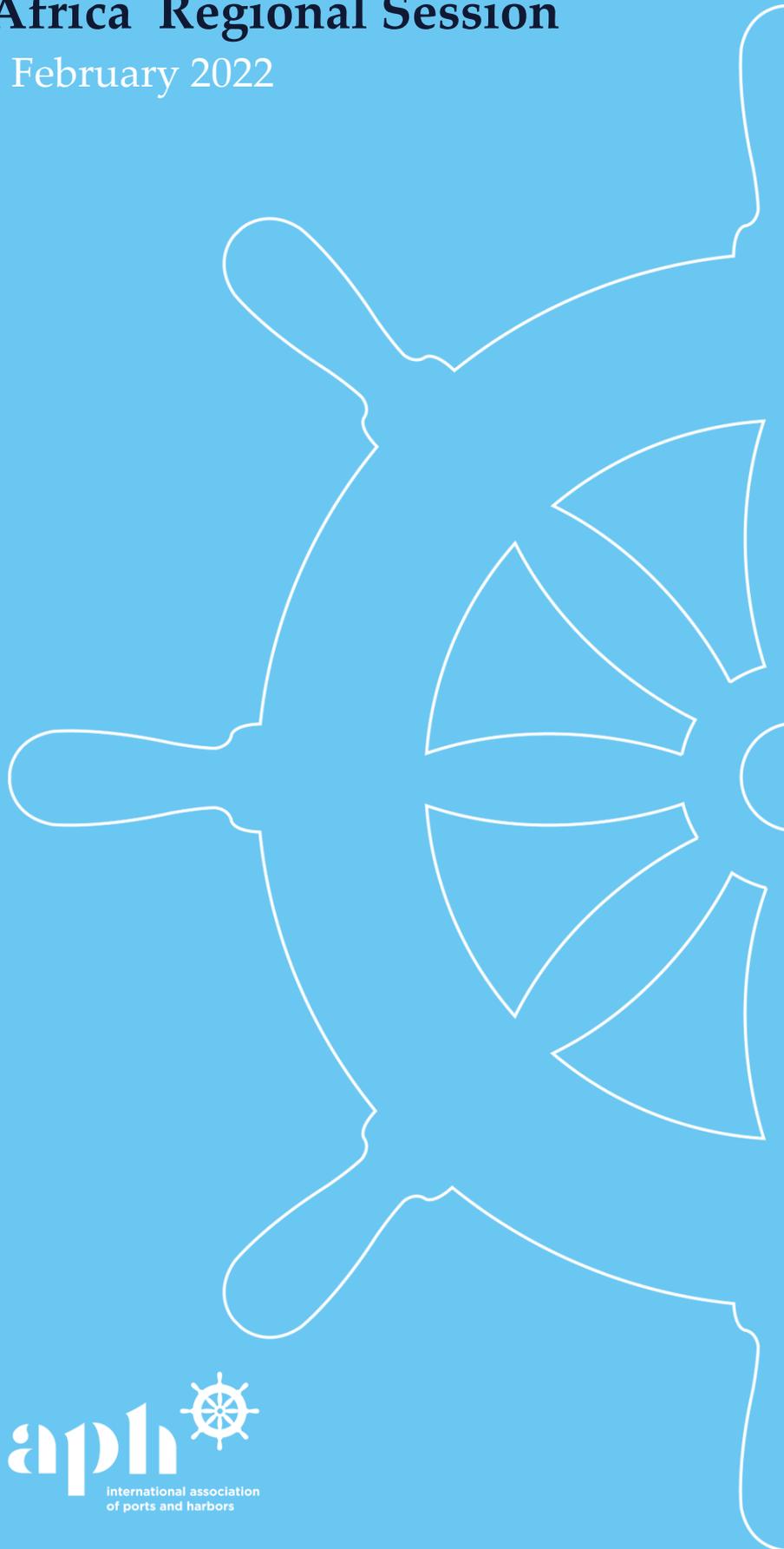


IAPH
Sub-Saharan Africa Regional Session
15 February 2022



IAPH Sub-Saharan Africa Regional Session #CloseTheGaps – 15 March 2022

EXECUTIVE SUMMARY

The enclosed provides a summary of proceedings from the IAPH Sub-Saharan Regional Workshop examining port competitiveness and identifying gaps to address in ports and port-related infrastructure and governance that took place on March 15, 2022.

The purpose of this document is to provide succinct highlights of specific gaps as well as proposals and suggestions raised at the Workshop to deal with those gaps in port infrastructure.

