COMESA-EAC-SADC Task Force

Deepening Regional Integration:

Developing and Upgrading of Transport Systems and Infrastructure on the North-South and Dar-es-Salaam Corridors

Introduction and Background

1. There have been a number of initiatives[1] taken on the development of infrastructure as a means to assist Africa to reduce the costs of trade between countries in Africa and with the rest of the world. These initiatives take a number of forms, such as the Infrastructure Consortium for Africa (ICA) and the Africa Infrastructure Fund, which act as mechanisms which broker donor and private sector financing of infrastructure projects and programmes in Africa. Other initiatives include the NEPAD Short Term Action Programme (STAP), with the African Development Bank acting as the lead agency, the SADC sub-regional infrastructure facility (DBSA-AfDB) and the multi donor, multi-agency Institutional Support for East Africa Trade and Transport Facilitation Project.

2. This interest in improving what may be termed Africa's trade infrastructure, with the ultimate aim of reducing the costs of cross-border trade in Africa, can also be related to the growth in interest in Aid for Trade[2]. The Aid for Trade Task Force established by the WTO concluded its work mid-2006. It came to the conclusion that additional, predictable, sustainable and effective financing is fundamental for fulfilling the Aid for Trade mandate. Aid for Trade is to be guided by the Paris Declaration on Aid Effectiveness and is defined in broad terms in that the WTO Task Force recommended that all projects and programmes should be considered as Aid for Trade if these activities have been identified as trade-related development priorities in the recipient country's national development strategies. It distinguished five different categories of Aid for Trade, these being trade policy regulation and trade development, which were already covered under programmes such as the Integrated Framework for Least Developed Countries (IF) and the Joint Integrated Technical Assistance Programme (JITAP), and three new categories of building productive capacity; trade-related infrastructure and trade-related adjustment.

3. It is recognised that Aid for Trade is now required to assist developing countries to take advantage of the liberal global trading environment that is the expected outcome of the Doha Development Agenda. There is also a political economy dimension to Aid for Trade in that although all countries should benefit from a liberalised trading system in the long run, in the short run there will be winners and losers and an Aid for Trade facility will assist with the buy-in of the short-term losers.

4. OECD countries have committed additional funds to Aid for Trade, although the value of these additional funds is difficult to determine. As important as additionality of resources is the availability of the funds and it is important that both donors and recipients abide by the principles outlined in the Paris Declaration on Aid Effectiveness.

5. The Regional Economic Communities (RECs) of COMESA, SADC and EAC have long recognised the importance of improving trade facilitation (amongst other issues) in the context of deepening regional integration and in reducing the costs of cross-border transactions and so improving economic livelihoods. As such, the RECs

[1] For a complete list of Current and Planned Infrastructure Projects and Activities in Africa please refer to Annex 1.

[2] For a detailed review of Aid for Trade see Appendix 2.

have supported a number of trade facilitation instruments such as regional customs bond guarantee systems, a regional 3rd party vehicle insurance scheme, harmonised axle loads and vehicle dimensions, a single customs document, harmonised customs procedures, regional carrier's license, etc. All RECs have also supported infrastructural development programmes

6. From the above, it would, therefore, seem appropriate to develop, through the COMESA-EAC-SADC Task Force, a joint multimodal transport programme along one or more corridors which would have both hardware and software components. The advantages of such a programme would be the following:

i) it would provide a focus for co-operation for COMESA, EAC and SADC in terms of being a vehicle through which the RECs could develop and pilot or implement common systems;

ii) it could be a mechanism through which trade could be mainstreamed into economic policy at a regional level;

iii) it would create an apex through which co-ordination on existing initiatives, required actions and their appropriate sequencing could take place;

iv) it would be a vehicle through with a regional Aid for Trade mechanism could be put into operation;

v) it could link a number of Enhanced Integrated Framework Action Matrices;

vi) it could be a mechanism through which donor coordination could be improved, in line with the Paris Declaration on Aid Effectiveness; and

vii) it could speed up the implementation of the NEPAD STAP and MLTAP.

COMESA-EAC-SADC Task Force

7. During the COMESA Policy Organs Meetings in Egypt in 2001 the then Chairs of COMESA and SADC met at the Heads of State level and agreed to establish a COMESA-SADC Task Force which would work towards ensuring harmonisation of COMESA and SADC programmes. The Task Force met on average twice a year until 2006 and concentrated mainly on exchange of information, thus trying to avoid overlap in future projects and programmes rather than in taking actions to harmonise existing, on-going programmes.

8. In 2004, at their meeting in Gaborone, COMESA and SADC agreed to restructure the Task Force so that it could tackle issues at the following three levels:

a) Technical Level: for technical officials of the two Secretariats to meet at sectoral level and identify areas of convergence and divergence and prepare recommendations to be taken up at the Policy Level.

b) Strategic Level: a few senior officials of the two Secretariats to meet and design a strategy on how to address the critical issue of how to implement a Customs Union, taking into consideration the various challenges each REC faces as well as how the two organisations should address global issues such as WTO, EPAs etc.

c) Policy Level: for the two Chief Executives to consider the recommendations of the two sub-Committees and brief their respective Chairmen with a view to putting agreed-on issues on the agenda of their next Summit meetings for decision. The issue of bringing on board other stakeholders was also to be handled at the policy level.

9. In March 2006 a meeting was held in Kigali, Rwanda between the Secretariats of COMESA, EAC and SADC in which it was agreed to expand the Task Force to include EAC. The mandate of this enlarged Task Force, which has a Secretariat provided by the DfID-financed Regional Trade Facilitation Programme (RTFP) is to develop an implementation mechanism for the harmonisation of trade arrangements between the three regional organisations. As of May 2007, the COMESA-EAC-SADC Task Force has met three times and there have been additional meetings of the sub-committees[3]. Issues addressed include trade facilitation, trade policy and infrastructure issues.

