



Regional Trade Facilitation Programme



The North-South Corridor: An Aid for Trade Initiative

Meeting of Stakeholders
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World Bank Room MC4-100

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The Problem:

The cost of doing business in east and southern Africa, especially in landlocked LDCs, is prohibitively high. This is partly because of internal transport prices. Prices (as opposed to costs) are set by the market and depend on the openness of the transport sector (open competition vs cartels); demand for transport both ways, time and costs (fuel, tyres, maintenance, formal payments and informal payments). Trade facilitation and liberalisation in its broad definition can help reduce costs (and prices) and allow producers to become more efficient, favouring economic growth and poverty alleviation.



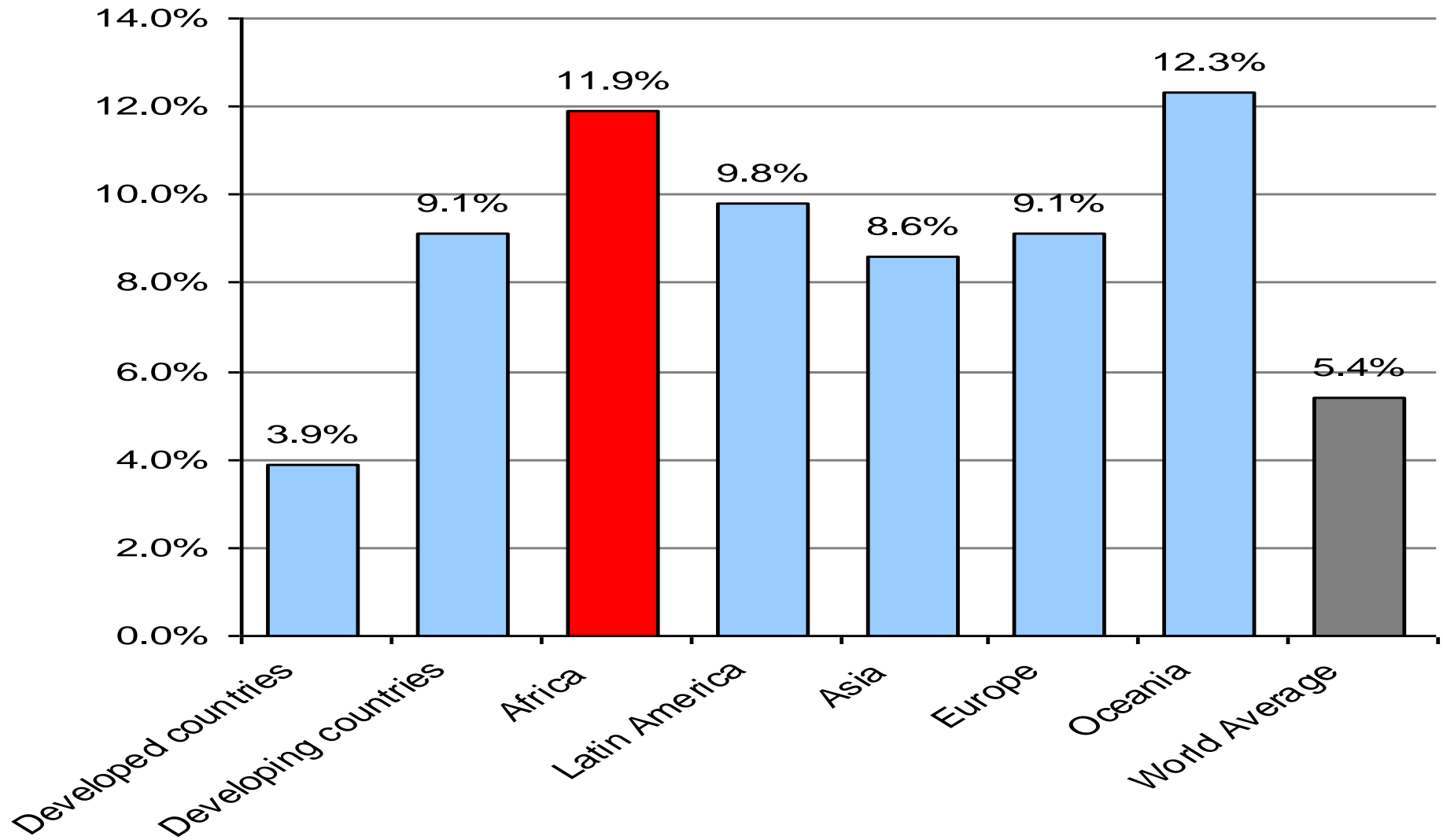
WTO estimates transport costs for most SSA countries at about 5 times more than duties paid.

