



Infrastructure, Project Preparation and Trade Facilitation

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Content

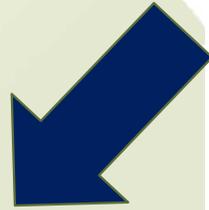
The Trademark Southern Africa Programme

Infrastructure and Project Preparation Activities

Trade Facilitation

Conclusion and Lessons Learned

The Trademark Southern Africa Programme



£100m , 5 years
November 2009 to October 2014



- £67 million Capital
- Tripartite Trust Account
- DBSA Fund Manager



- £30,6 million Technical Assistance
- COMESA Fiduciary and Administrative Oversight (Zambia)
- PMU implements projects (SA, Lusaka, Gaborone)

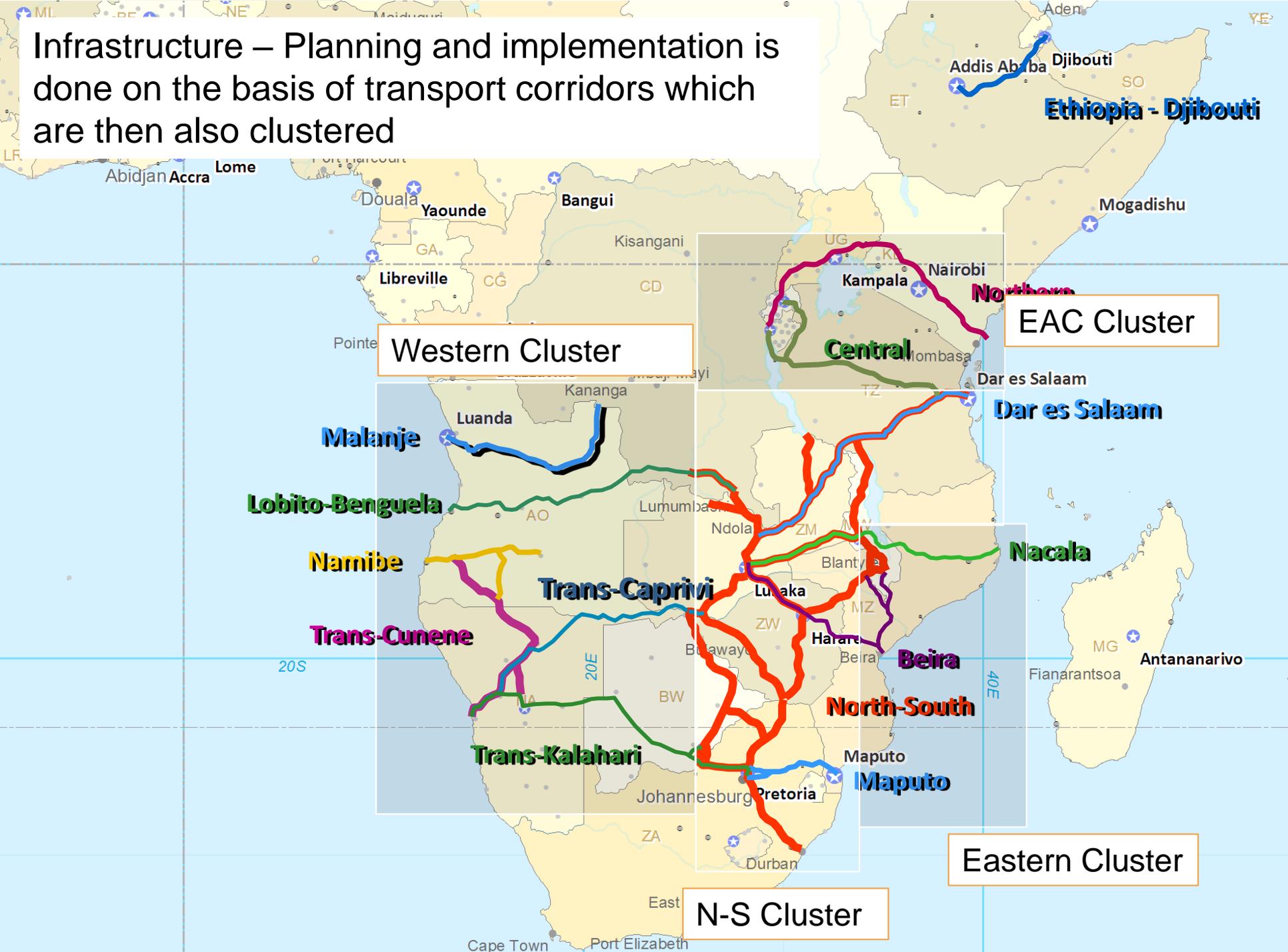
TMSA supports the COMESA-EAC-SADC Tripartite regional integration process (all TA funds presently coming from DFID but project preparation funds coming from DFID, AfDB and EDF10) – it's work programme is directly derived from the Tripartite vision, strategy and programme.

Tripartite Strategy:

1. Design and implementation of the Tripartite FTA that involves the preparation of a draft Tripartite Agreement and the negotiation of the implementation modalities of the TFTA.
2. The preparation of a Trade and Transport Facilitation Programme and the implementation of this Programme along transport corridors.
3. A regional industrialisation programme.
4. The design and implementation of trade and transport infrastructure projects along corridors.
5. Free movement of business persons across the RECs.

All of these programmes, implemented in sequence, should reduce the costs of cross-border trade, leading to higher economic growth, job creation and poverty alleviation.

Infrastructure – Planning and implementation is done on the basis of transport corridors which are then also clustered



Infrastructure Status - NSC Roads being funded or prepared for funding



- 1 | Mafinga - Igawa Road
- 2 | Songwe - Karonga Road
- 3 | Serenje - Nakonde Road
- 4 | Kitwe - Chingola Road
- 5 | Kafue Weighbridge
- 6 | Link 4 - Lusaka - Chirundu
- 7 | Chirundu - Harare Road
- 8 | Kazungula Bridge
- 9 | Harare - Beitbridge Road
- 10 | Vic Falls - Beitbridge
- 11 | Nata - Kazungula Road

