Trade and Transport Corridor Management
A Toolkit for Performance Improvement

Monica Alina Mustra
International Trade Department
World Bank

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New Solutions for an “Old Problem”?

Global SC 1st century AD
The World Bank has over the past 20 years implemented more than 100 corridor projects. There is significant knowledge, but:

- Not easily discoverable
- Each project almost starts from scratch

Aim: compile an holistic toolkit based on existing and new knowledge on how to design, implement and assess trade and transport corridor projects.
But, what is a trade and transport corridor?

- Government of South Africa (1999): a “high volume transport route that links major activity centers ... it connects areas of highly concentrated demand and therefore requires large scale investment in infrastructure and services.”

- Van Pelt (2003): “a stream of products, services and information moving within and through communities in geographical patterns”.

- Arnold (2006): “a designated route within a national transport network that is used to transport imports and exports from and to an international gateway or a border crossing. It connects to one or more of the country’s major centers of production or consumption.”

- The PriceWaterhouseCoopers (2010) "when we map a corridor we are mapping a series of connected clusters of economic activity."

- Toolkit definition: “a bundle of transport and logistics infrastructure and services coordinated by a national or regional institution to facilitate trade and transport flows between centers of economic activity and international trade gateways.”
The ISI Nexus

- Infrastructure
  - Prioritization
  - Cross-border interconnectivity
  - Investment

- Trade and Transport Corridor Performance

- Services

- Institutions

- Regulation
  - Access rights
  - Transit regime
  - Services contracts

- Operations
  - Cross-border integration
  - Third party access
  - Inter-operability
Corridor Project Cycle

I. Corridor length diagnostic (key performance indicators and benchmarking)

II. Identification of operational bottlenecks

III. Detailed component and sub-component assessment (Component baseline data)

IV. Preparation of project including formulation of intervention measures

V. Project implementation and management (with performance monitoring)

VI. Assessing trade and transport impacts

Assessing trade and transport impacts
The Trade Corridor Management Toolkit

- Based on large body of existing knowledge from Bank operations, and from several other agencies and countries
- Designed to support increasing volume of corridor-based operations.
- 13 modules addressing how to diagnose, measure and design interventions to improve corridor performance and assess impact
A Corridor and its Components

**Institutions**

**Infrastructure**

- Seaport/Economic cluster

**Mode interface**

- Economic cluster

**Dry port ICD**

**Gateway / Economic cluster**

**Services**

- Seaport and shipping
- Access to port
- Transit
- Customs and border management

- Road and Rail Transport services

- Customs and border management

- Vehicle change
- Customs and border management
- Storage
- Consolidation
- Clearing and forwarding

- Air freight
- Customs and border management
- Transit
- Clearing and Forwarding

**International transit**

**National transit**
The Trade Corridor Management Toolkit
Relevant World Bank-financed Corridor Projects

- CEMAC TTF (Douala Corridor)
- West Africa (Tema Ouaga)
- North-South Corridor
- Afghanistan (new tranche customs support), and Pakistan (national corridor)
- Kazakhstan (Western Europe-Western China transit corridor, customs support)
- Corridor Assessments in EAP
- Earlier projects: Beira, Mombasa corridors
- Other corridors (not LLDC related): Mashreq, Abidjan Lagos, Caucasus
Corridor Assessments in EAP

- Toolkit tested in AFR, SAR, EAP + lessons from ECA and LAC

- **Example:** Assessments in Cambodia, Laos, Thailand

- **Problem:**
  - High transport costs

- **Approach**
  - Interviews with key stakeholders (public and private sectors)
  - Trucking survey
  - Border survey
A Tale of Two Countries

Cambodia

- Alternative routes
  - Domestic port, Vietnam (road, river)

- High costs
  - Informal fees
  - Transshipment
    - Firewall between KH and TH services
    - No spillover effects
    - Future: Minibea initiative
  - Competition between ports

Laos

- Small volumes
  - At least half of outbound trips are empty

- Chains controlled by Thai and overseas buyers

- Tight container return limits imposed by shipping lines

- How to consolidate volumes
  - Road vs rail transport economics
  - Is there potential in using a dry port or ICD, and where should it be?
  - Can Laos piggyback on NE Thailand logistics services
Lessons from elsewhere …

Nepal: Three Dry Ports at the common border with India
- Birgunj – is largest
  - Linked to Kolkata Port by rail
  - But Nepal cargo only trains
  - Leads to long cargo dwell time in port
  - Operated by private sector

Tanzania: Dry port at Mbeya – 100 km from Malawi border, 880km from Port of Dar es Salaam in Tanzania
- Linked by rail to port
- But has experienced declining volumes
  - Poor performance of railway
  - Shipper preference for road transport
  - Competing trade routes