A more detailed analysis of the transcript and recording will be fed into the main workshop sessions of the IAPH World Ports Conference 2022 which will deal globally with the six areas of interest analyzed by a study that the University of Antwerp prepared for The World Bank in 2020¹, namely connectivity and accessibility, efficiency, digitalization, carbon emissions of shipping, shipping costs and regulatory environment.

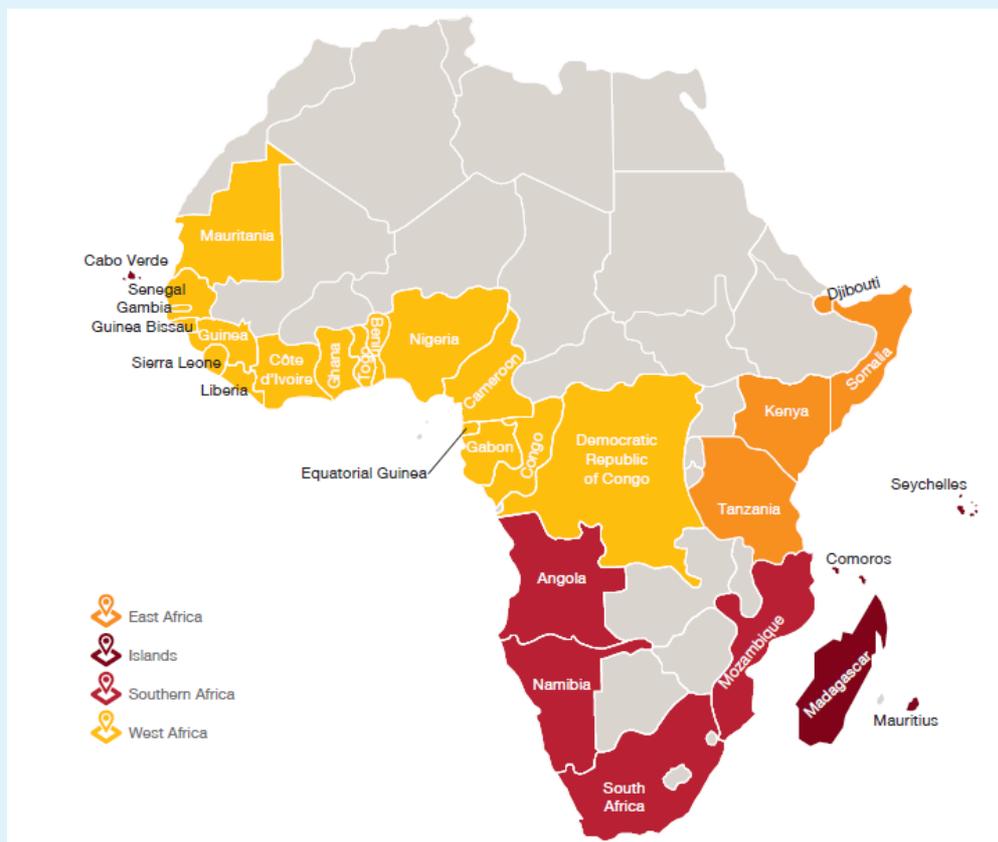
The three main gaps identified for this region are efficiency, connectivity and accessibility and regulatory environment.

1.0. HIGH LEVEL OVERVIEW OF THE REGION IN TERMS OF PORT INFRASTRUCTURE GAPS

As a first observation by many of the panellists, it was felt that Africa as a continent is so vast geographically and in terms of regions, levels of economic development, governance, language and culture, that the exercise to bundle all of Africa's regions into one is a genuine challenge. The numerous port regions defined in Sub-Saharan African terms as per the map below from the pre-Workshop study all have port unique infrastructure gaps as much as specific opportunities to resolve them.

¹ Aronietis, R., Van Hassel, E. and Vanelslander, T. (2020), Maritime connectivity study for The World Bank: the state of developing country ports and maritime services: a global review.