Eastern and Southern Africa Surface Transport Sector[4]

10. The transport infrastructure in the Eastern and Southern Africa Region is summarised further in Figure 1.

11. Eastern and Southern Africa is characterised by relatively dispersed and isolated areas of population and economic activity, hence the efficient functioning of the interconnecting transport routes and corridors is vital to achieve increased trade and economic growth. The region has a physically well developed and flexible road, rail and port network, providing landlocked countries with several alternative and competing transport routes serving both regional and international trade. Most of the extensive railway network, with the exception of the South African heavy mineral lines and the TAZARA railway, was built at a time when road transport was not a viable option. It is, therefore, more a result of technological and economic development and political factors than the result of regional cooperation and careful planning.

12. Traffic is characterised by exports of mining and agricultural products and imports of manufactured goods. The main operating feature of the regional road

[3] There are two sub-committees, one on Infrastructure and the other on Trade and Customs.

[4] Note: DfID-SA has a strong commitment to support infrastructure work through its Regional Infrastructure Programme (RIP). In its Regional Plan, DFID-SA indicates a commitment to help improve the state of Africa's transport infrastructure. In line with this commitment, DfID appointed Kagiso Urban Management (KUM) to carry out a scoping study to identify key issues for improving southern Africa's transport networks and indicate how DfID might provide support to assist regional and national institutions to implement their plans for the development and upgrading of infrastructure in transport corridors. The information contained in this section is taken from KUM's Final Report on Developing and Upgrading of Infrastructure in Southern Africa's Transport Corridors of March 2007.

transport routes, which affects transport efficiency, costs and tariffs, is the severe imbalance of freight flows on some of the routes, leading to empty return hauls, or waiting for return hauls. An empty return haul by road effectively means that the transport cost almost doubles. Balanced freight flows are less critical for rail, because of the inflexibility of the system and the cost and time of repositioning wagons and the breaking up of unit trains. It is often more efficient to return the wagon as quickly as possibly to pick up the next load on a fixed schedule basis to achieve optimum equipment utilisation (for example, the highly efficient operation of the bulk ore lines).

13. The transport system as a whole operates at well below its original design capacity, although some sections, particularly key roads, railways and port terminals, require refurbishment and upgrading and improvement in operations, and consequently suffer from poor efficiency and hence capacity constraints – speed restrictions on both road and rail, shortage of operational railway wagons, availability of locomotives, lack of operating capital for the purchase of spares and fuel. While current trade volumes do not in all instances justify infrastructure investment, with current volumes, in theory, able to be carried by one transport corridor, rather than six or seven competing systems, there are several current initiatives to further expand the network and regional interconnectivity. Inappropriate investment could lead to increased rather than reduced transport costs and inefficient expenditure by governments. On the other hand, targeted and well considered investment in upgrading and operational improvements of the sub-region’s corridor transport infrastructure could bring costs down and optimise expenditure and investment.