Country	Transport cost as a share of value of exports (%)
Zambia	17
Zimbabwe	16
Malawi	56
Mali	36
Rwanda	48
LDCs	17
Developing countries	9

Source: UNECA



Freight Costs as a Percentage of Import Value



Source: UNCTAD, "Review of Maritime Transport, 2005," Chapter 4, based on data supplied by the IMF.



Poverty Alleviation through Economic Growth

Domestic Fiscal Policies

Increased levels of Trade

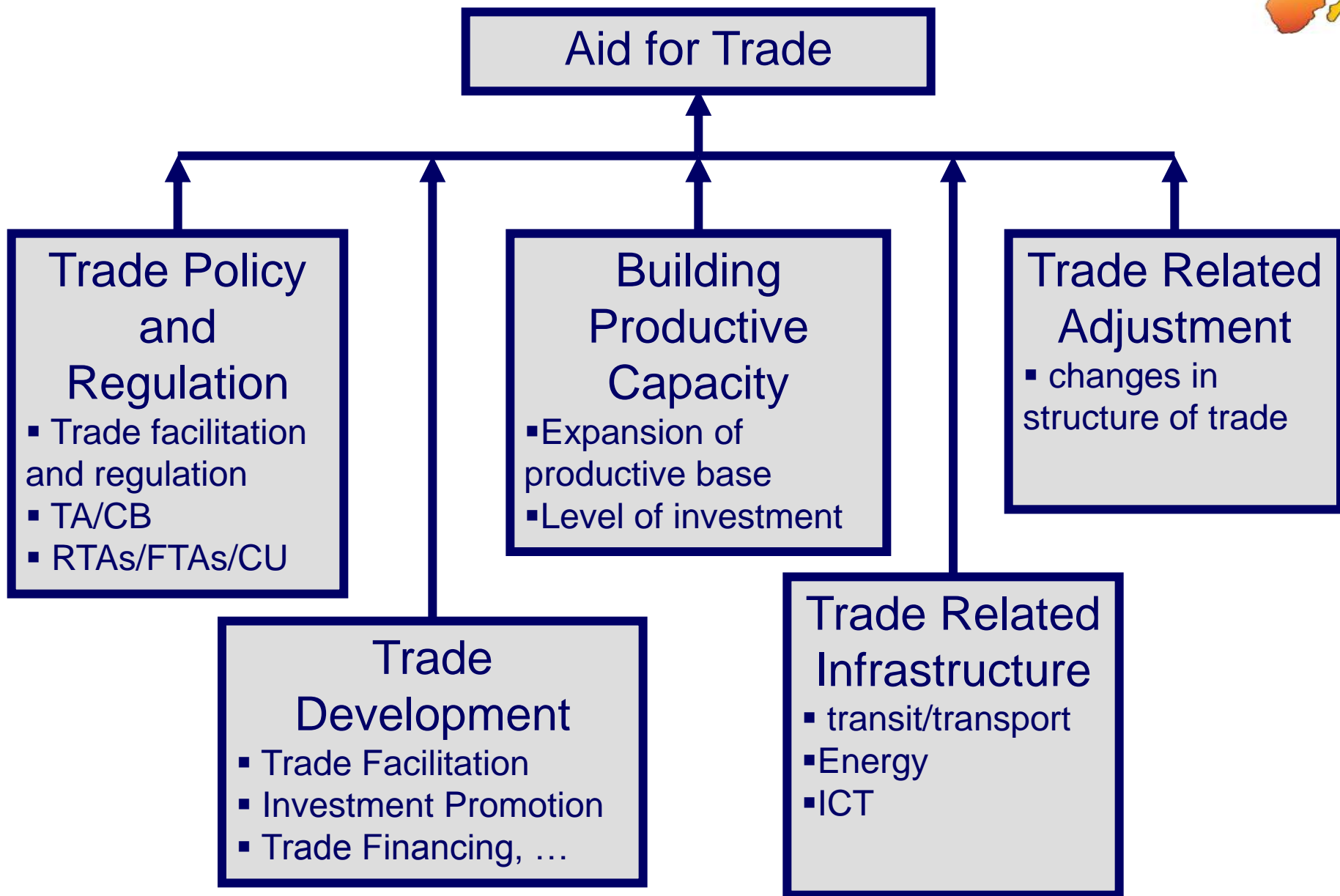
Investment Policies

Market Access:

- Regional Trading Arrangements
- Multilateral tariff reform
- Improved Rules of Origin
- Preference Margins
- etc

Removal of Production and Competitive Constraints:

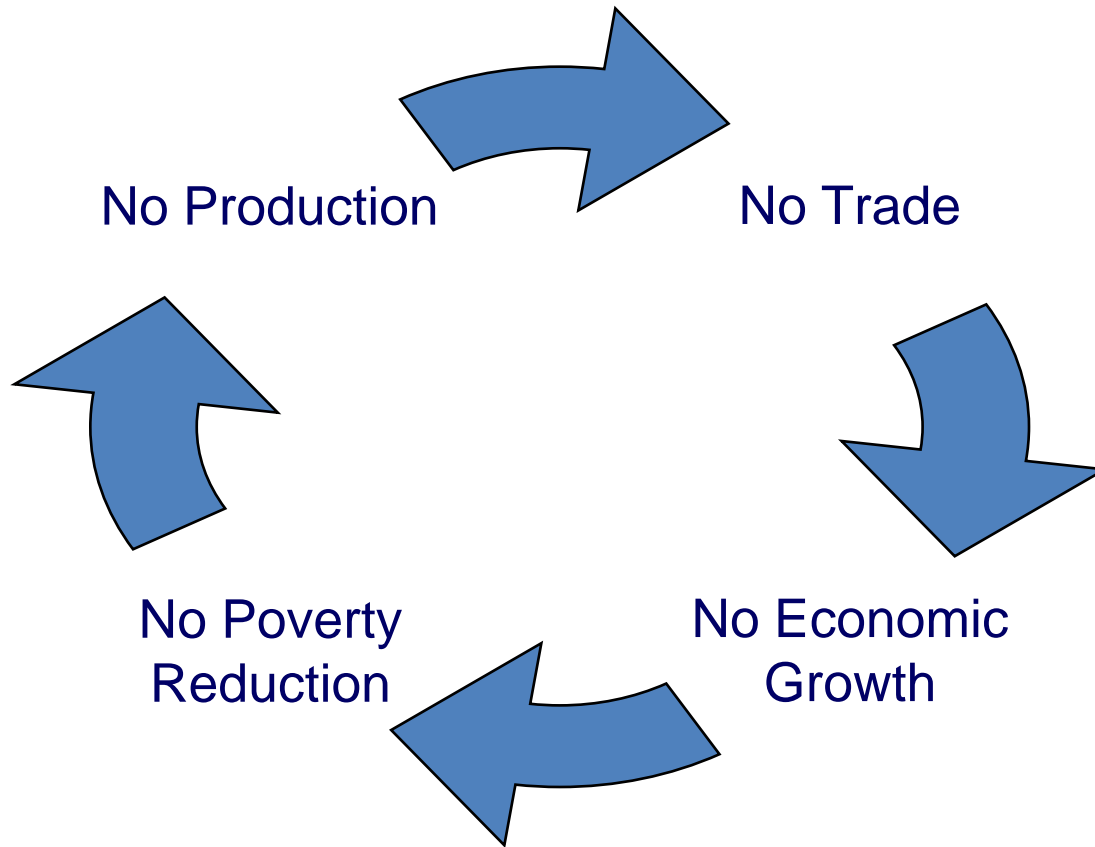
- Aid for Trade**
- Foreign Direct Investment
- Regulatory Environment
- etc