The Sub-Saharan region port countries



Source: PwC (2018)²

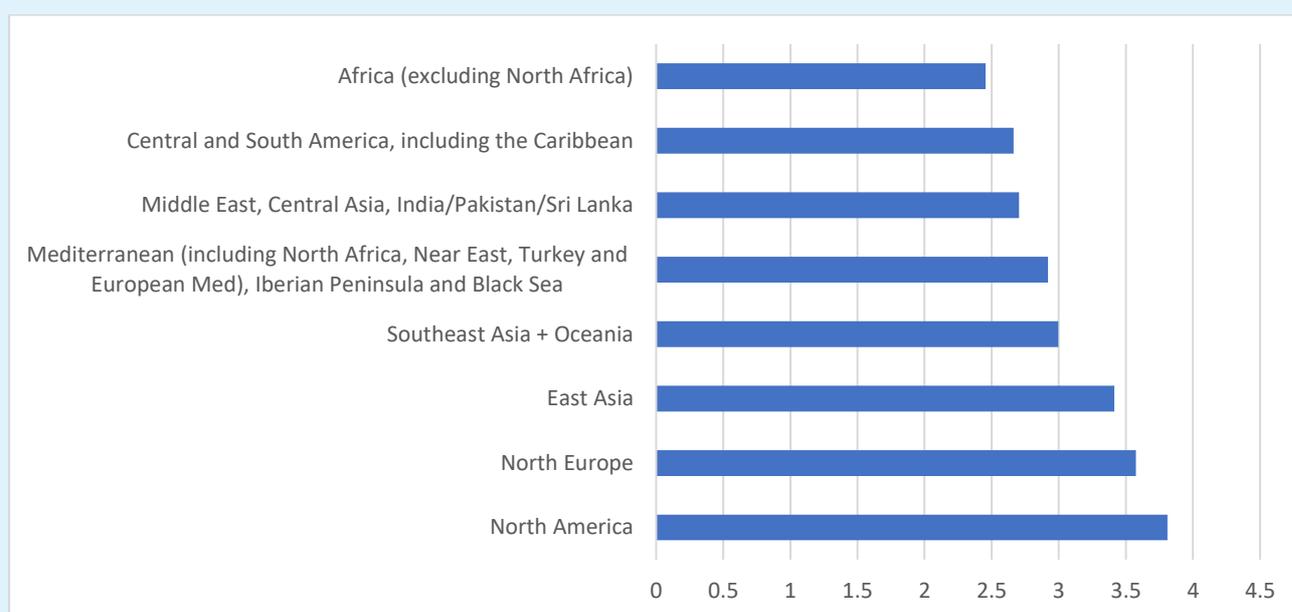
Nonetheless the commonality of gap challenges faced were referred to. Firstly spatial and operating efficiency on the port side which has too often been seen as a capacity issue with terminals increasing space available rather than dealing head on with these efficiency issues.

Secondly there was a common recognition across the board by workshop participants that while significant progress has been made in recent years to modernise and expand African

² PwC (2018). Strengthening Africa's gateways to trade: An analysis of port development in sub-Saharan Africa. [Available online] <https://www.pwc.co.za/en/assets/pdf/strengthening-africas-gateways-to-trade.pdf>

port infrastructure, this has, almost without exception, not been matched by investments in hinterland connectivity improvements, especially to landlocked countries.

