policies, and attracting sustainable investment, will be key to boost trade and foster regional cooperation.

Recommendations

The following recommendations arise from this scrutiny:

- African governments need to simplify regulatory frameworks to hasten the approval processes for infrastructure development. The national frameworks should be harmonized with regional and international policies to maintain regulatory consistency and reduce variations in regulatory frameworks. Transit countries should create road maintenance schedules which can be incorporated in their national development plans for regular reference.
- African governments should strengthen public-private partnerships to attract funding for big infrastructure development projects, lessen the financial burden on national governments and leverage efficient expertise from the private sector. This can be effective if regulations on investment modalities under regional initiatives such as the AfCFTA can be clear to improve access to foreign and private investments via regular flow of information and consultations between government entities and the private sector.
- There is need for African governments with support from regional communities to develop multi-modal transport networks which blend road, rail, air, and maritime transport to improve efficiency and cost effectiveness in the movement of goods and people across the continent. For example, intermodal hubs can be created at strategic locations near border posts to enable the transfer of goods between different modes of transport, and these hubs must be equipped with advanced logistics and handling facilities. This will ease the movement of goods from the seller to buyer more particularly for landlocked countries in terms of quicker transit times and reduced transport costs and hence increased trade flows and connectivity.
- Regional bodies should encourage and strengthen collaboration amongst African governments to collectively increase regional security, via consolidation relationships among the factions affected. Governments can agree on the adoption of a regional agenda for the AfCFTA to strategize and promote peace and security by leveraging on relations between leaders, governments and people, as a way of promoting regional integration. In turn, this will guarantee security and safety for the movement of goods and people across the border.

Endnotes

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