



***Are road investments alone
sufficient to mitigate the cost of
being landlocked?
The case of Sub-Saharan Africa***

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Presentation outline

- I – The current paradigm to tackle the cost of being landlocked and its results,
- II – Why has road investment not produced the expected impact?
- III- What should be undertaken to tackle the cost of being landlocked and develop trade in SSA?



What has been the emphasis to tackle the cost of being landlocked in SSA?

Three main sets of actions:

1. Lobbying for trade preferences,
2. Developing regional agreements,
3. Developing and advocating for regional transport infrastructure,

World Bank alone invested close to USD14 billion from 1970-2007 in Africa (mostly on corridors).



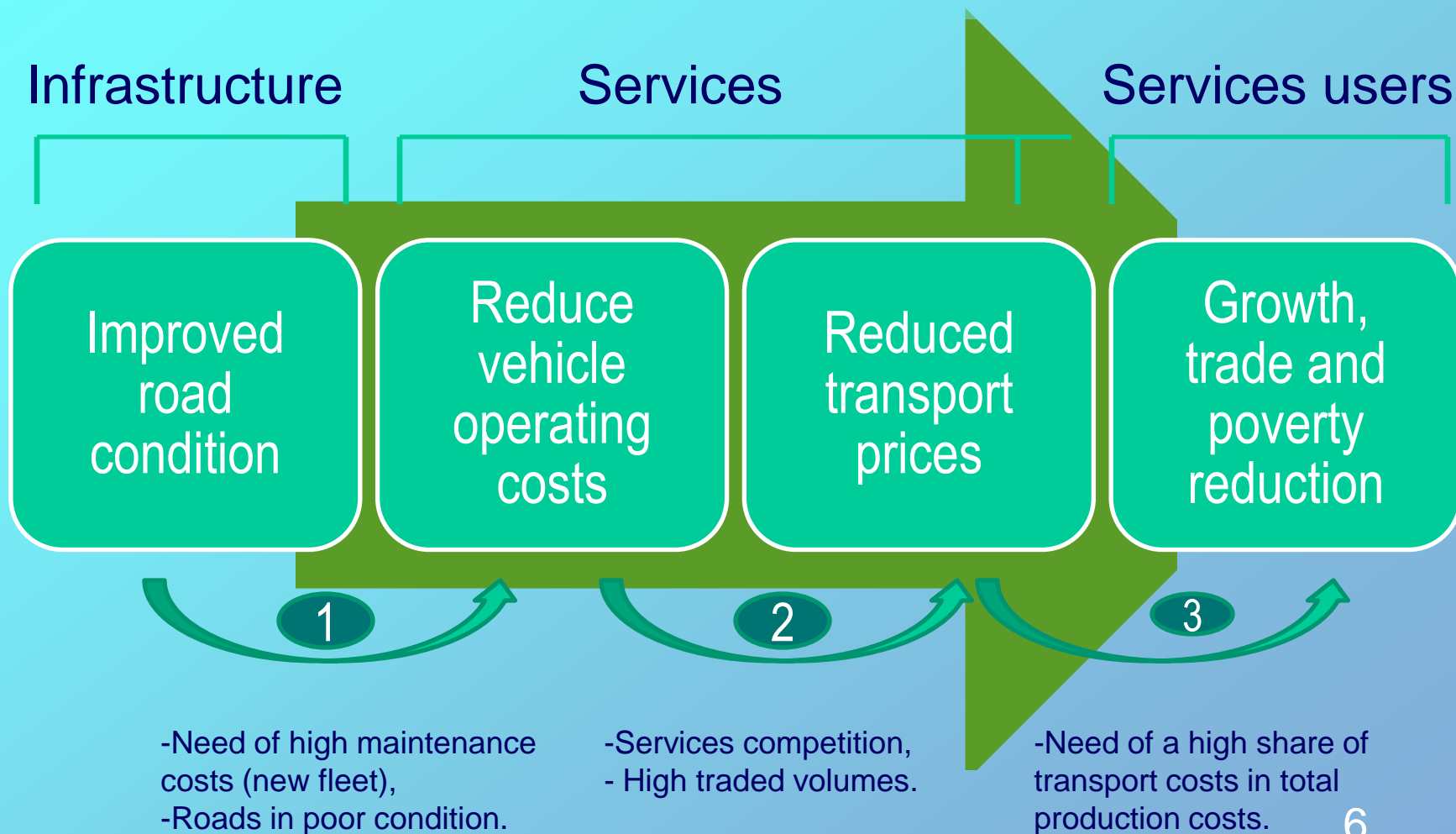
What has been the result of the past initiatives?