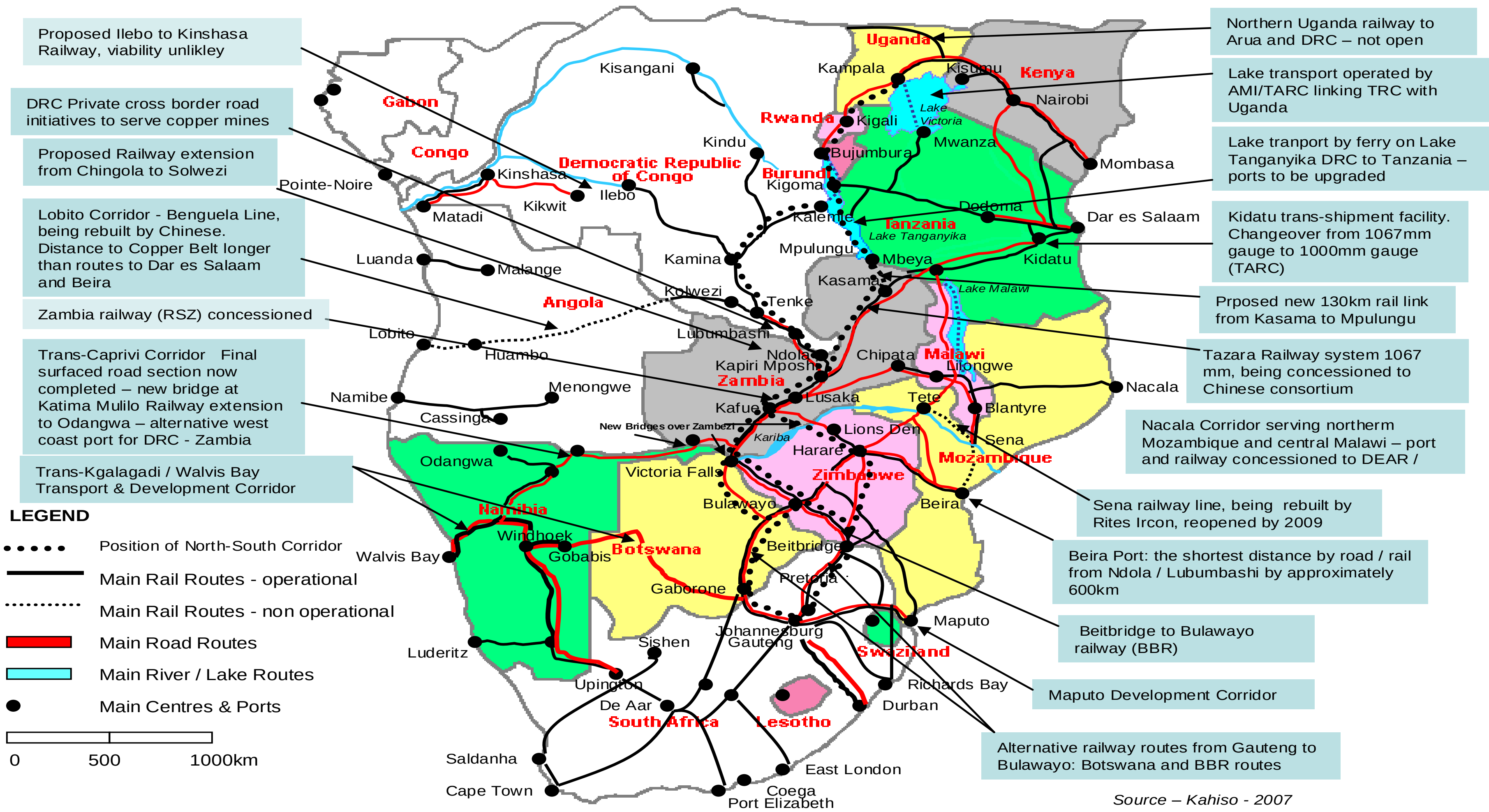
Regional Roads

14. The regional road transport sector is characterised by a highly competitive, deregulated private road transport system competing openly with rail services which has led to a marked shift in general freight volumes from rail to road resulting in lower transport costs. The shift in traffic is also partly due to relatively high rail tariffs and unreliable service, both attributed to poor management, inadequate use of assets and poor costing practices. The permissible gross vehicle mass of 56t is the highest in the world, and has the effect of increasing the competitiveness of road against rail, and also of significantly increasing the cost of road maintenance, which is not fully compensated for in the setting of road user charges and toll fees. There is also a degree of cross subsidisation of road freight from passenger vehicles and directly from government.

15. Regional freight traffic is almost exclusively carried in large double trailers, 7 axle combination rigs, with a maximum GVM of 56t, considered to be the highest in the world. Overloading has been a major problem in the past but is gradually being brought under control. It not only affects road maintenance, but also affects transport tariffs as it gives unfair advantage to those who practice overloading. FESARTA (the Federation of East and Southern African Road Transport Associations) has been actively campaigning for increased overload control in order to keep the transport tariffs competitive and stable.

16. Road user charges are levied in most countries in the region on foreign registered trucks at the rate of about US$10 per 100 km (higher in Botswana, Mozambique and Namibia), whereas in South Africa the system is based on toll roads for most major routes, paid by all users.

Fig 1: Southern and Eastern African Transport Corridors and Ports



Source – Kahiso - 2007

Regional Railways

17. With the exception of the South African dedicated bulk lines, the regional freight transport sector is characterised by long distances, relatively low volumes and relatively high railway tariffs. It is also generally characterised by inflexibility, in relation to schedules and poor inter-modality, resulting in delays and unreliability. The availability of rolling stock is still low compared to other regions of the world and disjointed railway operations together with poor tracks and rolling stock results in delays, unreliability and increased transport costs.

18. The regional railways are all built to the 'Cape gauge' of 1,067 mm (3 ft 6 inches) between the rails, with the exception of the TRC system in northern Tanzania and the Kenyan / Ugandan systems which have a 1,000 mm gauge. This means that there is almost full railway interconnectivity within the Eastern and Southern Africa region. Axle loads are generally 15t to 18t in the region, up to 26t in South Africa. To make rail more competitive with road, axle weights should not be less than 20t. This would allow a railway wagon to carry almost twice as much as a large combination road rig. Braking systems are gradually being upgraded to air to allow trains longer than 40 wagons.

19. Almost all the regional railway systems are undergoing restructuring with private sector involvement or concessioning in an attempt to improve financial viability. Railway concessions are operational in Zimbabwe (BBR), Zambia (RSZ), Malawi (CEAR), central Mozambique (CCFB), northern Mozambique (CDN), Tanzania/TRC, and Tanzania/TAZARA. Of all these, the CCFB operations in the Beira corridor appear to be the most promising because of the prospects of exporting large quantities of coal.

20. Concessions have all been vertically integrated (infrastructure and operations), and include commitments for investment and upgrading to be financed by the concessionaire. While many systems are in need of capital investment, the priority is to improve the management of rail operations and coordination. While full scale railway privatisation or concessioning processes have reduced government losses, it has often been problematic because very few of the regional railway operations are financially viable in an open market competing with road. In some instances, these have led to increased transport costs because of restricted competition. For example, the Beit Bridge Bulawayo railway BOT project and operating concession required government guarantees for minimum and increasing freight volumes and tariffs, payment in foreign exchange to offshore accounts, and government intervention to close or curtail competing routes. Similarly, the Zambian railway concession does not permit access by the competing TAZARA railway for railway services to the Copperbelt. The interests of the concessionaires are put above the regional and national objective of reducing transport costs.

Regional Ports

21. Maritime transport is often considered the only transport sub-sector that performs satisfactorily, which is partially due to the region's natural harbours with deep-water and good access from the sea. However, the most important operational feature of the regional ports, besides the land side road and rail access and the

efficiency of the terminal handling equipment, is the depth of the port and quays. Increasing volumes of international trade requires the use of larger vessels. Most regional ports, such as Walvis Bay, Maputo, Beira (which has a problem of siltation) and Dar es Salaam have a design depth of 10m to 12.8m. Sadanha has a depth of 26m and Richards Bay 18.5m. Durban is being deepened to 14m, eventually to 16m, and Nqgura is at 16.5m. This means that most of the regional ports are not able to handle the larger (Capesize and Panamax) vessels.