The Aid for Trade Solution and the DDA:

A successful conclusion of the DDA would reduce tariff barriers but to take advantage need to address supply side issues - need AfT supply-side solution.



N-S Corridor and GIS mapping (www.rtfp.org)



On behalf of the COMESA-EAC-SADC Task Force, RTFP has developed a GIS map that shows:

- Main roads and state of the roads, with photos, and a database of distances/times taken between points;
- Railways of the region with photos of the railways, databases of characteristics and proposed projects for improvements;
- Border posts with times taken to cross and photos;
- Ports with main characteristics, proposed projects and photos;
- Mining areas with production figures and estimations of future production; and
- Traffic simulations showing effects on the transport systems.



Regulatory and Administrative issues:

- Customs Union and FTAs
- Reform/deregulation of the transport sector
- Rules of Origin reform
- Harmonised SPS and NTM regulations
- One-Stop Border Posts
- Trade Facilitation measures:
 - Regional customs bond guarantee system
 - Harmonisation of customs documentation
 - Harmonised vehicle regulations
 - Regional carriers license
 - Regional 3rd party insurance



Sequencing and Multi-Modal Solutions:

Sequencing: Sequencing of interventions is of vital importance if the user is to benefit.

Inter-Relations: What effects improvements in one sector have on another – for example, deregulation of the road sector without an effective regulatory environment and equivalent deregulation on the railways will not lead to more efficient transport and transit networks. The regional axle load limit is 56t for 7 axle rig and overloading makes road transporters more competitive and profitable.

Improving customs procedures at Kasumbalesa **ON ITS OWN** will not reduce transport times and costs to and from Kolwezi – approximately 100 loaded trucks a day go south and 300 loaded trucks a day go north.