- Transport prices in Africa remain the highest in the world,
- Most regional transit agreements remain on paper,
- Despite a strong emphasis on corridors (SDI initiative), examples of successful trade corridors in SSA are not numerous.



II – Why has road investment not produced the expected impact?

How does the link between road condition, international trade and poverty reduction work?



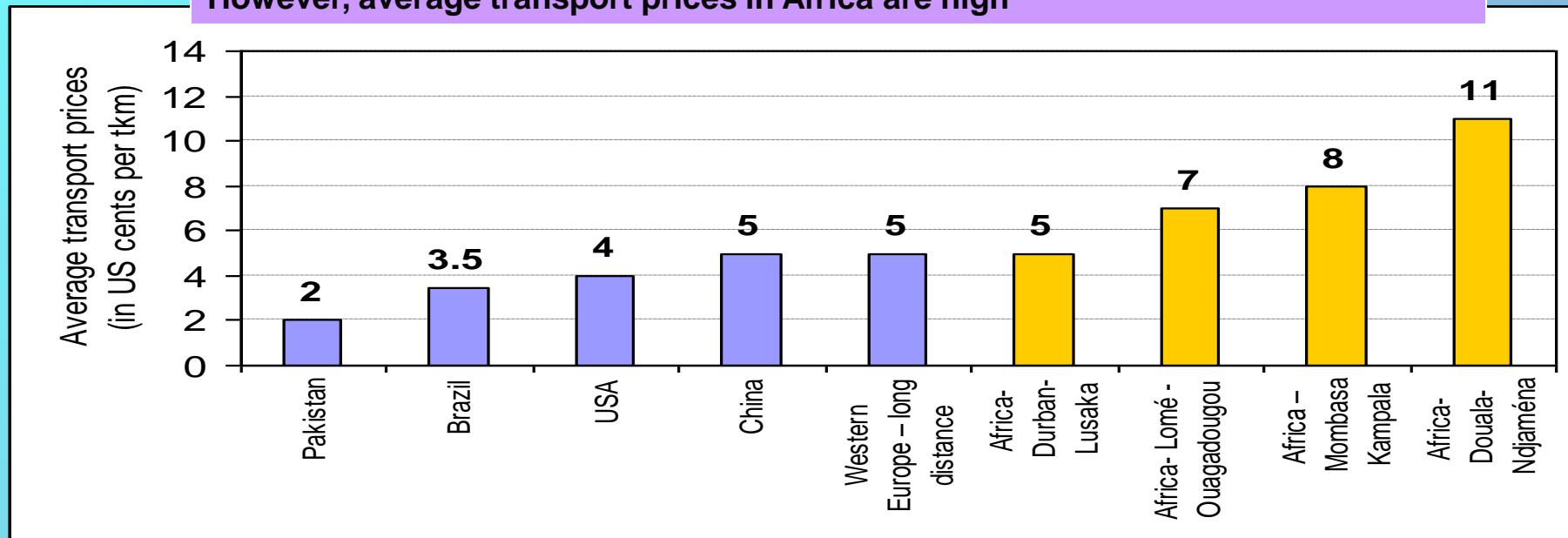
The forgotten factor: transport services



Transport costs are not excessively high compared to France

	Central Africa	East Africa	West Africa	Southern Africa	France
Variable costs (USD per veh-km)	1.31	0.98	1.67	1.54	0.72
Fixed costs (USD per veh-km)	0.57	0.35	0.62	0.34	0.87
Total transport costs (USD per veh-km)	1.88	1.33	2.29	1.88	1.59

However, average transport prices in Africa are high





The forgotten factor: upgrading road condition is not necessarily justified economically

Internal rate of return of infrastructure rehabilitation in three African sub-regions

		West Africa		Central Africa		East Africa	
		50 km project	100 km project	50 km project	100 km project	50 km project	100 km project
Fair to Good	Min. traffic	<0%	<0%	<0%	<0%	7%	0%
	Max. traffic	<0%	<0%	<0%	<0%	30%	15%
Poor to Good	Min. traffic	<0%	<0%	<0%	<0%	38%	20%
	Max traffic	8%	1%	12%	3%	127%	65%



The forgotten factor : procurement

In an environment where markets are thin and institutions face corruption and strong political interference, misprocurement, bid rigging, collusion are sometimes a common practice (especially for rural roads),

⇒ Works are extremely expensive in SSA and,

⇒ Quality of works is sometimes very poor and with a very short life.