22. Another important criterion which affects the marketability of the smaller regional ports (the selection of the port by customers) is the port volume throughput, expressed as vessel calling frequency. Ports with low volume throughput attract very few direct vessel calls and act as feeder ports to the larger hub ports such as Cape Town, Durban and Mombasa where the cargo is transhipped into larger vessels. It is pointless to send goods via the shortest and quickest route to the closest port if there is a one week wait for the next vessel, with the additional costs of feeder and transhipment services. For this reason, Durban remains the port of choice for many remote regional importers and exporters. It is also the reason why it is difficult to develop ports such as Walvis Bay as truly competitive hub ports before a volume threshold is reached, which would result in frequent vessel calls.

23. Virtually all the regional ports have undergone a degree of privatisation with selected terminals concessioned to private operators. Container tracking facilities and advanced management information systems are generally lacking in the regional ports, and the interfaces between the ports and the road and rail services, where most of the delays occur, are not well managed. The economic cost of congestion is measured in increased shipping costs (congestion surcharges on each container to compensate for waiting for berth access) increased container dwell times (time spent in the yard, delayed payments) and increased land transport costs (unexpected delays, poor scheduling).

24. Ports and terminals compete openly with each other for regional traffic with very little interference, with customers most often dictating the choice of port. Many ports effectively enjoy a monopoly within their geographical catchment area, and are therefore able to set relatively high tariffs compared to more distant competing ports. They are, therefore, generally profitable and are able to finance upgrades and maintenance.

Trade Facilitation

25. Trade facilitation is recognised as an effective way of reducing the cost of doing business and generally lowering transaction costs in international trade. Trade facilitation is part of the Doha Development Agenda of the World Trade Organisation, but negotiations are limited to Articles V (Freedom of Transit), VIII (Fees and Formalities connected with Importation and Exportation) and X (Publication and Administration of Trade Regulations) of GATT 1947. Although it is important to address these issues in the framework of the DDA negotiations, if trade facilitation instruments are to assist to reduce trans-border costs, they will have to be a lot more encompassing than those being negotiated at the multilateral level. This is an argument to take a wider perspective when addressing trade facilitation at a regional level rather than an argument to request an expansion of the negotiations on trade facilitation at the multilateral level.

26. All three RECs are working on trade facilitation programmes, but the challenges which are faced by the region are to ensure that the facilitation programmes being developed and rolled out by COMESA, EAC and SADC neither duplicate nor contradict each other in order to avoid a situation in which the cost of doing business in the region becomes greater rather than being reduced, thus making the private sector even less competitive than it is at the moment.

27. The trade facilitation instruments that are in place (although not always functioning as effectively as they should), or which are in the development stage, are the following:

i) One Stop Border Posts: A One Stop Border Post is a border post shared by border officers from two adjacent countries to conduct jointly cross-border and security clearance procedures. It is seen as a practical way to reduce duplication of controls consists in setting up a common border post for two countries in a single physical location. A One Stop Border Post should reduce costs for both the countries concerned, and traders, freight forwarders and transporters. It makes the communication of trade documentation between the two neighboring border administrations easier, reducing opportunities for fraudulent exchange of invoices, reduces clearance processing time by unifying border control processes within a single sequence and results in significant savings. The establishment of a One Stop Border Post requires strong political support and must be accompanied by a legal agreement on the location of staff and facilities, and by realignment and streamlining of procedures. The benefits can be maximised when this approach is coupled with a single window environment (which allows traders to lodge all import and export documents with a single agency). To establish a One Stop Border Post a bilateral agreement (or a regional agreement needs to be signed by both parties. Each party needs to ensure that existing national legislation permits extra-territorial exercise of powers by officials from both countries to perform their functions from a foreign country; that legislation empowering the declaration of common areas of control is in place; and that provisions on the roles, powers and responsibilities of officials with an interest in border control are harmonised; amongst other legislative issues. There is also need to prepare a comprehensive manual of operational principles and Standard Operating Procedures for the operation and management of the joint border post, which should form a part of the bilateral (or regional) agreement and acquire force of law in each national jurisdiction respectively. In particular, customs procedures, documentation and border controls need to be addressed, along with the harmonisation of standards and procedures for all border control agencies of both countries and a mechanism to continuously update these procedures. Finally, the there is a need to ensure that the infrastructure at the joint border post is adequate to meet the needs of the users.

The African Union and NEPAD have agreed on the need to establish One Stop Border Posts as a way to reduce costs of cross-border trade in goods. A number of One Stop Border Posts are currently being worked on in the Eastern and Southern Africa region, including Malaba-Tororo (USAID), Chirundu (DfID) and Ressano Garcia-Lebombo (DfID). Others, such as Beit Bridge, Katima Mulilo, Kasungula, Nyamapanda (or Machipanda) and Chipata, are in the pre-feasibility, feasibility or design stages.

ii) Simplification and Harmonisation of Customs Procedures and Legislation: To make processing of documentation quicker it is necessary to harmonise customs procedures and legislation, such as bringing countries onto the GATT valuation system; ensuring countries are on the same version of the Harmonised System of Customs Classification, simplify and harmonise temporary admission, re-exportation and transit procedures, harmonise exemption and other duty relief measures, dispense with all pre-shipment inspections, adopt regional antidumping and countervailing duty regulations, etc.

iii) Single Administrative Document for Customs: COMESA, SADC and EAC have all agreed that each country should have one document which can be used to clear customs in the region. The Single Administrative Document (SAD) has been developed and has been piloted by SADC, with USAID support, on the Trans-Kalahari Corridor (TKC). It is also being used by South Africa, Zimbabwe, Zambia and Malawi as part of the Durban corridor pilot exercise of the Regional Customs Bond Guarantee System. A number of countries have agreed to use the SAD but in practice the document is not used as a single administrative document in many countries.

iv) Harmonisation of IT systems and electronic customs management systems Most countries in the Eastern and Southern African region use ASYCUDA++ as their computerised customs management system, with the exception of Angola, Kenya, Lesotho, Mauritius, Mozambique, South Africa and Swaziland. However, although most countries are on the same system, for both legal and technological reasons, countries do not share customs information so that data is entered into one national system on departure from a customs territory and the same data is then entered into another national system upon entry into that customs territory. Furthermore, because the border posts are not usually networked, the same information is entered onto the ASYCUDA system one entry and on exit from a customs territory. Time would be saved if data could be entered once (preferably before the goods arrive at the border post so that they are pre-cleared) and then that data is shared electronically between national border posts and could be made available to the customs officials of the territory the goods are entering.