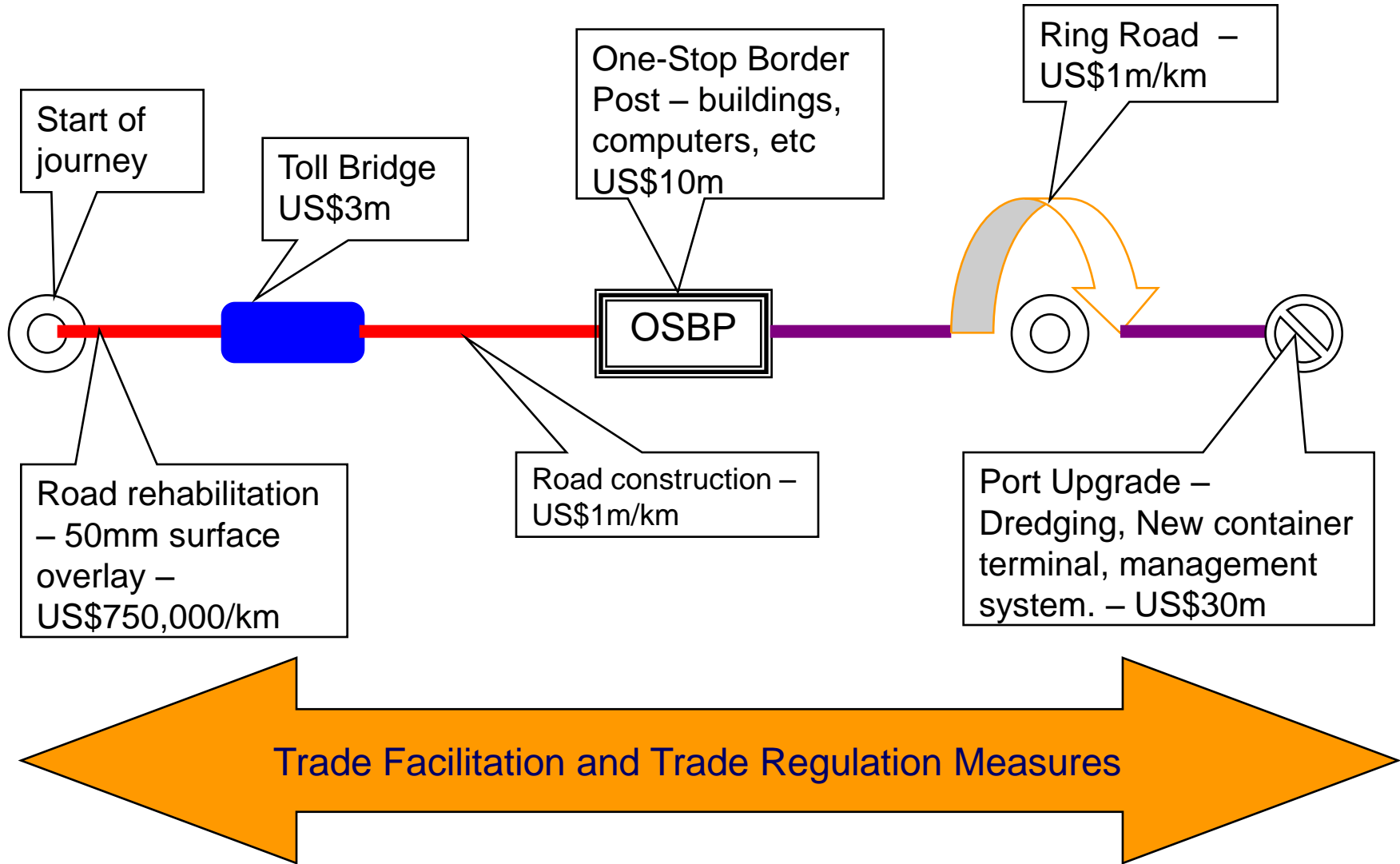
Container terminal congestion at Dar es Salaam. Improved efficiencies on the road/rail transport network will add to this bottleneck

Lack of rolling stock and poor management on TAZARA - delays in transport – One train load of copper cathods is valued at about US\$10.5m (50 tonnes per wagon, US\$7,000/t, 30 wagons in a train). Lost income at 8% pa interest is about US\$16,000/week/train.

SENA line from Moatize (estimated deposit of 2.4 billion tonnes of coal) to Beira upgraded to transport coal but Beira port needs dredging and line into Malawi not repaired

