



1. BACKGROUND-OVERVIEW OF TRADE IN AFRICA AND TRANSPORT INFRASTRUCTURE

Sub-Saharan Africa has achieved stable economic development since 2000, and annual economic growth rates since 2004 have averaged more than 6%. These results have been mainly due to population growth, inflation of natural resource prices and associated resource development in inland African countries. Accordingly, the total of volume of trade has increased over the African continent.

However, global trade is more dominant and according to UN figures, the share of intra-African trade in Africa's total trade over the past decade was only about 11%. The continent is plagued by poor and under-developed transportation infrastructure, limiting accessibility to consumers, hampering intra-regional trade and driving up import and export costs. Unavailability of adequate capacities and technology, and much slower than anticipated private sector participation, has hindered infrastructure development.

Large multinationals currently have to go to extreme lengths to keep costs down when operating in Africa. For instance, it is easier and cheaper for Coca-Cola, as a manufacturer of soft drinks in Kenya, to buy passion fruit from China, move it to Kenya, bottle and sell it in Kenya, than it is to buy directly from next-door Uganda.

Reports from the automobile manufacturing industry in Africa indicate that at times they have to commission planes to transport vehicles across Africa. The Ford Motor Company for instance notes that they charter Airbus 330s to move vehicles from Johannesburg to Nairobi. Hence, the competitiveness of the African auto manufacturing industry is directly affected by Africa's transport and logistics infrastructure challenges.

Given these challenges, investment into Africa's transport sector has the potential to transform the continent's economic development. Transport and logistics infrastructure has a direct impact on a country's handling capacity for imports and exports, distribution route development, the frequency of shipments and the costs of freight handling, storage, distribution and related services. Current estimates indicate that trade volumes in sub-Saharan Africa will more than triple from 102.6 million tons in 2009 to 384.0 million tons in 2030, if the trade corridors are completed. In addition, the development of rail corridors will have a substantial impact on intra-regional trade, with trade between African countries expected to increase from 34.9 million tons in 2009 to 120.4 million tons in 2030. Realising these volumes requires massive investment from the private sector and as highlighted by the Dakar Financing Summit, private sector participation in transboundary infrastructure projects is currently sub-optimal.

To improve Africa's investment attractiveness and address the transport and logistics agenda, Africa will need to pursue a deeper engagement with the private sector on developing transport and logistics projects. To this end, the NEPAD Agency is launching a transport and logistics initiative called **MoveAfrica**.

The MoveAfrica initiative aims to address the transformation of the trans-boundary transport and logistics sector in Africa; it will seek to drive down transport costs and increase logistics efficiency for Fast Moving Consumer Goods (FMCG) operators and manufacturers operating in Africa, and thus complement the work stream of the Continental Business Network (CBN).

2. UNPACKING CHALLENGES OF LOGISTICS AS BOTTLENECKS TO INTRA-AFRICAN TRADE

Inter-regional cooperation and integration has been a longstanding issue in Africa, where national borders were established artificially by colonial policies resulting in fragmentation in the geographic size, economic scale and population of the countries that were formed.; 15 out of Africa's 54 countries are landlocked countries and close to half (25 out of 54 countries) are relatively small with populations of less than 10mil.

Many studies have investigated the impediments to trade growth in Africa and found that while movement along major highways is relatively fast, time is lost at the ports, at borders, and at checkpoints established along corridors. Most of the railways and highways in Sub-Saharan Africa were constructed and established in the colonial period, and while they form an inland network that connects densely populated areas with ports, the densities of roads and railways are lower than those in the other regions and differences in railway gauges makes it difficult to widen the network. In addition, due to the poor maintenance of roads, railways and ports after independence, most of the region's infrastructure is deteriorating. The percentage of

paved roads is only around 10%, and these paved roads are often degraded. The existence of uncoordinated regulations such as right-hand and left-hand drive and authorized axle-load in neighboring countries also makes it difficult to implement uniform traffic regulations. As a result of the decline in the repair and renewal of rolling stock and track of railways and the deteriorating road conditions overland, transport volumes have been decreasing.

As good locations for deep water ports are very limited, only a few international ports, such as Durban in South Africa and Mombasa in Kenya, handle large cargo volumes and long waiting times at the ports become a serious problem. High transport costs, lead to a decline in competitiveness and increased trading costs. Inadequate transport infrastructure is a major cause of intra-regional economic disparities in Sub-Saharan Africa as inland nations tend to face longer transport times, higher transport costs, and (as a consequence) lower GDP growth rates.