Other services at border posts (such as Immigration, Health, and the Security Services) are often not computerised and if they were this would also speed up the border clearance process.

v) Harmonised Axle Loading: Regional freight traffic is almost exclusively carried in large double trailer, seven-axle combination rigs, with a maximum GVM of 56 tonnes. In order to preserve the road infrastructure and ensure reasonable usable life times, countries in the region have generally agreed the following axle load limits for freight vehicles:

- single steering axle (two tyres) 8 tonnes

- single axle (dual tyres) 10 tonnes
- tandem axle (four tyres) 16 tonnes
- tandem axle (dual tyres) 18 tonnes
- triple axle (six tyres) 24 tonnes
- triple axle (twelve tyres) 24 tonnes
- combination rig (gross vehicle mass) 56 tonnes

However, not all countries apply these axle loading limits so the load weight on a freight vehicle will be limited to the load which is in compliance with the lowest axle load limit along the entire route

vi) Maximum Vehicle Dimensions: Countries within the RECs have agreed on maximum vehicle dimensions, in terms of height, width and length of vehicles. For example, the maximum vehicle dimensions approved by the COMESA Authority are:

- 12.5m for a rigid chassis single vehicle or trailer;
- 17m for articulated vehicles;
- 22m for truck and draw-bar trailer;
- 2.65 maximum width; and
- 4.60 maximum height.

Unfortunately, as is the case for a number of trade facilitation instruments in the region, although Member States have agreed to these maximum vehicle dimensions in the forum of the REC, few countries have passed national legislation to enforce this instrument and even fewer countries actually implement this instrument. In the case of vehicle dimensions there are valid reasons as to why some countries cannot apply these regulations (for example, in mountainous countries the length of the vehicle cannot be 22 metres if the vehicle is to be able to negotiate the sharp bends in roads which are on a steep gradient) but in these cases it would be expedient to either re-negotiate the maximum vehicle dimensions that will suit all, or have regional legislation with two sets of dimensions.

vii) Harmonised Road Transit Charges: In practice road charges vary by country. The RECs have introduced systems of harmonised road transit charges whereby most countries apply a road transit charge of US$10 per 100km. However, there are notable exceptions. For example, Botswana, Namibia and Mozambique all have higher charges than this and in South Africa the system is based on toll roads.

viii) Carrier's License: RECs have introduced a regional carrier's license which allows commercial goods vehicles to be licensed with one license which is valid throughout the region so that the vehicles can operate in all of these States. This means that vehicles can pick up back-loads in other countries which allows more efficient use of the region's transport fleet so reduces the cost of trade. However, evidence suggests that the regional carrier's license is not operational or usable in all countries that have signed up to using this instrument.

ix) COMESA Yellow Card Scheme: The COMESA Yellow Card is a vehicle insurance scheme which covers third-party liability and medical expenses.

A Yellow Card issued in one COMESA country is valid in all other countries participating in the scheme. At present the scheme is operational in twelve (12) countries namely Burundi, Democratic Republic of Congo, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. At present over 175 insurance companies are involved in the Yellow Card scheme. Annually, about 80,000 Yellow Cards are issued, a premium income of over US$4 million is collected and about 150 claims lodged per year.

x) Regional Customs Bond Guarantee Schemes: A regional customs bond guarantee would eliminate the avoidable administrative and financial costs that are associated with the current practice of nationally executed customs bond guarantees for transit traffic. At present transporters transiting through a country to get to another country need to take out a customs bond at least equal to the duty which would be payable on their cargo. When they prove that the cargo has actually left that customs territory, the bond is released. However, the process of releasing bonds takes time so large amounts of money are tied up in the system of national bonds. This, plus the fact that it costs money to issue a bond, means that the cost of transport is higher than it need be if a system were found that would replace the national bond system. SADC, COMESA and the private sector are working on the development of a regional customs bond. There are both slight and fundamental differences between the three systems under development (and being piloted). The two challenges are to convince smaller transporters and freight forwarders in the smaller countries that a regional bond system will be beneficial to them; and to harmonise the three systems so that the end result is a single regional bond system is implemented. If one country along a transport route operates a different bond guarantee system to that operated by its neighbours then the benefits of the regional system are greatly reduced.

xi) Telecommunications Harmonisation: A reliable, efficient and cost-effective regional telecommunications network would greatly facilitate economic integration in the region as well as reduce the economic transaction costs. It is recognised that the existing network is not adequate to meet the needs of the users and the current practice of routing regional telecoms traffic via countries outside the region (mainly in Europe) makes the implementation of competitive tariffs very difficult. There are a number of on-going national initiatives at both the regulatory level and at the infrastructural level (including improving telecommunications backbones through terrestrial wireless systems and laying of fibre optic cable) but the issue of how to link national systems together, and to establish gateway to gateway infrastructure where it is not in place, is also a priority.

Regulatory and Competitive Environment

28. The regulation of the safety and environmental aspects (including oil spillage, disposal of dredged material, handling of dangerous cargoes and dealing with distressed vehicles) of the regional transport sector are generally well defined and covered by international conventions and national legislation and procedures. Ideally, the regional transport sector should function in a manner which requires the minimum

amount of economic regulation or is to a large extent self regulating in a truly competitive and harmonised environment.

