

**The First Ordinary Session of the African Union Specialized Technical Committee
on Transport, Intercontinental and Interregional Infrastructures, Energy and
Tourism**

THEME: Financing Infrastructure in Africa

**Maritime Transport; Increasing African Ports Capacity and
Efficiency for Economic Growth**

I. Background

1. In today's interdependent and globalized world, efficient and cost-effective transportation systems that link global supply chains are the engine fueling economic development and prosperity. UNCTAD estimates that 80 per cent of global merchandise trade by volume is carried out by sea and handled by ports worldwide, which makes maritime transport a strategic economic trade enabler. The trade competitiveness of all countries - developed and developing alike, and including landlocked countries - depends heavily on effective access to international shipping services and port networks.
2. In Africa, however, the inadequacy of basic infrastructure including maritime information has been a major factor in the lack of diversification and competitiveness of African economies, the continent's marginalization in the dynamic sectors of regional and global trade, and its relatively low level of intra-regional trade. Compared to the other regions of the world, both developed and developing, the impediment to production and trade arising from the underdevelopment of infrastructure is much more severe in Africa.
3. Yet, the continent boasts of an abundance of natural resources, in particular aquatic and marine resources, with a potential that has not yet been fully tapped in the context of economic growth and sustainable development including transportation and trade. The African Great Lakes constitute the largest proportion of surface freshwater in the world (27%), whereas, Lake Victoria is the third largest fresh water lake in the world by area, and Lake Tanganyika is the second largest in volume and depth in the world¹.
4. In Africa as with the rest of the world, the importance of seaports to trade, and therefore to the continent's economic performance cannot be overstated. Ports are crucial for trade of most African countries due to the continent's high dependency on exports of raw materials and imports of food, manufactured goods and fuel. For example, more than 90 percent of Africa's total trade (including imports and exports) pass through seaports (UNECA, 2016).
5. Ports throughput in the continent are expected to rise from 265 million tons in 2009 to more than 2 billion tons in 2040 (PIDA, 2012). In addition, some of the most strategic gateways for international trade are located in Africa. For example, although Mauritius is a small country with 1 850 square kilometers, when accounting for its territorial waters, it becomes very large with 1.9 million square kilometers (UNECA, 2016). Furthermore, considering the large number of landlocked countries in Africa (16 out of 54 countries), seaports competitiveness across the continent remain strategic. This will contribute to improving access of the landlocked countries, which depend on their neighboring transit seaports, to global markets.

¹ Carlos Lopes, October 26.2016

6. As Africa strives to become a bigger stakeholder in the global economy, it is imperative that concerted efforts are channeled towards the advancement of a safe, secure, efficient and sustainable maritime transport with simplified and minimized formalities and procedures to enhance the competitiveness of African products in order for Africa to trade itself out of poverty.

II. Overview of Africa ports developments and implementation progress as an imperative for Economic Transformation in Africa

7. According to ongoing study being undertaken by UNECA, “a number of African countries’ container throughput expressed in Twenty feet equivalent units (TEU), have increased significantly over the past years. For example, in Egypt, the throughput increased by 41 per cent, from 6 250 443 TEU in 2009 to 8 810 990 TEU in 2014. In Kenya, it increased by 63 % per cent, from 618 816 TEU in 2009 to 1 010 000 TEU in 2014. In the case of Morocco, the throughput increased by 150 % per cent, from 1222000 TEU in 2009 to 307000 TEU in 2014. However, except for few countries including Egypt and South Africa, container traffic through African seaports remain relatively low compared to other developing countries such as Malaysia, Brazil, Vietnam and Mexico².
8. In the same vein, there has been a relatively weak port traffic flows in Africa compared to other developing regions which contributes to high container costs, lengthy trade procedure times, poor port quality infrastructure and low logistic performance. The average container shipping costs to, and from Africa excluding North Africa, is relatively high compared to other regions of the world. For example, average costs to export and import a container (TEU) in Africa excluding North Africa were 2201 US\$ and 2931 US\$ respectively in 2014. The equivalent costs in East Asia and Pacific over the same period, amounted to 868 US\$ and 902 US\$ respectively.
9. Similarly, it takes a lot of time to export and import goods, including port clearance, inland transport and customs clearance in Africa excluding North Africa.
For example, in 2014, it takes on average 30 days to export and 38 days to import a container in the region, while the equivalent values were 18 and 19 days respectively in East Asia and Pacific region. In terms of the quality port infrastructure, Africa generally lags behind. Africa excluding North Africa infrastructures were attributed lower quality ratio of (3.51) in 2014, compared with other regions including East Asia and Pacific (4.36), Europe and Central Asia (4.48), Middle East and North Africa (4.36)³.

² Seaport Competitiveness in Africa; Empirical Evidence, UNECA, September 2016

³ Seaport Competitiveness in Africa; Empirical Evidence, UNECA, September 2016

10. Performance of trade logistics is also relatively weak in Africa. This may be evidenced through low values of the World Bank Logistics Performance Index (LPI) which considers various dimensions of trade and logistics environment in a country. Africa excluding North Africa with a LPI of 2.46 recorded the lowest performance of trade logistics in 2014 compared to East Asia and Pacific (3.18), Europe and Central Asia (3.26), Middle East and North Africa (2.81), South Asia (2.61).