3. CURRENT ENGAGEMENT TOWARDS ADDRESSING THE CHALLENGES

3-1. Institutional set-up: AU and RECs

African countries have held at heart the ideals of the Abuja Treaty establishing the African Economic Community and the Constitutive Act of the African Union. In this context, numerous regional economic communities (RECs), namely, UMA, IGAD, SADC, CENSAD, ECOWAS, COMESA, ECCAS and EAC, have been established on the continent. Their aim is to integrate the economies of neighbouring nations and promote the establishment of customs unions, introduce a common currency, provide for cross-border trading, and create common markets. RECs function as the institutional basis to facilitate internal trade on the continent.

In this regard, some achievements have been recorded in the implementation of the Abuja Treaty. For example, some RECs have formulated master plans for coordinated transport infrastructure development and harmonized policies and regulations for trade facilitation such as axle load control bill of East Africa Community (EAC) in 2013. A new system of a Single Custom Territory was introduced in East Africa in 2014 and customs unions were established in South and West Africa.

3-2. Trade Facilitation Strategies: BIAT and CFTA

In 2012, the AU adopted an action plan for Boosting Intra-African Trade (BIAT) and the establishment of a Continental Free Trade Area (CFTA) to deepen Africa's market integration and significantly increase the volume of trade that African countries undertake among themselves. BIAT stipulates action plans in the following 7 clusters: trade policy, trade facilitation, productive capacity, trade-related infrastructure, trade finance, trade information and factor market information.

The slow progress by the RECs in forming Customs Unions has delayed the emergence of a Pan-African FTA/Customs Union. Consequently, Africa has not been able to take full advantage of its large continental market of about a billion people. Therefore, the framework for fast tracking the establishment of the CFTA was approved by the Summit of the AU at its January 2012 session with the expectation that regional FTA processes would be completed by 2014 followed by consolidation

of the regional processes between 2015 and 2016. This would then lead to the establishment of the CFTA in 2017. The first milestone in this process was the Tripartite FTA launched by Heads of State and Government of COMESA, EAC and SADC in June 2015.

There are several on-going key initiatives for trade facilitation including Aid for Trade, Trade Facilitation Agreement, and Trade Facilitation Facility on the continent supported by WTO, WCO, ITC, UNCTAD, AfDB, World Bank and other development partners.

3-3. Corridors and OSBP Development

Corridor development focuses on a trunk corridor in a country or region as the key development axis that will stimulate and increase economic activity. PIDA, regional master plans at REC-level and national master plans for transport infrastructure have identified economic corridors in each region. By combining the development potential of the region with corridor infrastructure improvement, the strategic regional development plan can enable the revitalization of the entire region and create a virtuous spiral of investment promotion and market expansion. Investment has thus been concentrated on those corridors including Northern, Central, Nacala and several Trans-African Highways by the stakeholders such as AU, NEPAD, RECs, member states, development partners and the private sector.

The high cost of logistics due to the limited capacity of infrastructure facilities and inefficient customs/cross-border formalities constrain economic and social development in Africa. As such One-Stop Border Posts (OSBPs) situated across borders are a means to streamline the movement of people, goods and services along corridors. An OSBP is a border facility to enable immigration and customs control of two neighbouring countries at a single site; two countries thus share a common legal framework, procedures and border control equipment. This reduces the journey time for transporters and travelers, and shortens the clearance time at border crossing points. Assessments by the Infrastructure Consortium for Africa (ICA) and the Japan International Cooperation Agency (JICA) in 2014 and 2015 have identified about 80 OSBPs at various stages of implementation in Africa which are key to trade facilitation on the continent.

3-4. PIDA

In 2012, the AU adopted the Program for Infrastructure Development in Africa (PIDA) and its Priority Action Plan (PAP) for 2020, which have prioritized continental programs to help address the infrastructure deficit that severely hampers Africa's competitiveness in the global market. PIDA-PAP includes 21 priority transport programs broken down into 273 subprojects.

PIDA's transport vision is to work towards an integrated continent where transport infrastructure and services enable the free movement of goods and passengers by:

- Improving the connectedness of African capitals and major centers with modern paved roads and modern rail systems
- Satisfying demand on the African Regional Transport Infrastructure Network (ARTIN) routes at the least economic cost, with priority for landlocked

countries, while minimizing the environmental impact of transport infrastructure and services

- Developing modern ARTIN corridors, including gateway ports and air transport services, to bring the performance of ARTIN components up to best world practice in efficiency, cost, reliability and safety.