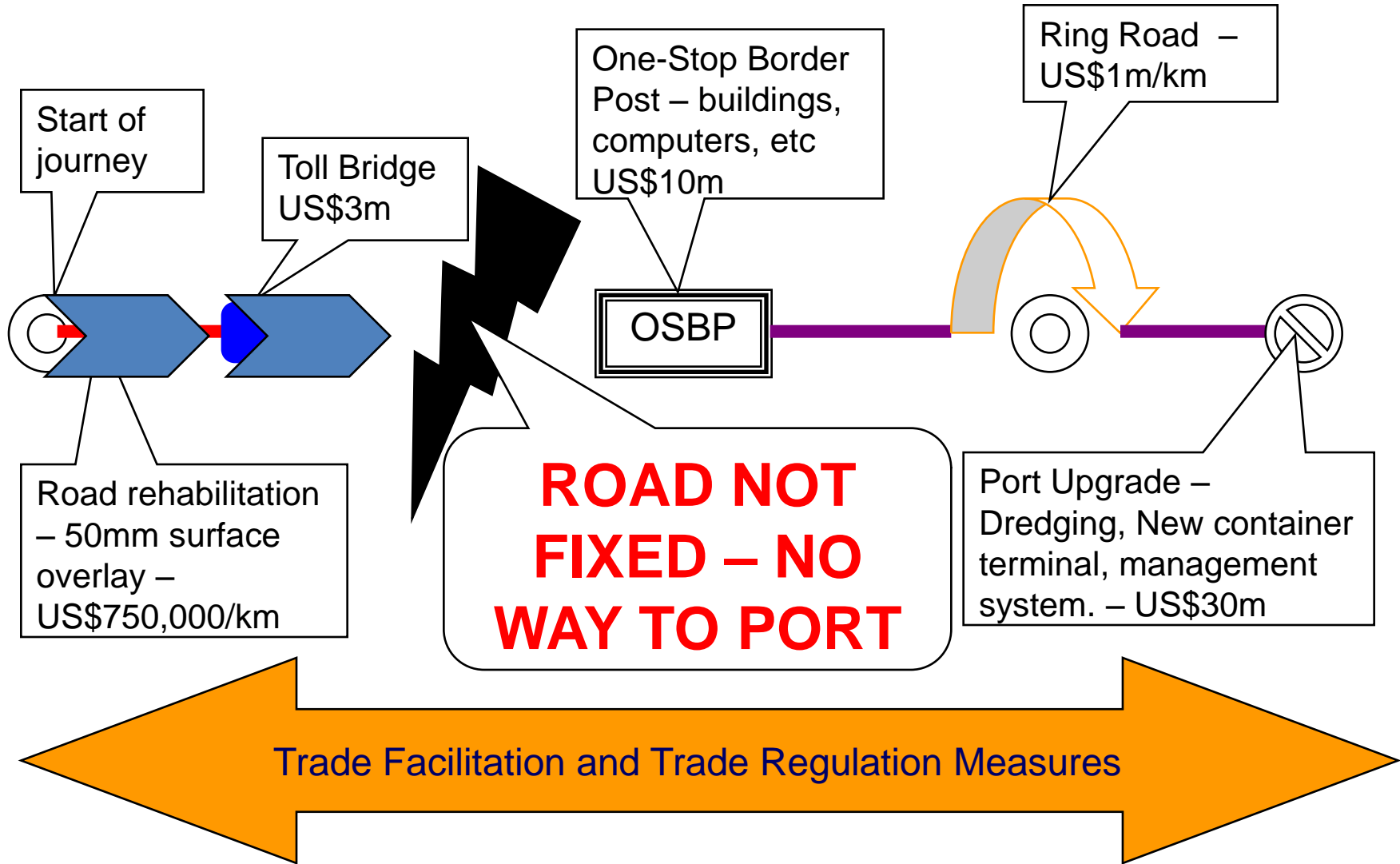


The absolute Importance of Correct Sequencing





The absolute Importance of Correct Sequencing





Financing of the N-S Corridor:

Three methods of financing:

- 1) Grant Funds and Concessionary Loans – e.g. a section of road that is vital for the functioning of the overall corridor but which does not have a high enough rate of return to be financed through a PPP or the private sector. Can be financed in a number of ways, such as through a special purpose vehicle or through a contribution to the Road Fund.



Financing of the N-S Corridor:

Three methods of financing:

- 2) Public-Private-Partnership – e.g. a special purpose vehicle is created to finance a bridge on a build-operate-transfer (BOT) basis. A private sector company finances the building of the bridge and operates it under a concession (tolling the bridge) for an agreed period and hands it back to government. The company raises money on the capital markets in the normal way so that there may be a number of investors in the SPV, including Government or CIF