-  Priority NSC Road Sections
-  Bridge
-  Weigh Bridge

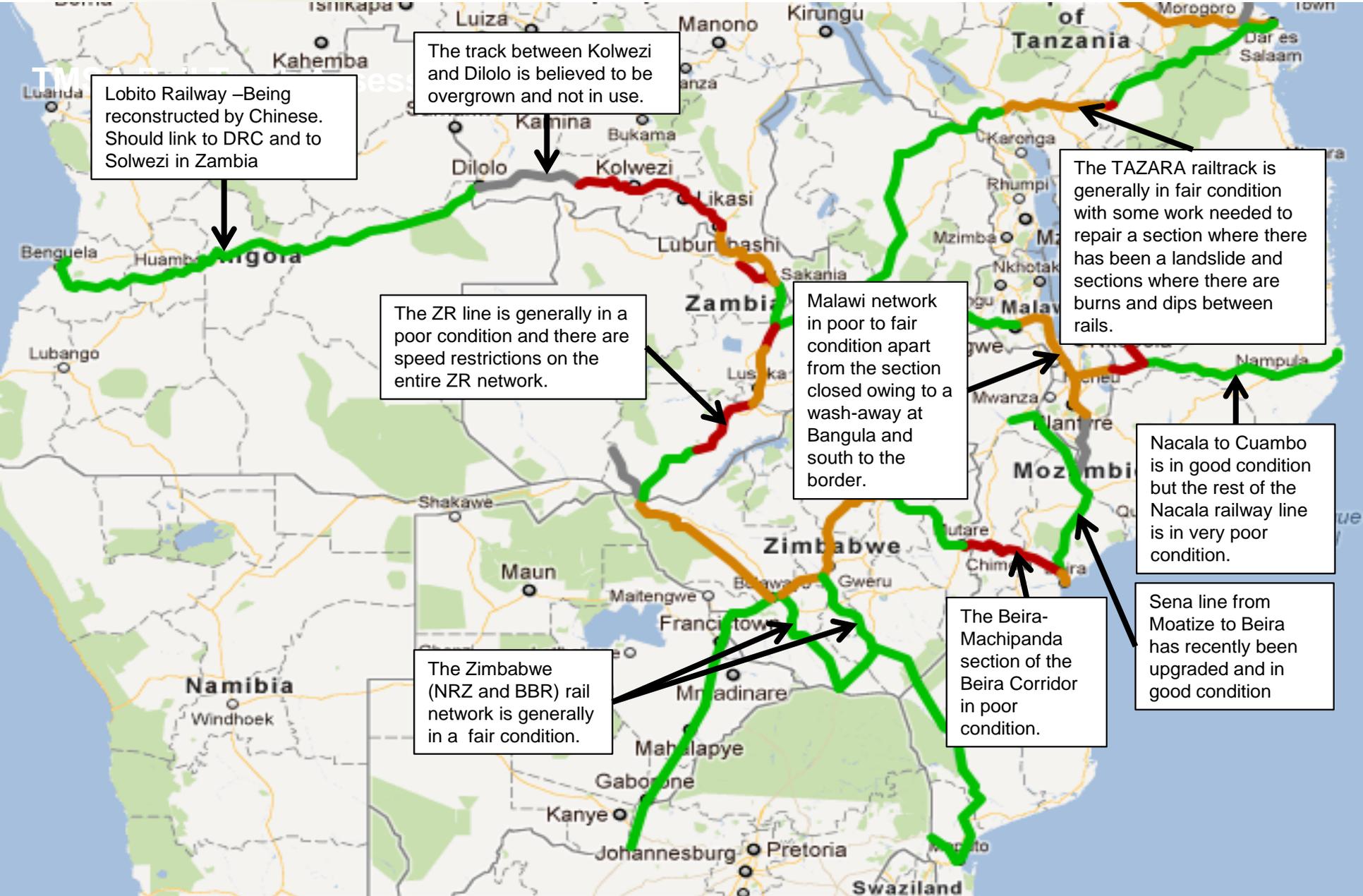
North-South Corridor Networks

Road Conditions

With current costs, tariffs and efficiencies, road transport is the most economical mode of transport in SSA and on the NSC. Despite this, except for a few sections, mainly in South Africa, the total costs of road maintenance and rehabilitation cannot be borne solely by the user.

The HDM4 analysis has generated an economic rationale of upgrading and maintaining the entire NSC-AFT road network to a good condition. The costs of rehabilitating and then maintaining the entire NSC-AfT road network to a “good” standard was calculated as US\$9.1b, of which US\$5.9b was for capital investment and US\$3.2b was for recurrent costs. The economic rationale of upgrading and maintaining the NSC-AfT road network is, therefore, clear.





Lobito Railway –Being reconstructed by Chinese. Should link to DRC and to Solwezi in Zambia

The track between Kolwezi and Dilolo is believed to be overgrown and not in use.

The TAZARA railtrack is generally in fair condition with some work needed to repair a section where there has been a landslide and sections where there are burns and dips between rails.

The ZR line is generally in a poor condition and there are speed restrictions on the entire ZR network.

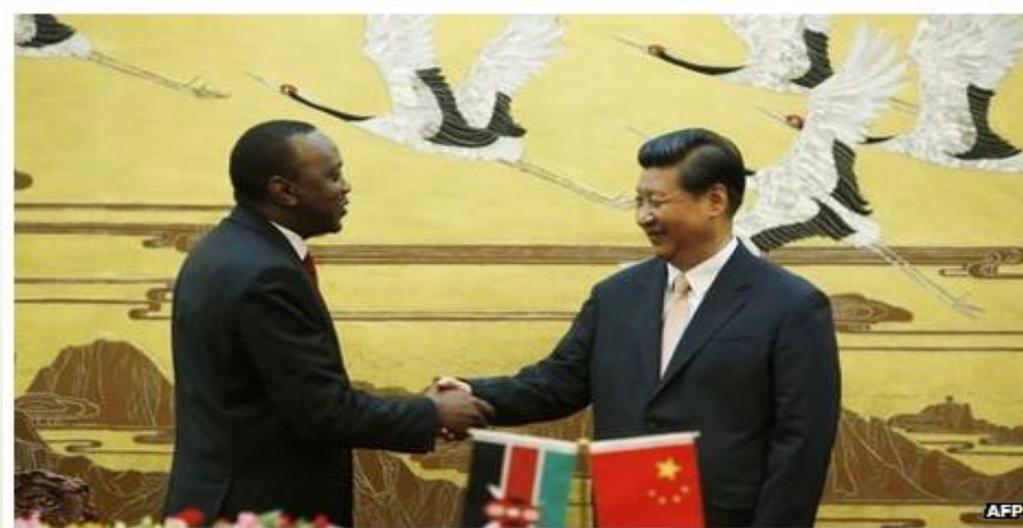
Malawi network in poor to fair condition apart from the section closed owing to a wash-away at Bangula and south to the border.

Nacala to Cuambo is in good condition but the rest of the Nacala railway line is in very poor condition.

The Zimbabwe (NRZ and BBR) rail network is generally in a fair condition.

The Beira-Machipanda section of the Beira Corridor in poor condition.

Sena line from Moatize to Beira has recently been upgraded and in good condition

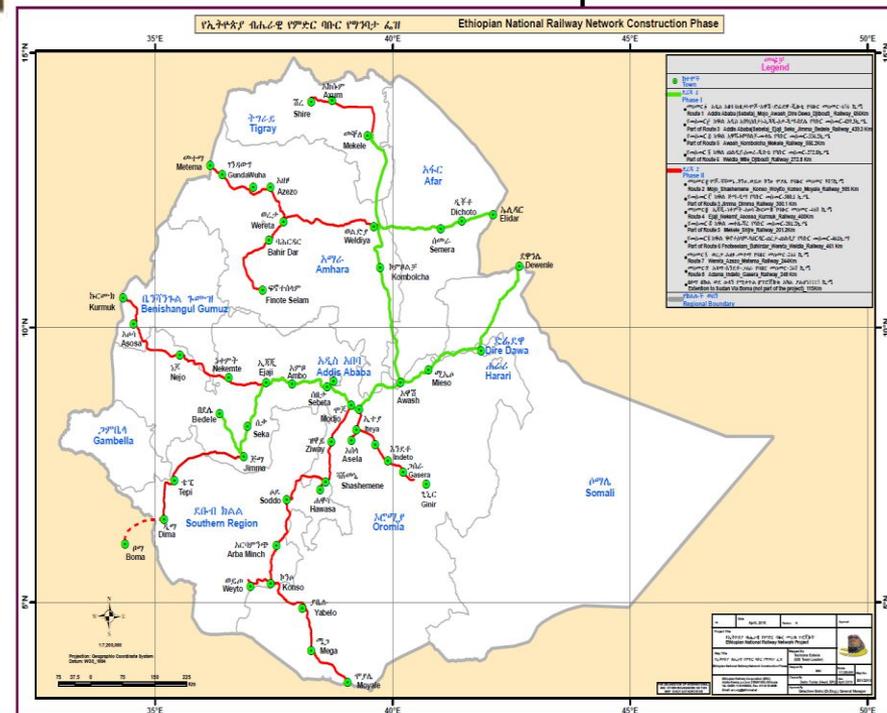


Uhuru Kenyatta said the deals were a "massive boost" to his government

Kenya has signed deals worth \$5bn (£3bn) with China to build a railway line, an energy project and to improve wildlife protection, officials say.