29. To a certain extent, this is the case for regional road transport where there is open competition from a multitude of regional operators but with a degree of protection still existing in the application of cabotage rules (the transport of goods on the domestic market by foreign registered operators) and restrictions on third country operators (the transport of goods along routes which do not pass through the country of registration). The continued application of these rules requires performance monitoring and regulation. The policy documents (protocols and treaties) of COMESA, SADC and EAC have stated objectives of removal of all these constraints or barriers, but a high degree of harmonisation of regulations and policies will be required before this can be implemented. Import regulations, duties, fuel prices, operating conditions, and so on, must all be similar if all barriers are to be removed, otherwise competitive advantages will arise.

30. Competition between the regional railway companies is generally open and unregulated and linked to the relative performance of the regional ports. The choice of railway route is generally governed by the shortest distance and not necessarily by the lowest cost. This has led to some unfair and uncompetitive practices by private sector railway concessionaires. For example, the Beit Bridge to Bulawayo railway operated by BBR / NLPI / Spoornet, has been designated as the chosen route for all north south railway traffic despite a much higher cost than the alternative traditional Botswana route, in order to maximise railway operating profits. Direct government intervention was necessary in order to achieve this. The railway tariff between Bulawayo and Plumtree was artificially raised to prevent use of the Botswana route. A similar situation developed in Zambia where the same concessionaire, NLPI, discouraged the use of the TAZARA route to Dar es Salaam and fed the traffic south to its concession in Zimbabwe. Railway traffic on the TAZARA route is therefore road hauled within Zambia to and from the end terminal at Kapiri Mposhi. These practices highlight the need for an effective regional economic transport regulator. Regional economic regulation could also serve the function of approving concession agreements and tariffs to avoid the danger of private sector exploitation and monopolistic behaviour.

Transport Costs

31. Transport costs in Africa are among the highest in the world. A report by UNCTAD shows that the freight cost as a percentage of total import value was 13 percent for Africa in 2000 compared to 8.8 percent for developing countries and 5.2 percent for industrial countries. Eastern and Southern Africa's freight cost as a percentage of total import values is 15.2 percent (UNCTAD 2002). Assessing Regional Integration in Africa (ARIA, 2004) shows that transport costs are high in Africa in general and in landlocked African countries in particular, with Malawi averaging 56 percent of the value of exports. The percentage cost of transportation for imports

Box 1

Transport Costs as a Share of Value of Exports (from UNECA)

Country	Value of Exports (%)
Zambia	17
Zimbabwe	16
Malawi	56
Rwanda	26
LDCs	17
Developing Countries	9

will be lower because of the higher value of the imported manufactured goods. These high costs undermine the competitiveness of exports and jeopardise the region's participation in international trade. It is therefore not surprising that Africa in general and sub-Saharan Africa in particular has the highest cost rates in the world and also has the lowest share of international trade.

32. Transport costs and tariffs are negotiated and are not published or regulated. Road transport for a 56 tonne combination horse and double trailer is charged at about US$1.50 per km (2006), and US$ 0.044 per tkm for a full 34t load. If there is no return haul, the price will be correspondingly higher, so the price of unscheduled just-in-time deliveries could be twice as much. A recent study by the World Bank on the performance of African railway concessions showed that railway tariffs were generally higher than US$ 0.044 per tkm (i.e., higher than the regional road tariffs for full return loads). However, railway freight flows are often severely imbalanced, and railway tariffs are most often given for one way traffic. The main reasons for the highly variable railway freight tariffs are the difficulties of achieving a high degree of asset and resource utilisation for variable freight flows and of negotiating long-term fixed contracts for general freight. The tariffs therefore vary from one contract to the next, and if there is no negotiated long-term contract, the tariff will be high.

33. Transit times on the main corridors vary greatly with road generally being significantly faster than rail. Rail transit times are affected by interchanges between the systems and the unavailability of locomotives at the border changeover points. Road transit times are affected by delays in border crossing and opening times, single driver operations, and an average road operating speed of about 60 km/hr. Average transit times for longer trips are typically based on about 30 km/hr. Road operators from the DRC and northern Zambia manage about 2.1 trips per truck per month with a turnaround time of about 15 days for a distance of 2,500 – 3,000 km. This performance is fairly consistent and indicates an annual distance travelled by regional trucks operated by the larger companies to be of the order of 140,000 km which is reasonable by international standards.

Project Proposal

34. The proposal is to bring all of the ongoing initiatives which are taking place along the North-South Corridor and the Dar-es-Salaam Corridor, in terms of transport infrastructure improvements and trade facilitation measures, and identified missing links and activities, under one umbrella so that they can be managed in a holistic manner. Unless improvements are made sequentially and either take account of shortcomings, or build upon progress in other areas, the objective of reducing the time, and so the costs of importing or exporting goods by surface transport will not be realised. For example, if a One Stop Border Post is established along a route where the physical infrastructure (of the road or rail) has deteriorated to such an extent as to significantly reduce the speed of traffic then any time savings gained by the One Stop Border Post will be lost because of the poor state of the physical infrastructure.

