AID-FOR-TRADE: CASE STORY

WORLD BANK

East Africa Trade and Transport Facilitation

A World Bank effort in East Africa has lowered transit costs and transport times along a key road route linking Kenya's international seaport at Mombasa with Uganda and other countries in Africa's interior, aiding trade between these interior countries and the outside world.

The $260 million East Africa Trade and Transport Facilitation Project is aimed at improving the movement of cargo along the Northern Transport Corridor, which makes its way inland from Mombasa through Nairobi to Kampala, Uganda, crossing the Kenyan border at Malaba. After the Malaba crossing, the corridor splits, with one leg going to Kampala, Rwanda and the Democratic Republic of Congo, and the other to southern Sudan. It is a vital trade link for landlocked countries in the region; 95 percent of the goods that are imported into, or exported out of, Uganda pass through the port of Mombasa. There is a rail line on the route but 90 percent of the cargo on the corridor travels by road.

From 2006 to 2009, trade volume at the port of Mombasa grew at close to 9 percent a year, with most of that cargo going along the Northern corridor – along with bilateral and other domestic trade. Therefore increasing the capacity and efficiency along the corridor is important, otherwise it can become a constraint to further growth.

The World Bank project, which began in 2006, is aimed at tackling delays, inefficiency and other problems plaguing the corridor, the sorts of problems common elsewhere in the developing world. It is being conducted along with other, complementary projects supported by the Bank and other agencies such as theEuropean Union, African Development Bank, Japan International Cooperation Agency and the United Kingdom's Department for International Development, mainly in road and other infrastructure improvements.

Northern Transport Corridor transit times at the border have now been reduced from three days to three hours. Moreover, dwell time at the port of Mombasa is down from 19 to 13 days, and transit time along the Mombasa-Nairobi-Kampala section of the route has dropped from 15 to five days. This overall drop in transit times and costs eases the movement of cargo along the route.

"What it does," according to a senior specialist with the World Bank, "is it increases vehicle utilization."

"So where trucks were doing maybe 1½ trips per month, now they can do more than three trips a month. So from a transport cost perspective, for the fixed-cost component, you are now spreading that over more trips, which means you are reducing the actual transport cost … which should also then translate to reduced prices for the users of the transport system," he said.

There were a number of specific problems contributing to delays along the route. For example, cargo was taking three to five days for clearance at the Malaba border crossing because shipments were processed by both Kenyan and Ugandan customs and other agencies. Meanwhile, corruption has historically been common at the several weighbridges – which are in place to help preserve the newly rehabilitated road infrastructure – especially between Mombasa and Malaba. Although some of the high transport costs have been due to the poor state of infrastructure or to fuel prices, much of the total was from delays caused by regulations, inefficiencies and corruption.

The World Bank project has supported a number of steps, including systems for information sharing among agencies at the Mombasa port, which has lowered processing times. Efforts at the border have taken two tracks, both involving increased cooperation between Kenyan and Ugandan agencies. One involves joint inspections of cargo so that it is only done once, and the other involves exchange of electronic information, so that when cargo arrives at Mombasa its particulars are transmitted to the border and shared among agencies there. Efforts are also underway to develop a one-stop border post.

"Work has been simplified and you find that a truck can be cleared within 15 minutes on both sides," according to Benjamin Okware, a clearing agent with Kenfreight Uganda Ltd.

"We are encouraging the clearing agents and the business community to prelodge their documents before the trucks come. So we are doing this to reduce the time of clearance," Otyama Francis, a manager in the Uganda Revenue Authority, said.

In addition, according to a World Bank specialist, the project "is funding some weighbridges, but they are by no means enough – the infrastructure alone is not sufficient. You need good enforcement as well as cooperation between the private and public sectors."

According to one freight executive, distribution and transportation costs along the corridor have been more than 35 or 40 percent of final product costs.

"So reducing it and easing it is a way of reducing the cost of goods and services," he said.

Ameliorating the delays along the route is critical, as trade links are important for these inland countries, not only for the direct benefits of trade, but for benefits spreading through their societies, all the way out to small-scale farmers.

Tea, which was Rwanda's top export in 2001 and accounted for 25 percent of government revenues, provides employment for thousands of small farmers and workers. In Uganda, the manufacture of cooking oil and its export to the region employs thousands and brings tax revenues to the government from business.

Both industries rely on the Northern Corridor – Ugandan companies must import raw materials for oil and Rwandan tea factories must send their tea almost 1,700 kilometers to warehouses and auctions in Mombasa. Higher transportation costs in Africa cut into farmers' profits and mean higher costs for basic consumer goods.

Silas Kanamugire, former Rwandan Minister of Public Works, Transport and Communications, has described his country's national economy as depending "on products like tea, like coffee, of which the majority is cultivated by rural, isolated farmers."

"These are not big farms, they are owned by small farmers," he said.

"So," according to Mr. Kanamugire, "if you succeed in reducing the international transport costs … you will increase the farming revenue that improves … the chances for the farmer to receive a much better price for his coffee or tea or other export products."

Robert Byaruhanga, head of logistics for Kyagalanyi Coffee Ltd. in Uganda, has called the benefits for companies like his "really direct," saying "if you are able to load coffee here and take it to Mombasa in five days, you would be saving about 15 days in financing costs."

"It used to take such a long time, you would, on average, be working with about 40 to 50 days to arrange coffee from Kampala to shipment on a vessel. However, today, we do all that in a space of between 18 to 23 days," he said.

At the same time, a Bank official stressed that while the project has helped to improve the situation, more work needs to be done. There are still problems along the corridor.

"As trade volumes increase it is important to also continuously improve both capacity and efficiency of the corridor. For instance despite the fact that the border is much better than before and clearance times have come down, the border post still looks congested because there just isn't enough capacity, for instance, for vehicles," he said.

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