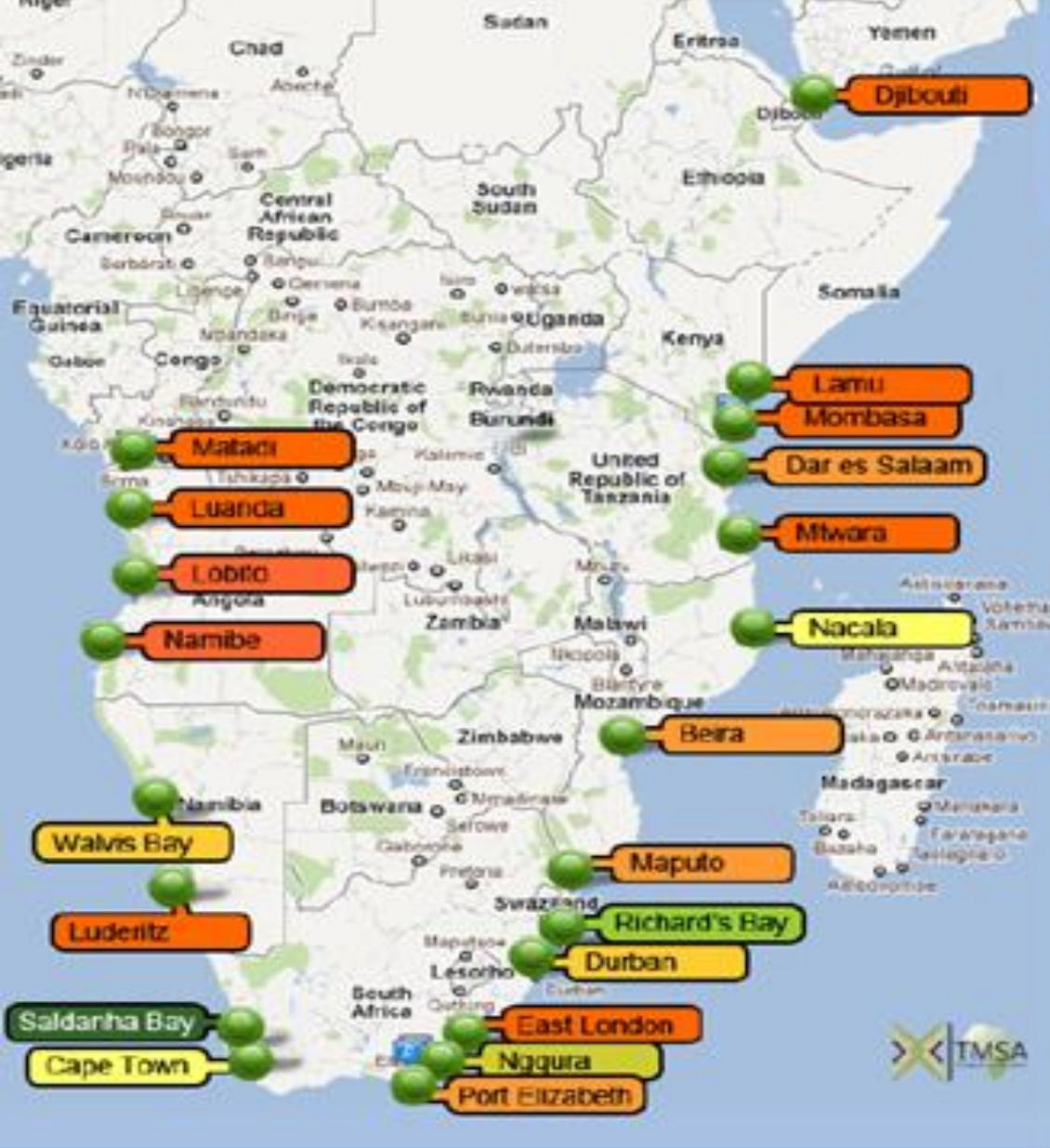
The proposed new Standard gauge railway line in Kenya (which has not had financial closure as yet) will link the Kenyan border town of Malaba with the port of Mombasa, one of the busiest in Africa. However, there is no standard gauge link on the other side of the border in Uganda. The standard gauge (1.435m or 4' 8½ ") line is to be financed by the state with sovereign guarantees.

Ethiopia's new rail is standard gauge, financed by China's Eximbank - partly dual track, and electrified. The Ethiopian railway is wholly financed by government, US\$ 4 billion, 15 % equity, 85% loan (state guarantee). ERC has stated that 95% of the corridor freight will move from road to rail, to provide a rail a base of about 12 mtpa.



Eastern and Southern African Sea Ports

Main operating criterion is the depth of the access channel and quays. Container vessels on international routes are getting bigger. Ports now designated as feeder and hub ports, depending on the depth and volume of traffic. Depth standard now about 12m – 12.8m and the current tendency is toward a depth of at least 14m-16m to cater for the newer post Panamax vessels.





- **DRC-Zambia** – links DRC to SAPP
- **Ethiopia-Kenya** - 1,068km DC 500 kV to be commissioned late 2013. Power transfer capacity of up to 2,000 MW. Finance from AfDB, WB, ADF and governments.
- **Zambia-Tanzania-Kenya (ZTK)** – links EAPP to SAPP
- **Malawi-Mozambique** – links Malawi to SAPP
- **Namibia-Angola** – links Angola to SAPP
- **ZIZABONA** – upgrades the links between Zimbabwe, Zambia, Botswana and Namibia

Project Preparation Activities:

TMSA, through COMESA, has established the COMESA-EAC-SADC Tripartite Project Preparation Unit, based in Lusaka. This was necessary as there was a need to prepare projects to a “bankable” stage. All funds for the operation of the PPIU are coming from DFID through TMSA but there is now a need to seek additional funding.

The PPIU has funds from EDF10 (€10m), DFID (£5m) and AfDB (\$4.5m) for actual project preparation, being used as follows:

Funding Organization	Projects	Preparation Amount (US\$ million)	Financing Amount (US\$ million)
DFID	Kafue WB, Link 4, DRC-Zambia Interconnector, Sir Otto Beit Bridge, Karonga-Songwe, VicFalls-Bulawayo (link 1 and 2)	\$ 7.5	\$ 470
EDF	Serenje-Nakonde Links 1,2,3	\$ 6.5	\$ 523
	ZTK Interconnector	\$ 5.2	\$ 1,236
AfDB	18 roads projects on the NSC	\$ 7.7	\$ 1,058
TOTAL		\$ 27	\$ 3,300

Project Preparation Stages & Activities

IDENTIFICATION AND FEASIBILITY

1. ENABLING ENVIRONMENT

The enabling environment refers to policies, laws, regulations and institutions which allow and support the development of projects.

2. PROJECT DEFINITION

Early stage concept design required prior to the full feasibility study in order to define project parameters.

3. PROJECT FEASIBILITY

If pre-feasibility suggests that the project should proceed, more detailed studies are undertaken, including organisational, financial, economic, social, technical / engineering and environmental feasibility studies.

STRUCTURE AND TRANSACTION

4. PROJECT STRUCTURING

Creating an appropriate technical and financial structure for a project in order to attract finance / the right mix of finance (e.g. from public and / or private sources)

5. TRANSACTION SUPPORT PHASE

Moving projects from planning to implementation. Detailed work is undertaken to translate plans into tangible agreements and to procure goods and services.