35. The North South Corridor is a highly flexible road and rail corridor which carries large volumes of regional trade and includes three fixed crossing points on the Zambezi River – Chirundu, Victoria Falls and the ferry crossing at Kazungula. Traffic along the corridor is dominated by exports from South Africa to neighbouring countries. The North South route also provides a trade route between the south and the Great Lakes Region through the Zambian port of Mpulungu on Lake Tanganyika. The roads along the route are generally in good condition except for sections between Beit Bridge and Harare and an 80 km stretch north of Livingstone. Railway services are generally unpredictable and require substantial investment and improvement to be more competitive with road. The main constraints to the operation of this transport corridor are the delays at the various key border posts attributable to congestion and documentation issues

36. Dar-es-Salaam offers the DRC, Zambia and the southern great lakes region the most competitive port for international exports and imports and serves as a hub port with direct vessel calls. There is direct rail access to the Zambian and DRC Copper Belts via Tazara and RSZ, although operators of RSZ (who are also the operators of the BBR route in Zimbabwe) would seem to prefer to channel the traffic south to their own lines. Tazara therefore has a road serviced dry port at Kapiri Mposhi from which the DRC and Zambian Copper Belts are served. It is understood that an agreement is being drawn up with a Chinese company to operate the Tazara line on a concession basis, with new investment. About 75% of Konkola Copper Mines (KCM) exports are now sent via this route, none by rail to Durban. The road route along the corridor, about 1800 km from Kapiri Mposhi in Zambia, is in the process of being upgraded with European and Chinese support and contractors. It is generally well maintained although narrow and uneven in many places. The 800 km Zambian section is in excellent order, having recently been upgraded.

37. If the time taken, and so costs, to transport goods to and from markets in Eastern and Southern Africa are to be addressed the following issues must be addressed in a coherent, holistic and sequential manner:

- Inefficient road transport operations, due to low operating speeds, freight flow imbalances, high capital and maintenance costs, poor infrastructure conditions leading to high vehicle operating costs and low vehicle utilisation.

- Border delays, due to customs and immigration procedures, documentation, capacity constraints and poor knowledge of procedures.

- Inefficient regional railway operations, due to low and decreasing volumes, high costs and staffing levels, lack of investment and maintenance, financially non viable operations (lack of government support) and inability to compete with road for general freight due to the high permissible GVM on roads.

- Inefficient port operations, due to lack of investment, poor infrastructure and equipment condition, low equipment utilisation and low vessel calling frequency, leading to high port costs.

- Inefficient modal interchanges: transhipment or transfer of goods from one mode to another - port, road and rail, poor planning by both operators and customers, leading to delays and increased costs.

- Poor cargo tracking systems leading to difficulties with scheduling and planning, poor equipment and infrastructure utilisation, delays and increased costs.

- Inadequate processing and value adding of exports, leading to a high transport cost component, particularly for exports of primary products.

- Lack of implementation of agreements and protocols, absence of follow-up and monitoring.

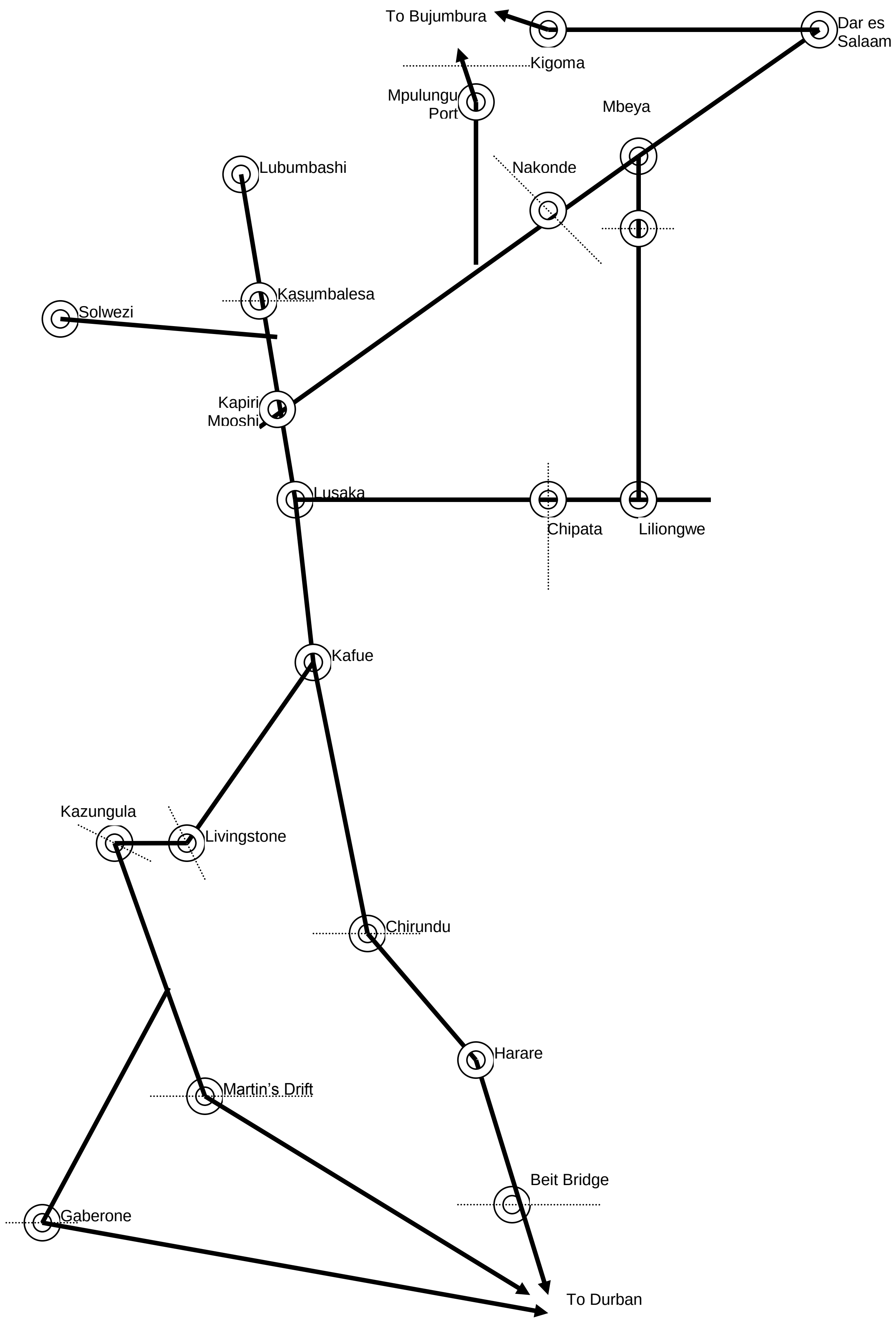
- Financing structures: general lack of knowledge of procedures for developing and financing transport infrastructure projects.