Impact of various measures on prices and costs



In a cartelized environment:

Measures	Decrease in transport costs	Increases in sales	Decreases in transport price
Rehabilitation of corridor from fair to good	-5%	NS	+/- 0%
20% reduction of border-crossing time	-1%	+2/+3%	+/- 0%
20% reduction of fuel price	-9%	NS	+/- 0%
20% reduction of road informal payment	-1%	NS	+/- 0%

In a competitive environment:

Measures	Decrease in transport costs	Increases in sales	Decreases in transport price
Rehabilitation of corridor from fair to good	-15%	NS	-7/-10%
20% reduction of border-crossing time	-1/-2%	+2/+3%	-2/-3%
20% reduction of fuel price	-12%	NS	-6/-8%
20% reduction of road informal payment	-0.3%	NS	+/- 0%

- **Under a cartelized environment:** Transport costs are highly sensitive to the fluctuation of fuel price, but transport costs reduction does not lead to any price reduction.
- **Under a competitive environment (with high traffic):** Transport costs show higher degree of sensitivity to fuel price and road condition, and the reduction in costs has a trigger down effect to price reduction.
- **Under both market environment:** TC and TP are not sensitive to road informal payments.



III – What should be undertaken to tackle the cost of being landlocked and develop trade in SSA?



Where should be the emphasis on trade facilitation? Not road condition as such...

Most important delays occur in ports and not on roads...

	Port	Trans	Dry port	Border	Transp	Clear.	TOTAL TIME
Douala-Ndj	24	4	8			3	39
MSA-Kam	13	4	1		1	2	21

The main reasons:

- Cumbersome procedures (transit) and collusion/corruption between controlling agencies and customs brokers,
- “Strategies” from part of the private sector (customs brokers, importers); port as a storage area.



What should be undertaken? The right sequencing

1. Liberalization of logistics-related sectors (trucking industry, freight forwarders...) to create incentive of increased performance,
2. Reduce rent-seeking activities to smooth border-crossing by revising procedures and a Customs reform,
3. When sufficient traffic (150 trucks per day), rehabilitate corridors.

Win-win for countries but not for individuals...



Many individuals *in landlocked and transit countries* would considerably lose in case of facilitated transit trade: protected trucking companies, chambers of commerce perceiving fees for transit carnets, owners of trucks...

=> Coalition of interest for the *statu quo* all the more as the potential losers are powerful.

Lessons from regional projects under supervision



- **Importance of strong drivers in countries:** implementation is usually carried out at the country level not at the regional level,
- **Port/Customs combination is key to drive the initial facilitation process,**
- **Implement the concept of joint border post is extremely difficult;** therefore, it should be undertaken with caution.



A possible different approach – lessons from performance contracts in Cameroon customs

Experiment started in February 2010 for an initial period of six months in Cameroon customs (after 18 months of indicators monitoring). Two main offices under contract (76% of the national customs revenues). 20 people under contract (17 frontline officers). 8 indicators per customs officer

An individual contract between the DG and officers/managers : commitment between both parties (objectives, means given by the DG, recognition and sanctions, conditions to revise the contract, signatures)

Balance between trade facilitation and fight against fraud/revenue collection with a limited number of objectives

Results of the experiment and lessons



- **Rapid results** in terms of *increased revenues* (15 million USD in 6 months compared to the previous period), *trade facilitation* (83% of declarations are assessed the day they are registered), *corruption* (divided by 3 for firms surveyed), and *bad practices*.

- **What is specific to Cameroon customs?** Relatively easier to show results in customs because of an easier measurement of customs officers practices and leadership role of the DG of customs in Cameroon.

BUT need to launch pilots (to start below the radar) to demonstrate that results can be achieved in a relatively short period of time and then have a “catalytic” effect.

BUT need to know organizations from inside (which requires months of investigation), need to build trust with institutions management and need of specific technical skills .



In conclusion, the cost of being landlocked does not mainly derive from...

- Transport time from port exit to landlocked countries,
- Bad road condition along the main international corridors,
- A lack of regional agreements,
- Technical problems on transit and a technological gap.

The cost of being landlocked mainly derives from...



- Delays and unpredictability in ports,
- Rent-seeking activities and governance problems (customs, controlling agencies, quotas...), including in landlocked countries,
- Protection of trucking services of landlocked countries,
- Bad practices from the private sector (customs brokers, importers...).

Thank you for your attention !