South Africa: City Deep dry port in Johannesburg, industrial and logistics hub
- Scheduled rail services between port and dry port
  - up to 19 x 100 TEU trains per day
- Handles domestic as well as traffic for landlocked countries
  - Transit volumes are small proportion of domestic flows
  - Removals are by road or rail
The seems to be acceptance of a high logistics cost equilibrium – though the trade corridors between Laos and Thailand perform well in terms of time and reliability

Prospects for reducing costs depend on cooperation with Thailand (and Vietnam)

- Laos should piggy back on the more efficient operations in Thailand
- But … Thai law does not allow transshipment of third country cargo in Thailand – Thai exports can be transshipped

In the short term Laos can benefit from greater openness to Thai service providers especially trucking, forwarding and warehousing

In the medium to long term a rail linked dry port in North east Thailand could help disrupt the current high cost equilibrium

Laos needs to co-develop a logistics strategy with its coastal neighbors
Trade and Transport Corridors in the African Context

- Largest concentration of landlocked countries: Sub-Saharan Africa
- High transport costs are recognized to be a burden on the low value, high volume commodities that are produced (long distances, border delays, etc.)
- Reducing costs is critical to trade expansion and growth
- The corridor approach is actively pursued to:
  - Help prioritize infrastructure investments and maximize returns to scale;
  - Stimulate growth, trade and investment along key international transport routes;
  - Typically based on agreements between states that identify cross-sectoral cluster investment opportunities for PPPs.
- Expected Outcomes: access to seaports, virtuous cycle of expanding regional markets, increased regional integration, a regional approach to FDI, job creation, Small and Medium Size Enterprise (SMMEs) development, strengthened planning and managing capacity of local governments and rapid economic growth.
The Example of The Northern Corridor

- Links DRC, Burundi, Rwanda, Uganda, Kenya, (and South Sudan)

- It is one of the best known and probably most studied corridors in SSA
The Example of The Northern Corridor

**Role of the Northern Corridor:** Vital trade link for landlocked countries in the region:

- 95 percent of the goods that are imported into, or exported out of, Uganda pass through the port of Mombasa;
- There is a rail line on the route but 90 percent of the cargo on the corridor travels by road.
- From 2006 to 2009, trade volume at the port of Mombasa grew at close to 9 percent a year, with most of that cargo going along the Northern corridor – along with bilateral and other domestic trade.

**Project’s Objective:** Improve the movement of cargo and tackle delays and inefficiencies through:

- effective implementation of the EAC Customs Union Protocol;
- Increasing transport and logistics services efficiency; and
- improve railway services in Kenya and Uganda.
Northern Corridor: Achievements so far

- Lower transit costs and transport times along a key road route linking Kenya’s international seaport at Mombasa with Uganda and other countries in Africa’s interior, aiding trade between these interior countries and the outside world:
  - Transit times at the border have now been reduced from three days to three hours;
  - Dwell time at the port of Mombasa is down from 19 to 13 days, and transit time along the Mombasa-Nairobi-Kampala section of the route has dropped from 15 to five days;
  - Processing times at the Mombasa Port have been lowered due to information sharing among agencies;
  - Joint inspection of cargo and exchange of electronic information due to increased cooperation between Kenyan and Ugandan agencies;
  - Efforts are underway to develop a one-stop border post

=> Ease of movement of cargo and increase in vehicle utilization
Video Feature: Trade Facilitation

http://go.worldbank.org/68IEJP0MJ0
From Access(-ibility) Priorities...

- Development of physical infrastructure
  Still the main constraint?
- International Law and Regulations
  Lack of agreement or lack of implementation?

...Towards Improving Services to Traders...
Interventions have to focus on improving the performance of the corridor

- How do we assess performance?
- Corridor performance indicators
  - Cost
  - Time
  - Reliability
The objective of improving service delivery for traders implies a combination of:

- Investment in infrastructure
- Institutional capacity building
- Regulatory reforms

⇒ Combine and balance support to investment and Technical assistance, Cross-Border, Trade Facilitation Facility
The development of trade and transit corridors requires **holistic regional planning** with the view to unlock growth potentials in “lagging” regions.

**But …**

- Each corridor is **unique** and development prospects depend on the convergence in temporal and geographical space of several factors (political, economic, global trends, etc.)

- Evolution is not a linear process from transport to development corridor but **mutually reinforcing** processes are at play.

- Development requires **active participation of public and private sectors** … including all levels of government (local, provincial, national).

- Critical to assess upfront the economic **fundamentals** as there are usually competing routes and investments.
Thank you

Monica Alina Mustra
mmustra@worldbank.org

Charles Kunaka
ckunaka@worldbank.org