- Poor coordination and planning of infrastructure studies and projects by various institutions, donors and associations, leading to duplication and possibly incorrect investment decisions, wasted resources.

- Poorly defined project selection criteria, leading to the promotion of projects which may be inappropriate and economically non viable.

38. This project proposal is for a pilot project to focus on the North-South and Dar-es-Salaam Corridors. The idea is to ensure that trade facilitation instruments are fully developed and rolled out along these corridors (which are the busiest corridors in terms of freight volumes) and to sequence infrastructure improvements with regulatory improvements and improved trade facilitation. If this pilot delivers the planned outputs it can be replicated in other corridors.

Diagram of the North-South and Dar-es-Salaam Corridors



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Structure of the Project

39. The proposed project should be viewed as a way of implementing a regional Aid for Trade mechanism which, if successfully implemented will be a pilot for further projects and programmes aimed at reducing the cost of trade with and within the region. As such, it is proposed to establish a small Regional Aid for Trade Unit which will be responsible for co-ordinating the many activities that will be needed to ensure the successful implementation of such a multimodal transport transit corridor. The Regional Aid for Trade Unit should be based in one of the RECs' Secretariats for ease of administration, but would report to the Task Force, through the Infrastructure and Trade and Customs sub-committees.

40. The Unit would be small (no more than 3 persons) and would make use of specialist short-term consultants to carry out feasibility studies, do specific design work, put together financing packages for individual components of the integrated project and manage implementation of specific components. The main function of the Unit would be to ensure co-ordination with the existing and future stakeholders and financiers, ensure no overlap, disseminate information, report to the Task Force and manage the overall implementation so as to ensure appropriate and optimal sequencing and monitoring and evaluation. The management structure could be as outlined in Figure 1 below.

41. The Regional Aid for Trade Unit could start with an assessment of the following Projects and Programmes:

No	Activity	Implemented by
Infrastructure Programmes		
1	Assessment of the road from the Copperbelt (Solwezi) to South Africa and feasibility study on upgrading, together with cost-recovery proposals and a mechanism which will ensure cost-recovery goes to regular maintenance.	Consultant – Reporting to Task Force
2	Assessment of the road from the Copperbelt (Kapiri Mposhi) to Dar-es-Salaam and feasibility study on upgrading, together with cost-recovery proposals and a mechanism which will ensure cost-recovery goes to regular maintenance.	Consultant – Reporting to Task Force
3	Assessment of the road from Lusaka to Mbeya (via Lilongwe) and feasibility study on upgrading, together with cost-recovery proposals and a mechanism which will ensure cost-recovery goes to regular maintenance.	Consultant – Reporting to Task Force
4	Assessment of the rail track and signalling equipment from Copperbelt to Durban and an economic feasibility study on track and signalling equipment upgrading.	Consultant – Reporting to Task Force
5	Assessment of the rail track and signalling equipment from Copperbelt to Dar-es-Salaam and a economic feasibility study on track and signalling equipment upgrading.	Consultant – Reporting to Task Force
6	Feasibility study on rail track "missing links"(including Lions Den to Kafue).	Consultant – Reporting to Task Force

No	Activity	Implemented by
7	Feasibility study of linking existing fibre optic cables, and laying missing links, from Solwezi to Messina and from Kapiri Mposhi to Dar-es-Salaam and from Lusaka to Blantyre and from Blantyre to Mbeya and the feasibility of using this as a low cost, high speed, high band-width data and voice backbone.	Consultant – Reporting to Task Force
8	Assessment of all weighbridge stations along the road corridors and recommendations on how they can be upgraded and a system installed which will ensure the efficient use of the weighbridges.	Consultant – Reporting to Task Force
9	Assessment of all border facilities on the selected corridors and recommendations made as to what infrastructural upgrades will be needed for them to be one-stop border posts.	Consultant – Reporting to Task Force
Trade Facilitation Programmes		
10	Use of a single customs document at all border posts along the selected corridors.	National Customs
11	Use of the COMESA carrier's license in all countries through which the selected corridors run	RIOs and government agencies
12	Implementation of a uniform regional customs bond guarantee system in all countries that the selected corridors run through.	RIOs and government agencies
13	Implementation on one-stop border posts at all borders on the selected corridors. This will include signing of bilateral MoUs and implementation of a programme aimed at reducing time taken to cross a border through moving to a single window system.	Consultants, RIOs, stake holders and governments
14	Harmonisation of road user charges in all countries through which the selected corridors run.	RIOs, stakeholders, government agencies
15	Harmonisation axle weights and vehicle dimensions in all countries through which the selected corridors run.	RIOs, stakeholders, government agencies
16	Implementation of the Kyoto Protocol in terms of harmonisation of customs procedures (such as customs valuations) in the countries through which the selected corridors run.	RIOs, stakeholders, customs departments
Regulatory and Administrative Issues		
17	Explore the necessity and practicality of establishing a Regional Transport Regulator	Consultant – reporting to Task Force
18	Examine ways to improve railway planning and scheduling, such as through long-term contracts on 'take or pay' basis (i.e., customers pay whether or not they make full use of the fixed service in exchange for lower tariffs).	Consultant – reporting to Task Force
19	Examine ways in which port resources could be optimised.	Consultant – reporting to Task Force

Figure 1: Structure of the Regional Aid for Trade Project.