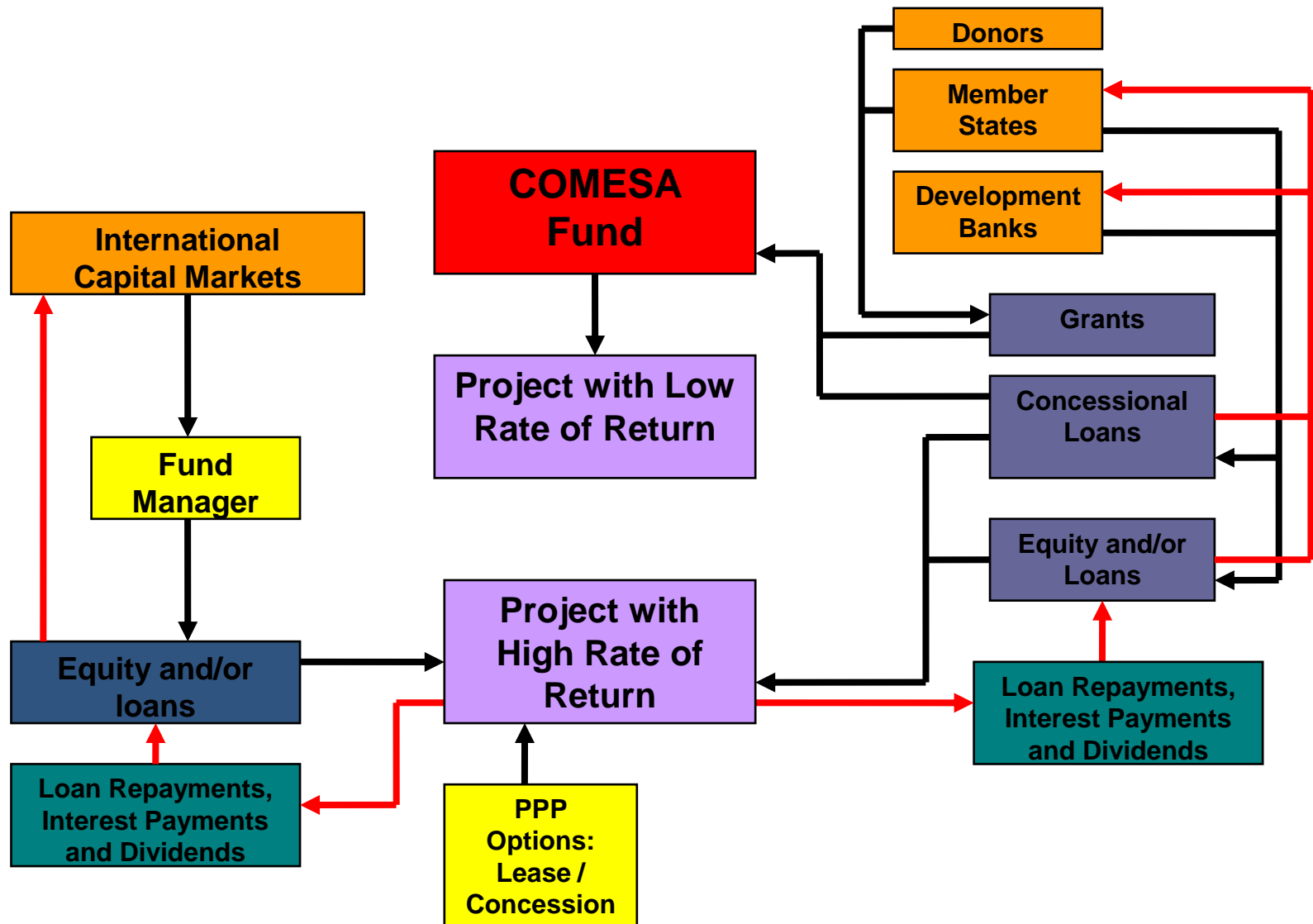


Financing of the N-S Corridor:

Three methods of financing:

- 3) Private Investment – e.g. a special purpose vehicle is created to finance a power generating plant. A private sector company arranges finance for it to build the generating plant and sells electricity to the national and regional grids at the market price on a build-operate-own (BOO) basis. Public sector intervention would only be needed to ensure that regulations do not preclude this type of investment and perhaps to provide assistance to establish the SPV.