Country performance on Logistics Performance Index, 2018

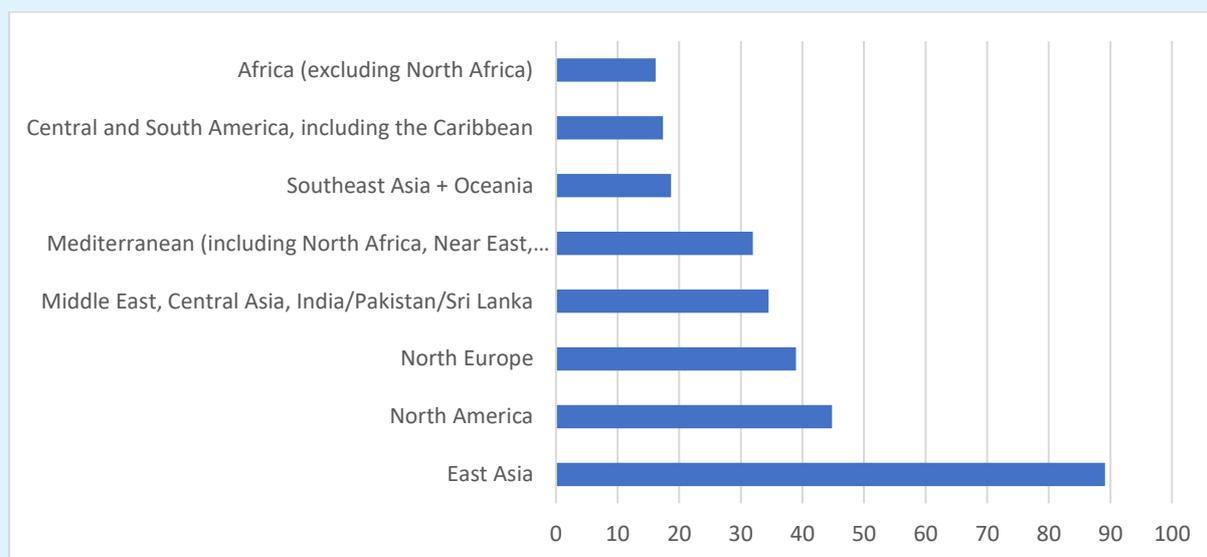


Source: Aronietis, van Hassel, Vanelander (2020) based on the World Bank data

What was also recognised by the participants was that Sub-Saharan Africa has been severely impacted by the global supply chain crunch, as it is the region with least potential cargo volumes. With far more profitable and less complex trade routes such as Asia-Europe and Transpacific offering more lucrative business volumes, container equipment has become scarcer, capacity allocations lower, and freight rates and surcharges for the region have skyrocketed in the container segment. The consolidation of the liner container industry has increased reliance and dependence on global foreign carriers. It is they who decide which ports to call and how frequently to call at them, with increased control at their disposal now that many have developed transshipment hubs in Africa itself and the application of tariffs which include ambiguous surcharges, demurrage in some cases picking up a container at a cost of 475 USD (20foot) and 920 USD (40ft). All of this means additional costs for African importers, exporters and traders with the corresponding impact on trade competitiveness for

the region. It is no surprise therefore that Africa is also last in line in terms of liner shipping connectivity.

Figure 1 – Country performance on Liner Shipping Connectivity Index, 2019



Source: Aronietis, van Hassel, Vanelslander (2020) based on the UNCTAD data

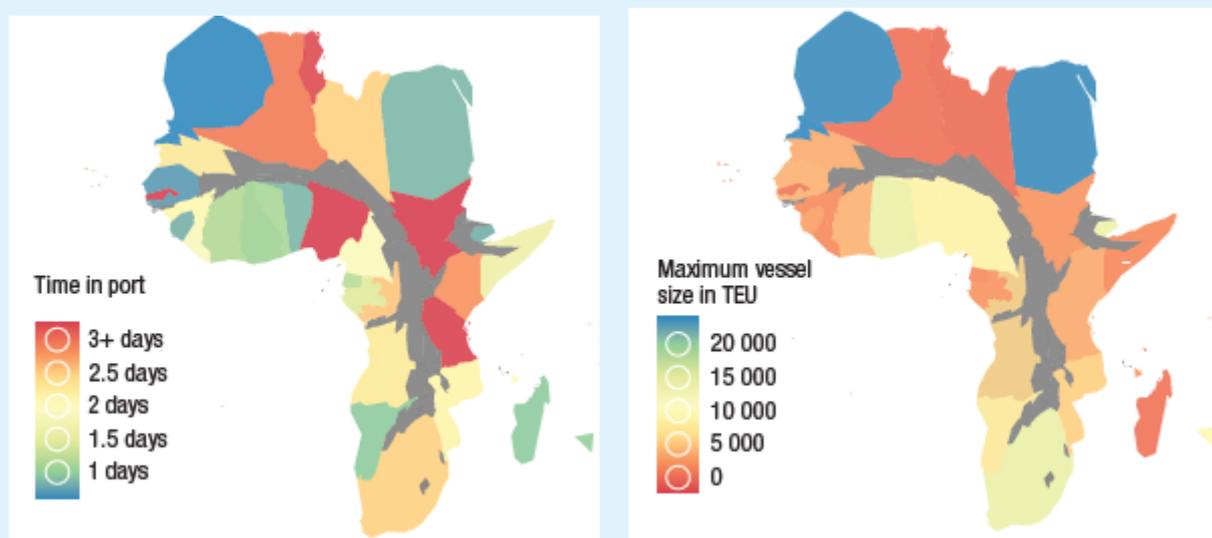
One of the root causes for the low level of volumes is the composition of Sub-Saharan African trade (6% of global trade), with approximately 70% of all cargo heading for export being commodities (cotton, timber, cacao, coffee, ores and minerals were all cited) and the vast majority of imports being consumer goods. The lack of semi and full manufacturing infrastructure was identified as a major gap that would need to be filled to potentially deal with export-import cargo trade imbalances, and create the necessary volumes of high value cargo that would attract shipowners to call at African ports using tonnage with larger capacity.