III. Key Challenges

11. Climate vulnerability, maritime insecurity, and inadequate access to shared resources are among some of the most vexing challenges that can hinder the effective realization of the benefits of the Blue Economy. They can exacerbate conflicts and worsen poverty. Many African ports also face serious capacity problems that are accentuated by an ineffective inland transport system. Inefficiencies at ports in African countries lead to slow processing times and result in higher charges than those of comparators' countries. Port congestion in Africa which is largely associated with improper planning, malfunctioning regulatory systems and poor management, inadequate equipment or dearth of ancillary infrastructure has raised trade costs in Africa.
12. African ports often work beyond their capacity limits. Indeed, capacity shortfalls are reported for all Sub-Saharan maritime trading areas (Cameron, 2008). This is partly due to the fact that demand for resources such as oil — which have also led to growing economic activity — have scaled up the demands being placed on ports. However, port capacity and port logistics have not kept up with increasing traffic across most of Africa, causing severe challenges such congestion.⁴
13. In the same vein, lack of integrated rail and road links within many African countries means that most of African's ports are poorly equipped to handle containers. Containers are packed and unpacked in the vicinity of the ports, and the benefits of fully integrated multimodal transport corridors associated with container adoption are not realized.
14. It is also a well-known fact that port operations and port-related industries are generative of many of the environmental externalities typically associated with major ports around the world such as transformation of local eco-systems; pollution and risk from heavy industries; emission of greenhouse gases and traffic congestion.

⁴ African Development Report, African Development Bank 2010

IV. Key Issues for Discussions with STC Experts

15. African ports need to address challenges in port and terminal infrastructure, governance and hinterland connectivity. Turn-around time (TAT) and dwell time are both measures of port efficiency. A high TAT discourages large shipping companies from calling at ports, while a high dwell time discourages both shippers and shipping companies overall.

a) Terminal infrastructure

The average draft in African ports is less than 11m. This means large ships cannot berth. The ports are also limited by quay lengths. The amount of handling equipment such as gantry cranes is low compared to the rest of the world. African Ports do not have large ship-to-shore gantry cranes to quickly load and unload ships. The total number of ship-to-shore gantry cranes in the whole of Africa is approximately 130. This could discourage large liners from considering African ports as ports of call.⁵

b) Intermodal freight transport and hinterland connectivity

Most countries in Africa are landlocked. Improving hinterland connectivity through investment in road and rail infrastructure will enhance trade opportunities for these countries.

c) Terminal capacity

Terminal capacity has to increase significantly. The biggest port in Africa, Port Said, can handle only 2.78 million TEUs (twenty foot equivalent units), which creates severe congestion and restricts trade growth.

d) Processes and governance

Long dwell time issues in African ports are mostly caused by administrative delays such as those related to customs clearance. African ports take on average 12 days for customs clearance, while the average at global ports is two to four days. Governance mechanisms should be improved, with penalties imposed by government to alleviate the process challenges. The importance of transparency and improvement of governance structures is key.

⁵ Accenture: African Ports evolution, August 2015

V. Policy Recommendations

- 16. Regional Integration;** Safer and more efficient ports particularly in relation to inland waterways could strengthen regional integration in the continent and could also play a crucial role in the implementation of the Continental Free Trade Area (CFTA). It would also bolster the emerging African manufacturing industry and also generate significant revenues for governments as well as employment opportunities for many Africans. Ensuring maritime security and safety is therefore paramount for Africa's development
- 17. Public-private partnerships (PPPs);** The role of the public sector, private sector, development partners, and traditional and nontraditional financiers need to be articulated. Innovative resource mobilization opportunities, such as a review of the tax regime, also need to be considered. The AU 2050 AIMS provides a resource strategy that could be used as a reference in introducing efficiency and innovation into port operations and maritime industry in general.
- 18. Regulatory Reforms;** In the port subsector, ensuring regulatory independence is crucial to maximize gains from previous reforms. Evidence suggests that reform packages that include regulatory reform and independence of the regulator from government interference will allow other ongoing policy reforms a greater chance of success. While terminal infrastructure challenges can be resolved through automation and capital investment, productivity remains dependent on addressing uncompetitive practices. Reform should address some of the perverse incentives for harmful behavior that creates artificial delay and congestion at ports. It is important that different stakeholders—port owner, operator, shippers and stevedores—understand the need to increase throughput as the only way of increasing the trade and development that is so vital for growth⁶.
- 19. Automation:** By investing in port IT systems, procedures and controls in ports, turn-around time, dwell time and handling costs can be improved significantly. The introduction of a collaboration platform or solution that facilitates dynamic interaction between the systems of key role players (e.g. shipping agents, freight and logistics businesses) within a port city or municipality may add considerable value and efficiency of African ports. In this regards, the implementation of the Single Windows platforms should be promoted in African countries.
- 20. Political Will;** African member States need to show political will and ratify and implement the African Maritime Charter on the agreed related actions and strategies. They should also support the continent's single windows initiatives.

⁶ Accenture: African Ports evolution, August 2015

- 20. Mainstreaming of climate change and environmental considerations;** promotion of climate-proof and environmentally sustainable infrastructure (e.g., green ports, use of renewable energy technologies) into existing and new Blue Economy continental, subregional, and national plans, policies, and relevant legislation is paramount for sustainability of African economies.