4. HARMONISED APPROACH TOWARDS HARD AND SOFT INFRASTRUCTURE ISSUES

Comprehensive corridor development requires the infrastructure for transportation that crosses multiple national borders, which consist of “hard infrastructure” such as ports, railways, highways, cargo transshipment facilities, national border facilities, weighbridges (truck scales), and inland container depots (ICDs) as well as “soft infrastructure” such as cross-border transport laws, regulations related to border crossing (e.g.. customs clearance, quarantine), and organizational systems and resources for smoothly operating and maintaining the hard infrastructure mentioned above.

PIDA articulates prioritized programs for hard transport infrastructure. However, there is no guiding program to unite and address soft infrastructure issues across different transport modes at the continental level. Corridor development is inhibited by a number of complex factors and it is impossible to fully improve the entire cross-border transport system by focusing on either the hard or soft side of infrastructure in isolation. Therefore, when forming and implementing corridor development, a holistic approach is required, with keeping the entire vision and strategy of corridor development in mind, maximizing the inter-modalities and considering the synergy between hard and soft infrastructures along each corridor.

It is also important to understand the multi-sectoral and comprehensive dimension of corridor development for facilitating industrial development, trade, economic revitalization, and poverty reduction. First, a corridor development master plan lays out inclusive economic growth scenarios of the region. It comprehensively designs corridor infrastructure development: transportation, energy, communication, logistics and trade, which are the foundations of economic activities, as well as the industrial development strategy in agricultural, mining, commercial and industrial sectors etc. Secondly, it comprehensively supports the realization of the economic growth, by connecting hard infrastructure, soft infrastructure, industrial development and social sector development. To reap the economic benefit from international trade and promote the inclusive and sustainable growth of Africa, it is critical to facilitate intra-regional trade and industrialisation through comprehensive corridor development, by focusing resources on corridors with high development potential to promote a shift from resource-dependent economies to regional economic structure that will facilitate trade on the continent.

5. MOVEAFRICA: VALUE PROPOSITION

Taking into account the various challenges outlined and building on some of the steps being taken to address them, MoveAfrica aims to package and mainstream soft infrastructure issues to reduce transport costs along corridors and promote a multi-sectoral and comprehensive approach for corridor development.

NEPAD's leadership as the implementing agency of the African Union has long welcomed and inspired partnerships to get the political support and crowd-in private sector solutions to address Africa's most prominent economic and social challenges. Evidence of this can be seen from initiatives such as Grow Africa for agriculture and, more recently, pioneering the establishment and launch of the CBN, amongst many other successful public-private initiatives.

Building on these successes, and the recognition that intra-African trade and investment is dependent on sound transport and logistics corridors and networks, the NEPAD Agency is calling for a private sector-led transport and logistics initiative with political support. This initiative, equivalent to Grow Africa, is named MoveAfrica and is envisaged as a suitable program that can be driven as a transport pillar of the CBN.

MoveAfrica fits squarely within both the Presidential Infrastructure Champions Initiative (PICI) transport project objectives (specifically the Trans-African Highways Corridors) and the private sector-led CBN initiative. MoveAfrica is therefore uniquely positioned to become the transport and logistics pillar of the CBN.

MoveAfrica will also be aligned to the Action Plan for BIAT, as endorsed by the AU Summit, the implementation of whose programmes and activities is aimed at addressing the key constraints and challenges of intra-African trade and at significantly enhancing the size and benefits of the trade for the attainment of sustainable economic growth and development.

6. PROPOSED CONFIGURATION OF MOVEAFRICA

- (1) A seminal annual report ranking and tracking the continent's ability to move goods and services across the continent: This report will leverage the continent's competitive advantages, growth sectors, and will map required efficiencies against planned infrastructure programs and foreign and domestic investment competitiveness.
- (2) An annual stakeholder roundtable briefing: This will bring together decision makers from business, government and civil society playing leading roles in building transport and logistics efficiency in Africa to discuss the report and the role business can play.
- (3) A consultative group of business thought leaders on improving transport and logistics in Africa: This group will drive the content and direction of the report research and champion and pioneer pilot projects for corporations within their network that support the objectives of logistics development in Africa, and principally advance the objectives and

7. WAY FORWARD

The NEPAD Agency together with Africa Investor and the Global African Investment Summit (TGAIS) as strategic partners will officially launch MoveAfrica on 11th May 2016 on the margins of the World Economic Forum in Kigali, Rwanda.

Some 50 senior industry executives including partners like Africa Investor, Daily Mail, Barclays, Coca-Cola, Shoprite, Dangote Cement, SADC, ECOWAS, Development Bank of Southern Africa, African Development Bank and key multilateral organization will participate at the launch.