Financing the North-South Corridor





Examples of funding through COMESA Fund:

EDF10 RIP: Use the COMESA Fund as a vehicle to channel money from the contribution agreement – anticipated €50m from the EDF10 2009 allocation.

IDA Credits: World Bank will double IDA credits if used to finance a regional programme - e.g. if a country allocates 5 credits to a regional project/fund the Bank will allocate another 10. The is country still accountable for these 10 on same terms but regional programmes are executed nationally so can use all these 15 credits for a national component of a regional programme. (Note: - used for EATTF and ATI and can use for Regional Centre of Excellence)



Examples of funding through COMESA Fund:

Private Stakeholders into the Railway: The railways cannot provide an adequate service so even bulk goods like copper, cement and sugar and dangerous bulk goods like fuel and sulphuric acid move by road. To improve the situation and to reduce its costs, Konkola Copper Mines are already paying General Electric, through TAZARA, to refurbish locomotives. If legislation was modified to allow an open access rail system and investments made in infrastructure (such as the communications system) it is likely that the private sector would invest in both national and regional railways either through loans or tax offsets.



Way Forward:

- 1) Finish identification and costing of projects that make up the North-South Corridor, calculate internal rates of return, package projects and identify sources of finance.
- 2) Put all information on the GIS for planning and presentation purposes.
- 3) Simulate future demand for transport services on the North-South Corridor network and calculate required upgrades.
- 4) Carry out a series of roadshows (to get commitments) and meetings.

North-South Corridor

Increase African trading

Transport costs in Africa are prohibitively high. This has a direct, negative impact on Africa's competitiveness; the ability of its producers and farmers to trade internationally and the ability to attract investments into the region. Foregone trading opportunities become forgone opportunities to generate jobs, income and overall growth and hinder efforts to tackle poverty.

To tackle this, the Secretariats of COMESA, EAC and SADC have set up a joint Task Force to harmonise infrastructure and trade programmes in East and Southern Africa.

North-South Corridor

A key trading route – the North South Corridor has been identified as a pilot programme – which, with reduced transport and transit costs, would transform trading opportunities from the copper-belt of southern DR Congo and northern Zambia to the port of Dar es Salaam in Tanzania to the north-east, and to the South African ports in the south.

The COMESA-EAC-SADC Task Force is planning to host a **major conference** on the North-South Corridor in the **first quarter of 2009**, to demonstrate this pilot and showcase a different approach for tackling transport bottlenecks. Major finance institutions, the private sector, investment consortiums, and bilateral donors are being invited to the conference.

At this conference participants will be asked to commit to the financing of the upgrade of the Corridor. The pilot programme is backed technically and financially by UK-DFID.

The UK Minister for Trade Gareth Thomas has pledged his support and will attend this conference. The hope is that this novel approach can be used in other regions as well.



This is an innovative Aid for Trade initiative. It will:

- Remove main bottlenecks to trade flows and target areas of intervention along the Corridor;
- Address the Corridor's development in a holistic manner looking at regulatory, administrative and infrastructural constraints to transport and transit systems as a whole;
- Ensure that interventions to reduce costs and time are done in a sequential manner to generate a "knock-on" effect in terms of savings along the entire route;
- Allow all information to be looked at together on a GIS database (www.rtfp.org) to help informed decision-making;
- Support regional trade policy regulation and trade facilitation initiatives.

Significant progress has already been made. Concrete financing proposals are in place or are being prepared; future demands on the transport networks and bottlenecks are identified; existing and planned investments mapped out; ways to strengthen trade facilitation measures are being developed. The challenge is now to take the pilot to the next phase and secure more support.

In preparation for the conference, the COMESA-EAC-SADC Task Force will hold a meeting in the margins of the October 2008 IMF and World Bank Annual General Meetings in Washington.

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