IMPLEMENTATION

6. IMPLEMENTATION PHASE

Fully Prepared - Funding to be Sourced for Implementation

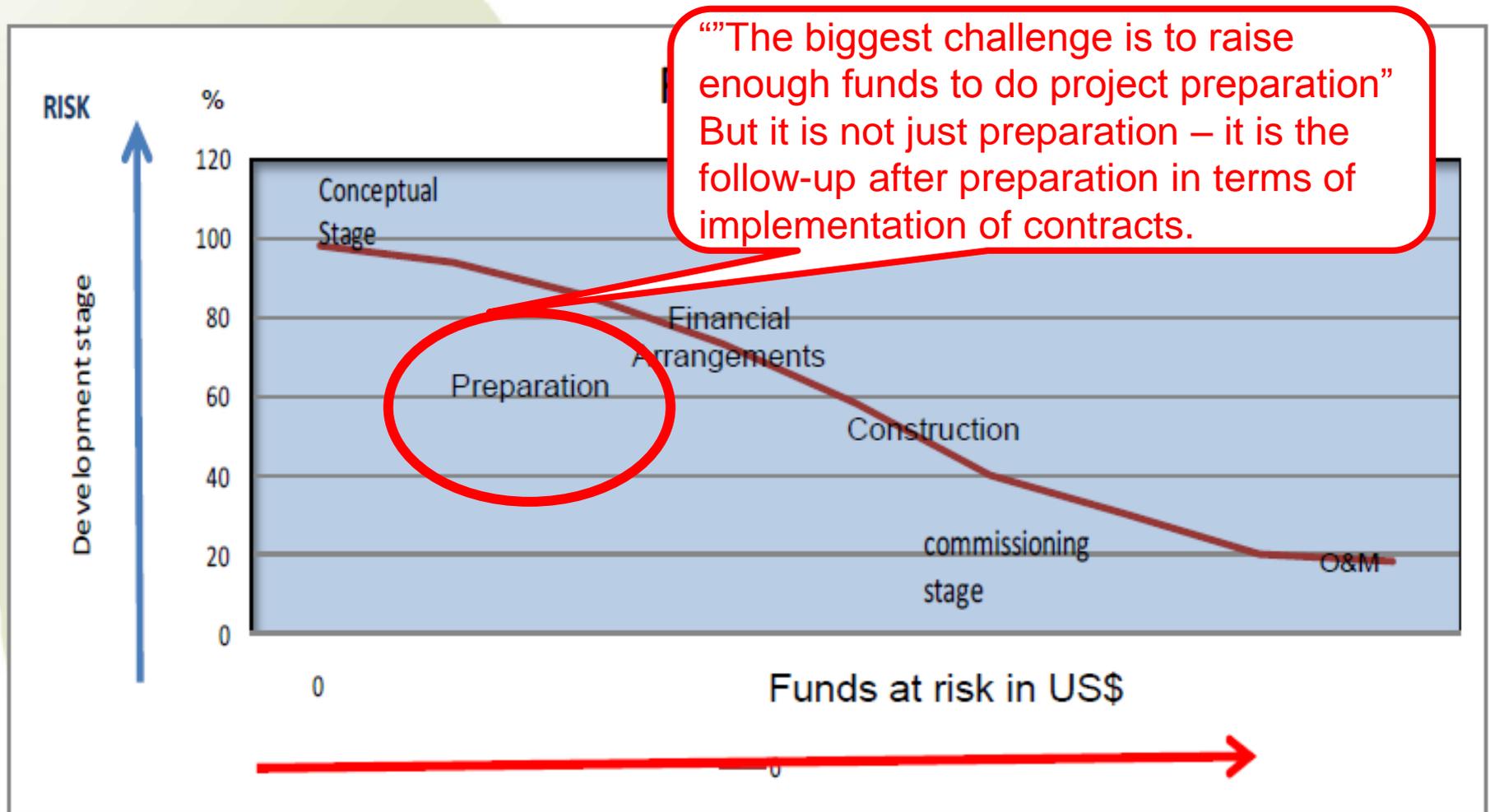
Award of Works and Supervision Contract (11 months)

Works and Supervision (1 - 2 years, depending on length of road)

Defects Liability Period (1 year)

Monitoring and Evaluation (4 months)

High Risk of Project Preparation



Project Preparation:

- Preparation of the SADC Infrastructure Masterplan (after this was started using EDF funding).
- The SADC Infrastructure Masterplan resulted in the establishment of an Infrastructure database which was used as the base for the Tripartite Infrastructure Database (TRIPDA).
- The database generates project fiches to an agreed format and also has an on-line record of all other documents and information relevant to each project (Note that the project fiche is generated by TRIPDA from the database on demand so does not need to be updated individually – will be updated with the database update).
- The front-end of TRIPDA is a GIS system that allows users to access project information from the GIS map.
- TMSA has recently started to work closely with the NEPAD Planning and Coordination Agency (NPCA) to dove-tail TRIPDA into PIDA. PIDA is at a higher level than TRIPDA but there are already (obviously) many synergies – 2 of the 10+4 PIDA priority projects are TRIPDA priorities -ZTK and Serenje – Nakonde Road – both being prepared using EDF financing.

COMESA-EAC-SADC Tripartite Regional Infrastructure Projects Database

LIST OF PROJECTS (by Country)

KEY:

indicates a SADC RIDMP project

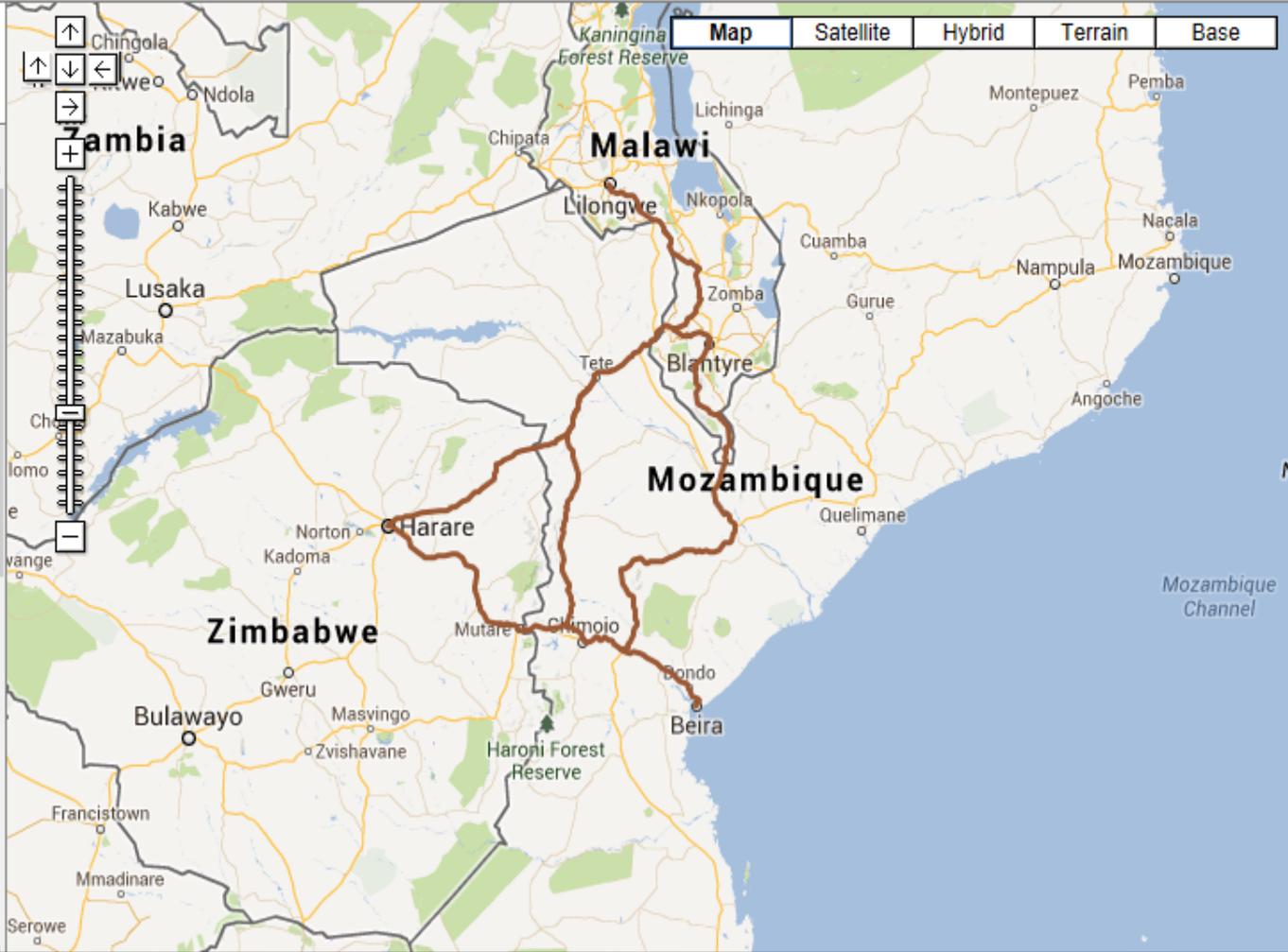
indicates a SADC RIDMP STAP project

ID	ProjectTitle/Name	Corridor(s)	REC Contact Name	2012 Status
Angola				
Airports				
# 134	Cabinda Airport Upgrading	Bas Congo Corridor	Mapolao Makoena (SADC)	Concept
# 79	Catumbela Airport Construction	Lobito-Benguela Corridor	Mapolao Makoena (SADC)	Implementation
# # 133	Huambo Airport Upgrading	Lobito-Benguela Corridor	Mapolao Makoena (SADC)	Implementation
# 137	Luanda- 4th of February Airport Expansion	Malanje Corridor	Mapolao Makoena (SADC)	Implementation
# 131	Luanda Sul Airport	Malanje Corridor	Mapolao Makoena (SADC)	Construction
# 132	Lubango Airport Upgrading	Trans-Cunene Corridor, Namibe Corridor	Mapolao Makoena (SADC)	Completed
Bridge				
# 98	Bridge over the Cubia River en route Mavinga - Rivungo	Namibe Corridor	Mapolao Makoena (SADC)	Concept
# 99	Bridge over the Kubango River in Calai	Walvis Bay - Ndola - Lubumbashi Corridor, Namibe Corridor	Mapolao Makoena (SADC)	Concept
# 97	Bridge over the Kuito River in Dirico	Walvis Bay - Ndola - Lubumbashi Corridor, Namibe Corridor	Mapolao Makoena (SADC)	Concept
Hydro Power Generation				
# 619	Cambambe II Hydro Power Project	Corridor Not Applicable	Odala Matupa (SADC)	Construction
Inland Container Depot				
# 106	Lobito Dry Port Construction	Lobito-Benguela Corridor	Mapolao Makoena (SADC)	Completed
# 81	Namibe Port Construction of Dry Port	Namibe Corridor	Mapolao Makoena (SADC)	Concept
Petroleum & Gas Refinery				
# 802	Lobito Refinery	Corridor Not Applicable	Odala Matupa (SADC)	Implementation
Port				
# 105	Construction of the Soyo Integrated Infrastructure	Bas Congo Corridor	Mapolao Makoena (SADC)	Concept
# 80	Lobito Port Upgrading	Lobito-Benguela Corridor	Mapolao Makoena (SADC)	Implementation
# 107	Luanda Port Expansion	Malanje Corridor	Mapolao Makoena (SADC)	Concept
Railway				
# 78	Benguela Railway Rehabilitation	Lobito-Benguela Corridor	Mapolao Makoena (SADC)	Construction
# 41	Construction of New Link to Santa Clara Border Post	Trans-Cunene Corridor, Namibe Corridor	Mapolao Makoena (SADC)	Concept
Road				

Projects List



- Bas Congo - Roads
- Beira - Roads
- Central - Roads
- Dar es Salaam - Roads
- Djibouti - Roads
- Lamu - Roads
- Limpopo - Roads
- Lobito-Benguela - Roads
- Malange - Roads
- Manzini-Durban - Roads
- Maputo - Roads
- Maseru-Durban - Roads
- Massawa - Roads
- Mtwara - Roads
- Nacala - Roads
- Namibe - Roads
- Northern - Roads
- NorthSouth - Roads
- Port Sudan - Roads
- Trans Caprivi - Roads

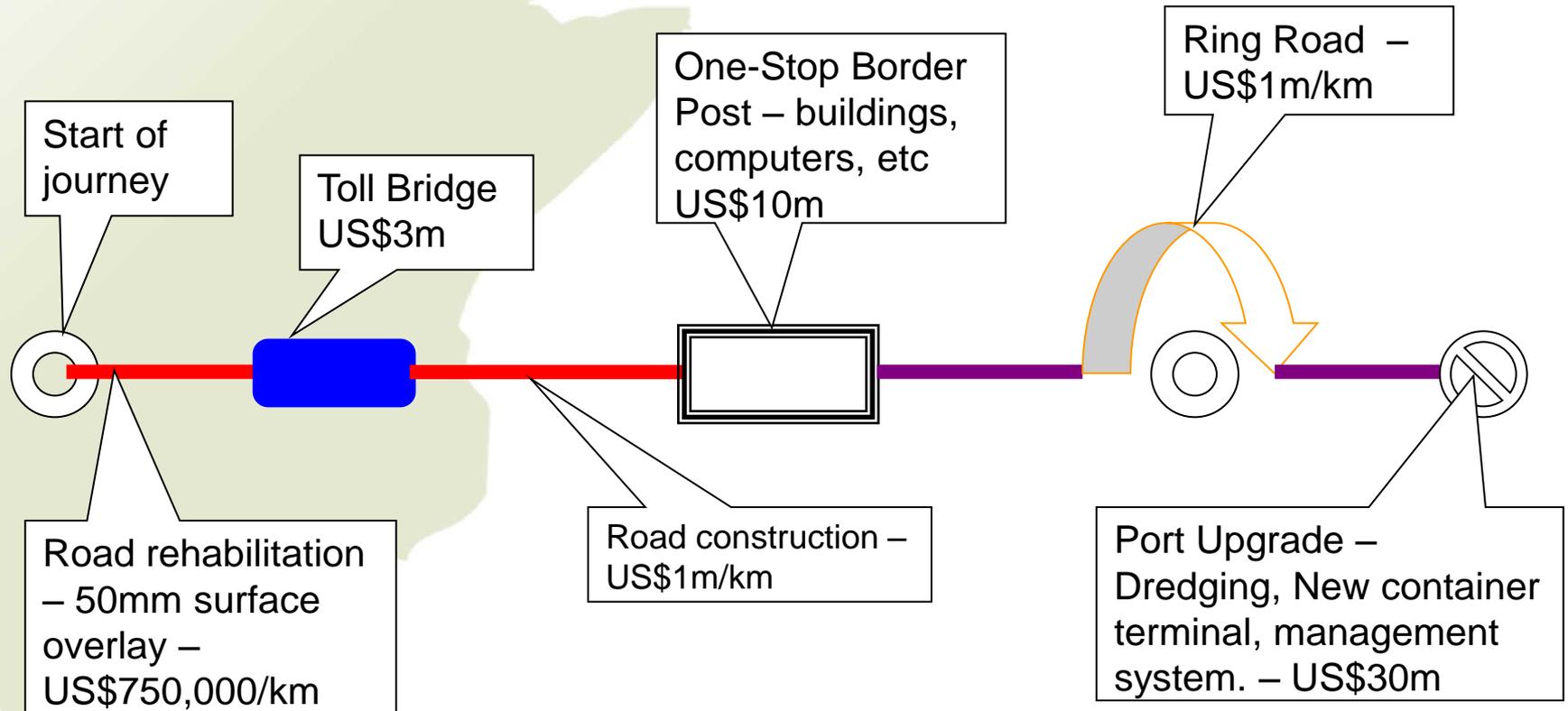


Trade Facilitation:

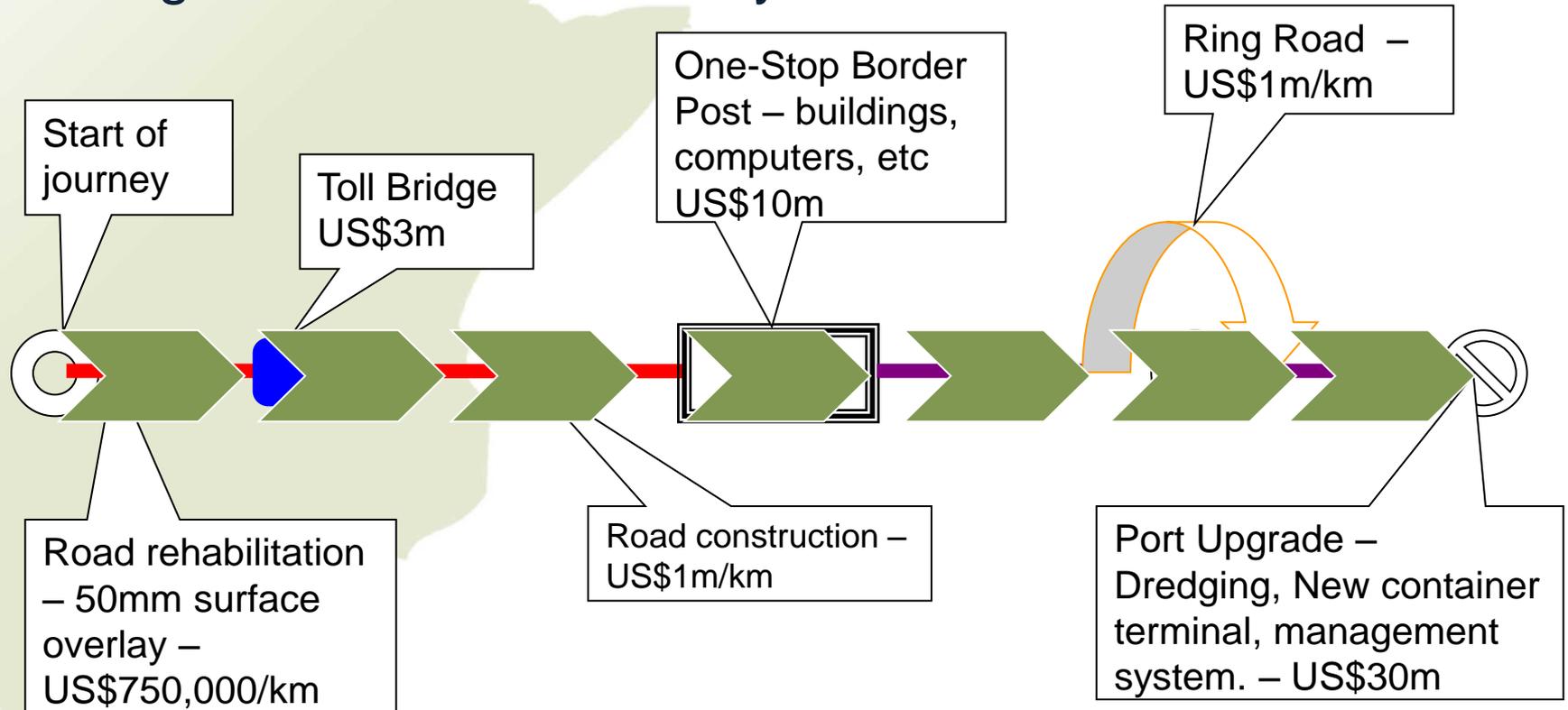
It is clear that one of the major constraints to the economic development, poverty alleviation and job creation in the region is the high cost of doing business across borders. COMESA, EAC and SADC all have programmes that aim to facilitate trade and many of these programmes are already harmonised between the RECs, but there are a number of programmes that are not harmonised across the region and some that do not cover the entire Tripartite region.

Working with the Tripartite Task Force and the three Regional Organisations, TMSA is developing a Trade and Transit Facilitation programme that will be implemented as a common programme across the three RECs and along corridors. This common programme has customs harmonisation and transport harmonisation elements.

Transport and Transit Corridors - the absolute importance of correct sequencing – not enough to just build the infrastructure



Transport and Transit Corridors – need to also put in trade facilitation measures and ensure transport is regulated and then goods will flow smoothly.



Trade Facilitation and Trade Regulation Measures

Integrated Border Management Systems:

State interests at the border include protection of national security, enforcement of immigration requirements, enforcement of import and export restrictions and prohibitions, collection of revenue, recording cross-border statistics, and enforcement of International Health Regulations. The responsibility for protecting these interests is vested in several state agencies. They include Police, Security, Customs, Immigration, those responsible for Sanitary and Phyto-sanitary regulations, and the bureau for standards.

Typically, the border management agencies in the Tripartite region that need to co-operation within an IBM framework include: Immigration; Customs; Bureau of Standards; Environment Management Agency; Health, Food Safety and International Health Regulations Enforcement

To improve the efficiency of border crossings it is advisable to do as many clearance functions “behind the border” as possible. This reduces waiting times at the border and reduces the number of agencies that require a physical presence at the border.

The trend in the Tripartite is to implement Coordinated or Integrated Border Management systems coupled with improved computerised systems. Good examples of the trends taking place can be found in Zimbabwe (based on ASYCUDA World), Kenya (based on SIMBA) and South Africa (based on TATIS).

The Tripartite Programme on Customs:

Programme activities are aimed at:

- synchronising customs laws, procedures, documentation and practices - conform to international conventions and best practices;
- systematic removal of trade facilitation bottlenecks;
- elevate trade facilitation as one of customs key functions;
- share modernisation experiences and learn from others;
- common risk management capabilities and strategies;
- common guidelines for conducting post clearance audits;
- regional toolkits e.g. management of border posts, risk management, establishment of one-stop border posts, etc.;
- joint training programmes and building capacity in pertinent customs and related areas; and
- raising the levels of customs administrations' integrity and adoption of a pro-customer care culture.

One Stop Border Posts:

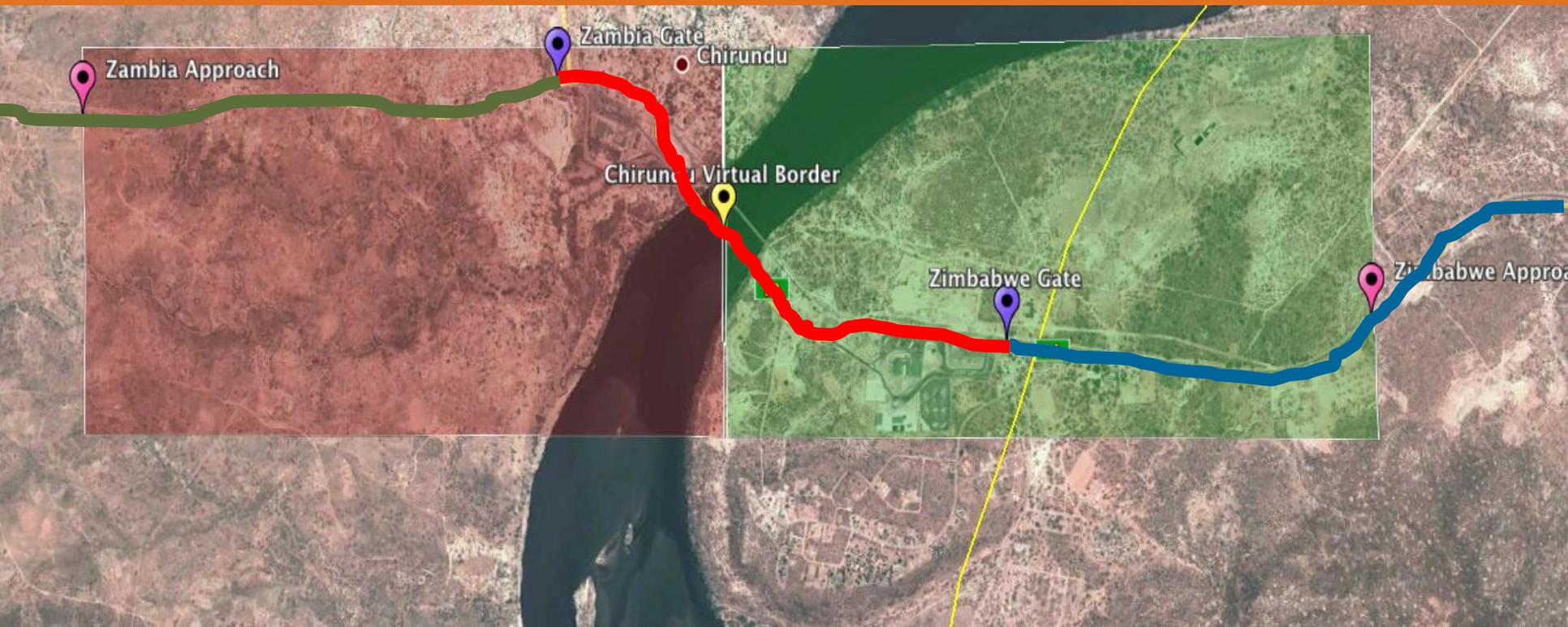
An OSBP allows people, vehicles and goods to exit one country and enter another country through a single facility staffed and operated jointly by adjoining countries. The main advantage is a quicker border clearance process and limit the duplication of border agency interventions. Transport time and costs are reduced, transit times become more predictable, logistical efficiency increases and countries' trade competitiveness is enhanced. Economic benefits can be significant.