In addition to the dominance of global shipowners, the relative lack of African shipping (both short sea and barge operators) and the high costs of operating smaller vessels calling at African ports make Intra-African sea legs the least competitive mode versus truck or rail irrespective of the poor quality of landside infrastructure. The comment was made that the cost at an African port of a smaller vessel or barge call operating on an Intra-African trade is simply no match for a post-panamax or ultra large container vessel loading and discharging at the same

destination and that this smaller tonnage could only be deployed as feeders for this larger tonnage, which again points to reliance on the larger global players.

On the subject of road and rail intermodal infrastructure, the port authorities made the salient point that many of Africa’s ports are located in heavily built-up urban areas which creates limitations on capacity growth potential and the possibilities of improving restricted road and rail connections inland.

Container ship port calls: time spent in port and maximum ship sizes, 2020



Source: UNCTAD (2021)³

As the pre-Workshop research piece indicated, Africa lags behind the rest of the world in terms of overall efficiency in delivering cargo from origin to destination on both import and export legs, primarily due to a combination of factors which involves poor governance on several public levels, and the lack of dialogue and willingness to cooperate between public and private sectors to improve cargo fluidity.

³ UNCTAD, Review of Maritime Transport, 2021. Available online [https://unctad.org/system/files/official-document/rmt2021_en_0.pdf]

A wide range of examples were mentioned of this challenge. One example included the decision by a shipping line to call in a neighbouring port in the same country in order to alleviate the problems experienced at the main port which also serves as a transshipment hub. The service had to be cancelled after a few months when it was discovered that the main shippers who could benefit from the service had an established relationship with customs at the main port and were unwilling to change, presumably to keep clearance costs in check. Another example cited the relatively low wages paid to customs and clearing agents which has often led to the incidence of poor governance with those same officers looking to boost revenues often illicitly, with paper-based processes creating the opportunity for these transactions to take place. This practice is not just occurring in ports, but also in inland container depots, weighbridges and any transit cargo points at borders and other hinterland locations.

There was a broad consensus among the port users and service providers of this lack of willingness on the part of some authorities to improve cargo fluidity in the Sub-Saharan African region, although the port authorities and a service provider identified some specific initiatives which will be mentioned in the next section to close the gaps in port infrastructure competitiveness.

Some of it was down to governance, with conflicts of interest between ministries of transport, excise and finance. Other factors cited include working in silos and poor infrastructure investment planning, particularly in rail and road connectivity improvements.

Another less prominent factor causing congestion which was mentioned was opportunism from shippers in their attempt to reduce cargo transits and excessive customs charges by seeking alternative ports of destination in neighbouring countries and then transiting their cargoes by road or rail from there where there were less controls.

Aside from the challenges presented to port users and service providers, another gap identified was cultural. The lack of prioritising digitalization as a gap was exemplified with one example where the user was acting as a pilot for an e-Bill of Lading project, which quickly reached an impasse with the consignee demanding a physical, authorised letter of credit and the major difficulties encountered trying to persuade the local bank in question to formally digitalize the process. The issue was also raised about quality and spread of affordable internet coverage across the continent outside major conurbations, and the complexity of persuading ministries, local government departments and municipal

authorities to dispense with printed papers without a ministerial or presidential decree at national level. It was also pointed out that affordable port community systems were being made available to developing countries such as via the joint IMO-port initiatives, and that perhaps African ports were either unaware of this or not conscious of the relatively small investment outlay needed.

Similarly, the global carbon emissions of ships was not discussed in any great detail during the conversations as it simply did not appear on the radar of priorities to get the basic transport issues managed and dealt with on the continent in terms of efficiency, connectivity and governance. This was noted as a lost opportunity for ports to consider the viability of their role as potential suppliers of low or zero bunker fuels and the potential for them to become energy transition hubs themselves.

The valid point was then concluded that the initiatives currently being proposed to create green corridors between continents outside Sub-Saharan Africa using digitalization and high-level stakeholder interactions, reducing overall emissions between ship and shore may end up being limited to developed nations, creating an even larger infrastructure gap in Africa and less developed continents which would then seriously lag behind, potentially worsening the situation of connectivity.

Finally it was noted that in some regions of Africa, security gaps were present in terms of the risk to cargo and the people transporting it on certain intermodal legs, citing the example of regions in East Africa and the Horn of Africa, where some shippers were reluctant to consider a new port hub on the account of security concerns along the main access highways inland.

2.0. HIGH LEVEL OVERVIEW OF WORKSHOP POINTS RAISED TO #CLOSETHEGAPS

While it was recognised that some of the issues SSA face are long term and difficult to resolve in the medium to long term (transforming the continent into a manufacturing exporter instead of a commodity one, the dependence on global carriers and a complete change in mindset in terms of governance) , a number of constructive proposals were put on the table by workshop participants that either had a proven impact, or were either being proposed or implemented in their region of the continent.

One which genuinely crossed borders was the establishment of a non-profit port corridor organization which was set up with the aim of increasing regional and international awareness for potential users of a new port hub for Southern Africa. A formal structure was put in place, including representation in neighbouring countries as well as in South America. A focused marketing campaign was then implemented targeting port authorities, governments, business associations, multi-modal operators, key shippers and supply chain service providers as well as shipowner-operators, bringing them into the corridor association and focusing on building inland connectivity possibilities using various transport modes available from the port for potential import and export cargo. The approach was neutral, and in addition at government level full support was given as well as the simplification of clearance processes in the host country to ensure cargo fluidity. In addition, to meet the adage of the proof being in the pudding, cargo owners were invited to trial their shipments using the corridor in question with the commitment by the corridor organization to walk away from the table if it did not meet the customer promised made. Twenty years later, that alternative hub now carries over 600,000 tonnes or cargo annually and is now looking to concession out its constructed container terminal, with the expansion of its liquid bulk terminal foreseen.

Three examples were cited for West, East and Southern Africa involving gathering together all stakeholders on a regular basis in order to improve efficiencies overall on the port side. One is a port efficiency program led since 2017 at the highest level by the country's vice president with the aim of creating paperless operations in and around the port. The motive for this is to improve health and safety by reducing human contact following the pandemic outbreak but also in order to reduce the possibilities of illicit payments. Previously there were between 8 and 10 different government agencies having to inspect cargo at different times. These have now been reduced to three and all of them are obliged to inspect the cargo at the same time.

A second example involves the creation of a Port Community Charter in which the port authority collaborates with all its stakeholders in the logistic chain setting specific targets for each in terms of continuous improvement as well as for the port authority itself, with parties meeting on a weekly basis to inform each other of the actions being taken. Again this is presided over by the country's president, ensuring the highest level of accountability.

A third example is the establishment by national legislation of a Port Consultative committee which is permanently in place to ensure that all national port community stakeholders are

represented from cargo interests to freight forwarders, pilots to the public safety agency, to the towage suppliers, plus labour representation for when the national port authority puts forward any proposals from the 9 commercial ports that have an impact on these parties. The example cited was the proposal to increase annual capacity of a main terminal from 4 to 11 million TEUS with the construction of a new terminal replacing existing transport infrastructure. The consultative committee is present to ensure all stakeholders interests are taken into account when changes are proposed and that the port authority also has a formal channel with which to share its initiatives.

The other issue of addressing greater collaboration between ports was cited in the case of the port management associations of East and West Africa. A recent in-person gathering of PMAWCA members in Cameroon saw many of the ports of West Africa meet to discuss how to accelerate digitalization and to share knowledge from each other as well as advanced international ports and specialists on establishing strategies for cybersecurity in collaboration with IAPH.

The question was raised as to whether the African Continental Free Trade Area has the potential to increase intra-African trade, notably by ship. An observation was made that the treaty has yet to be ratified by some countries, so that was the first priority. One participant mentioned the set-up of a working group to look into the creation of a free trade zone, which has begun by the port consulting stakeholders on size of market, potential cargo capacity growth to and from the port and the possibilities of introducing added value, whether they are involved local semi-manufacturing, packing or logistics. Proposals could then be put forward to both public and private sectors with quantifiable objectives and a measured impact on current operations and capacity.

In addition, more than one participant alluded to the creation of a wider shortsea and barge network to cater for the additional volumes that can be potentially generated by the African Continental Free Trade Area, and that African ship ownership and/or flagging be considered. This could reduce dependence on global players and offer the opportunity for creating a more level playing field in terms of costs of calling at African ports through incentives or a cabotage set up which is seen on other continents. Right now the business viability of these would need further work and have to be coordinated through the man African trade associations and the region's institutions and development banking network.

3.0. NEXT STEPS

These identified gaps and potential solutions will now be discussed at the IAPH World Ports Conference in Vancouver between 16-18 May both in plenary sessions and at the IAPH Regional Meetings which will have this Executive Summary to set the agenda on how to put together a plan to #CloseTheGaps in port infrastructure.