OSBP concept is tried and tested for over 40 years - between the USA and Canada; in developing regions of Asia; and South America. There is no single OSBP model – usually straddling the border or, where traditional two stop facilities already exist in both states these can be converted to one stop use (“juxtaposed” OSBP).

Border Crossing Monitoring:

Have relatively sophisticated border monitoring processes based on a GPS truck tracking system. The system tracks “queuing” times as well as border clearing times.

Before the one stop border post was operational clearing times were between 3-5 days. Now with the OSBP in operation, clearance is done on the same day. An average of 480 trucks cross at Chirundu every day so a total of 960 to 1,920 travel days per day are being saved, which translates, as a conservative estimate, to between US\$288,000 and US\$576,000 in savings every day.



Regional Customs Bond:

The challenge is to take the best of the SADC and COMESA systems and merge them into one system for the benefit of the entire region. A study on how this can be done has been undertaken but implementation needs to take place.

Regional Transit Management System:

Within the Tripartite region, and because many of the Tripartite countries are land-locked, management of goods in transit is an important trade facilitation instrument which, if not implemented appropriately, results in excessive delays for transporters and losses to governments as goods in transit get diverted to customers that are in countries which ostensibly the goods are supposed to be transiting through.

Computerised Immigration Systems:

TMSA is currently working with one country on a computerised immigration system that could be used as a standard for other countries that require it.

Transport Procedures:

The Tripartite is addressing market liberalisation of the transport sector by carrying out work on carriage of international road freight; introduction of international regulatory mechanisms; and regional harmonisation of road traffic legislation.

Legal and Regulatory Framework for Road Transport:

Road transport in the region is largely unregulated. No regulation does not equal deregulation. Regulation can assist in enforcement (such as withdrawing a carrier's licence for overloaded vehicles). The current situation in the region could be characterised as benign neglect. A lack of regulation can:

- Improve competition - small and large operations competing but this also compromises service quality and safety as maintenance is deferred to lower costs;
- Allow other government agencies to dictate transport policy (revenue authorities licensing transit vehicles to reduce illegal imports but also restricting back loads);
- Allow countries to license foreign trucks as a protectionist measure and restrict commercial presence of foreign trucking companies.

In Southern Africa there is open competition in road transport but with some protection such as cabotage rules (the transport of goods on the domestic market by foreign registered operators) and restrictions on third country operators (transport along routes not passing through the country of registration).

A lot of progress being made in harmonising vehicle regulations with obvious advantages to uniform GVM regulations and abnormal and dangerous loads legislation.

Third Party Vehicle Insurance:

The Tripartite region has three different third party vehicle liability insurance schemes: Cash Payments; Fuel Levy System; and COMESA Yellow Card. Work is on-going to harmonise these systems.

Vehicles Standards and Regulations:

Harmonised standards for fitness of vehicles, such as smoke emissions, vehicle registration standards, training of examiners, bus overloading, etc. are being developed.

Self-Regulation of Transporters:

Many of the region's transport delays can be attributed to bureaucratic delays caused by the need to check on compliance (such as customs inspections, weighing trucks, document checks at police road blocks, etc.). These delays can be reduced through the introduction of a transporter accreditation system in which a transporter undertakes to comply with a specified package of regulations. In doing so the transporter will be exempt from the usual compliance checks. There would, however, be a system of spot checks which would also apply to accredited transporters and if an accredited transporter was caught contravening the regulations he would face severe penalties and lose his accredited status.

Overload Controls:

Given the high costs of transport in the Tripartite region it is not difficult to understand the economic attractiveness of overloading vehicles to reduce the unit cost of transport to an importer. However, vehicle overloading not only significantly accelerates the rate of deterioration of road pavements but, when coupled with inadequate funding for road maintenance, it contributes significantly to poor road conditions and high transport costs. The indicative cost of overloading in East and Southern Africa has been estimated at more than US\$4 billion per annum (Mike Pinard 2010). This exceeds the amounts being spent on road rehabilitation. Therefore, unless the problem is tackled head on, it will negate the expected benefits from the huge amounts of resources that countries and donors are investing into improved road infrastructure across the continent. Significant progress has been made to standardise the axle load limits and Gross Vehicle Mass across the region, with the latter set at 56 tonnes for a 7-axle inter-link.

Harmonised Road User Charges:

Efforts are underway to harmonise cross-border road user charges in the Eastern and Southern Africa region. COMESA and EAC are to review the 2007 SADC Road User Charges study findings and recommendations with a view to examining whether these recommendations could be extended to cover all Tripartite member States.

Air Transport Liberalisation:

Yamoussoukro Decision: - e.g. implementation of 5th freedom rights – pick up and drop off passengers in 3rd countries – led to significant reduction in inter-regional travel and improved utilisation of aircraft.

Communications Navigation System/Air Traffic Management (CNS/ATM) Systems and Projects. Seamless management of the region's air traffic – both upper and lower air spaces.

Co-operative Development of Safety and Continuing Airworthiness Programme (COSCAP) Project - harmonisation of safety, aviation security and aerodromes regulations.

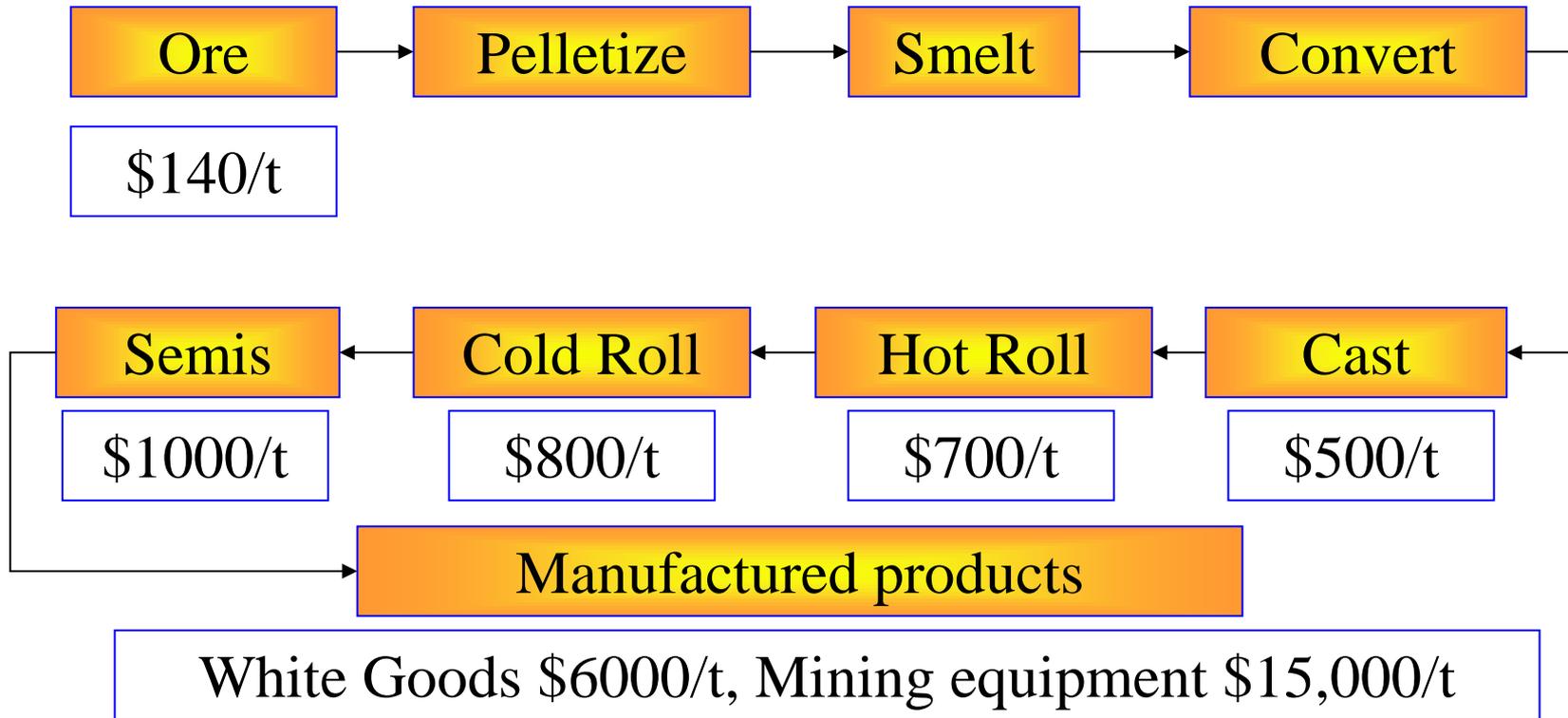
A Few Trade Facilitation and TF-related Challenges:

- 1) Legal issues – MoUs and Agreements for OSBPs and management structures for corridors.
- 2) Design and roll-out of OSBPs – essential to start with process and then move to infrastructure not *vice versa*
- 3) Harmonisation of trade facilitation measures – Implementing the Comprehensive Trade Facilitation Programme and implementing it along pilot corridors as a harmonised, sequenced, multi-faceted programme.
- 4) Single window or community platforms and computerisation.
- 5) Harmonisation of border agencies – or single Border Agency.
- 6) The need to have effective monitoring mechanisms.
- 7) Lack of viable railways, leading to congestion at road border posts and transport of dangerous good by road.

Planning into the Future:

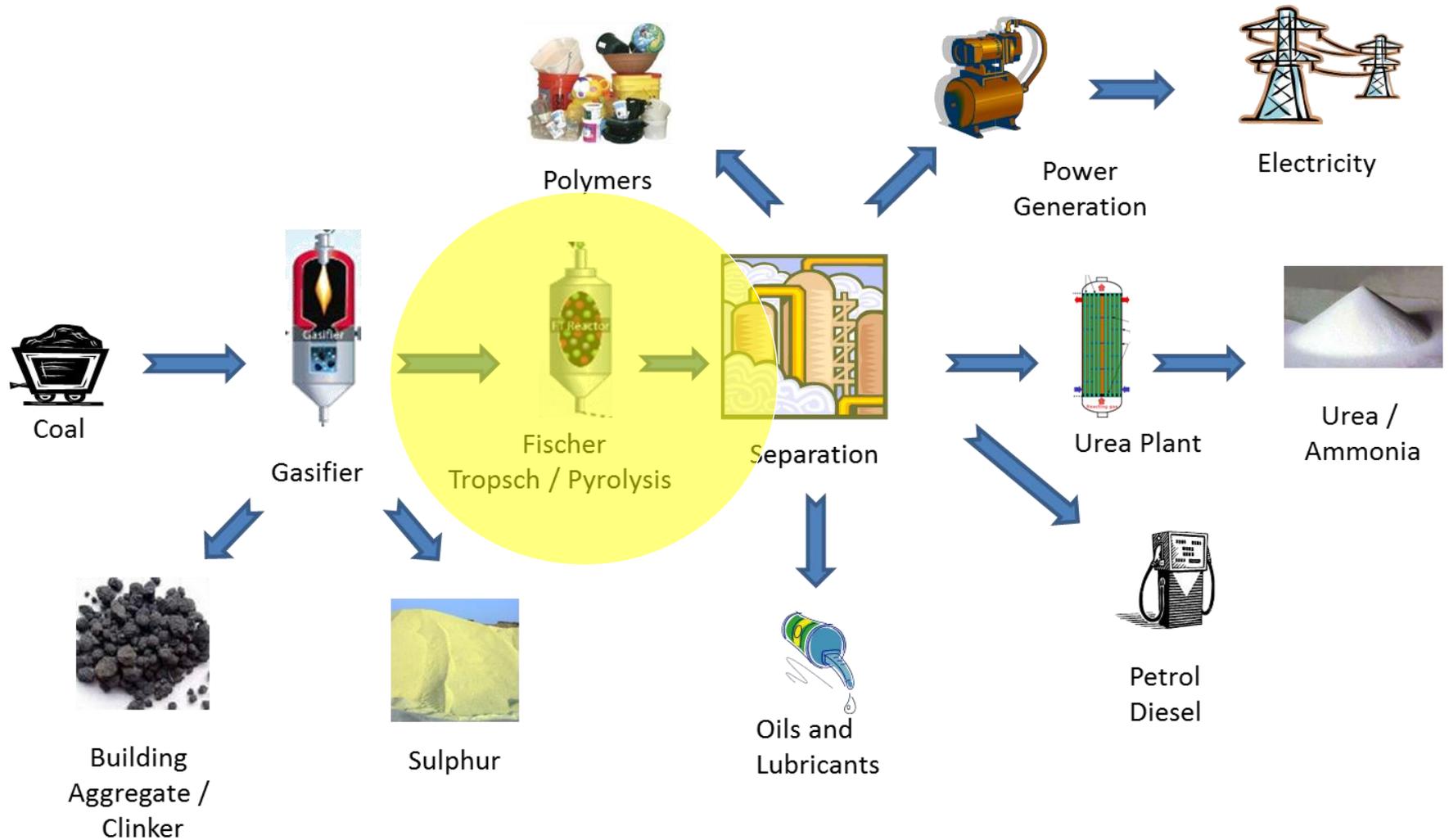
- In Africa, as a general rule, we export everything we produce and import everything we consume – we are not part of a global value nor do we have regional value chains.
- Africa's population will double in about 30 years and its GDP/capita is expected to go to US\$10,000.
- Most policy analysts expect Africa to continue to export commodities – the Australian model, but in Australia they have a service industry to employ people and few people in the interior.
- The commodity export (no value addition) model may result in very high levels of unemployment, a few very rich and the majority poor.
- A more compelling economic model would be where African producers are part of the global value chain –where minerals are beneficiated and agricultural produce is processed in Africa.
- For this to happen we will need to start to build our regional markets and reduce the “thickness” of our borders.

Value chain (iron and steel)





Potential Growth Pole Based on Moatize Coal



Conclusions:

- Infrastructure is important for Africa's economic development but are we planning for the right infrastructure?
- The key to Africa's growth is to improve competitiveness and to do this improved Infrastructure together with Trade Facilitation is key.
- Paraphrasing GIZ on Day 1:
 - Preparation of trans-boundary projects is the championship league of project preparation;
 - Need dedicated units to do project preparation; and
 - The biggest challenge is to raise enough funds to do project preparation.

The only way to address Africa's infrastructure needs is through reducing risk (blending and leveraging) so that the private sector and concessionary financiers can play their role.

Thank You

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