Impediments to Regional Trade Integration in Africa

Vinaye Ancharaz, Kennedy Mbekeani and Zuzana Brixiova*

Key points

• Intra-African trade remains very low. Lack of product diversification, low trade complementarity among African countries and high trade costs perpetuate this situation.

• Poor transport and communications infrastructure and unreliable power are key constraints to Africa’s ability to trade with itself and with the rest of the world.

• A lack of trade facilitation instruments, including trade finance, and complex customs arrangements further impede intra-regional and international trade.

• Investment in transport infrastructure promises to deliver the highest returns measured in terms of intra-African trade growth.

• There is need to ensure full implementation of RTAs and harmonization of trade-related policies and regulations at the regional level.

• Aid for Trade should be scaled up to close the infrastructure gap, provide trade finance and support trade facilitation efforts.

I Introduction

The importance of regional integration as a means for supporting Africa’s economic development has long been recognized by African leaders. The large number of regional economic communities (RECs), the NEPAD initiative to promote integration at the continental level and recent attempts, such as the COMESA-EAC-SADC tripartite FTA, to consolidate integration efforts are testimony to Africa’s desire to deepen regional integration. Successful regional trade integration can help African countries reap economies of scale, expand markets and collectively exploit their resources, thus gradually raising their competitiveness in the global economy. Regional integration can also reduce countries’ dependence on traditional trading partners and raise their resilience against external shocks.

Intra-regional trade in Africa faces numerous challenges. Beyond the structural constraints, such as lack of resource and production complementarities between many African countries and low levels of incomes and investment, there are various infrastructure-related and policy-induced impediments to intra-African trade. At a fundamental level, intra-African trade remains low because regional trade agreements (RTAs) have not been fully implemented by member-states. Trade tariffs remain high on products of export interest to regional partners, and non-tariff barriers are pervasive across the continent. In particular, Africa’s landlocked countries face very high trade costs and more daunting challenges to increasing their share of trade in the region.

Yet Africa’s unique geographical characteristics make regional integration even more urgent:

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(i) Africa is home to more landlocked countries than any other continent. Fifteen African countries, representing about one-third of Africa’s population, are landlocked. These countries face daunting challenges to integrate both regional and global markets.

(ii) Africa has more countries with low population densities than other developing regions. Nineteen African countries have fewer than 5 million people; only one country (Nigeria) has a population exceeding 100 million. Income levels are very low across countries, irrespective of their size. As a result, the continent comprises mainly countries that have small domestic markets with low purchasing power.

(iii) Most African countries are far from major markets of Europe and the USA. They are also far from busy shipping routes to these markets.

It is therefore crucial for African countries to address the barriers to regional trade and integration. Investment in physical infrastructure (roads, power plants, ITC) is likely to generate the largest impacts on trade. Greater political commitment to regional integration – as reflected in fuller implementation of tariff liberalization schedules and concerted efforts to tackle non-tariff barriers – and longer-term strategies to address export supply capacity constraints at the national level are also critically needed. These measures will help boost both intra-African as well as international trade since many of the constraints to intra-regional trade also affect Africa’s capacity to integrate the global economy. Multilateral institutions and international donors can play a key role in supporting Africa’s endeavor.

This note discusses the main impediments to intra-African trade, and hence deeper trade integration on the continent, after reviewing the recent developments in intra-regional trade. It then lays out options that policymakers can adopt to overcome these obstacles. The note concludes by highlighting the role of the African Development Bank in supporting deeper and mutually beneficial trade linkages among its regional member countries (RMCs).

II Trends in Intra-African and Regional Trade

Despite the long history of regional integration on the continent, the level of intra-African trade remains low in comparison with other developing regions. Intra-African exports represent 9.6 percent of the region’s total exports, compared to 20 percent for Latin America and 48 percent for developing Asia (Table 1). This proportion is substantially higher for sub-Saharan Africa (around 12 percent) than for North Africa (around 3 percent), which has systematically featured very low levels of intra-regional trade.

Africa, however, is over-crowded with often overlapping regional trade arrangements (RTAs). Overall implementation of RTAs and reduction of tariff and non-tariff barriers to trade has been slow. Many countries have also drawn up long lists of sensitive products as exceptions to intra-RTA trade liberalization. Even in RTAs where progress with integration was more rapid, trade flows have not necessarily increased (e.g., CEMAC, COMESA). Accordingly, the intra-regional African trade flows have been low in comparison to other regions (Table 1, Annex).

Most empirical studies have been inconclusive about the impact of RTAs on intra-bloc trade. However, this should not be interpreted as ineffectiveness of African RTAs in boosting intra-bloc trade. Instead, it suggests that Africa as a region may be facing far too many obstacles to trade compared to other regions (see Section III below). Indeed, over two-thirds of intra-African trade takes place within RTAs, highlighting the importance of these arrangements. Moreover, aggregate measures of intra-Africa trade do not capture a number of positive trends in the continent’s regional trade. Several of these trends point to the potential of RTAs to boost trade between their members and are worth mentioning.

- Intra-African exports increased more than four times between 2001 and 2008, from $11.8 to $47.7 billion. In fact, Sub-Saharan Africa (SSA) registered the fastest growth of intra-regional trade among all the world regions. The stagnation of the intra-African trade at about 10 percent over the past 5 years is to some extent an artifact of Africa’s burgeoning trade relations with emerging partners like India, Brazil, and especially China. Africa’s exports to China increased from 2.9 percent of Africa’s exports in 2000 to 11.9 percent in 2009. Yet, intra-African trade shows a promising trend. For SSA, for example, intra-regional exports expanded to 14.7 percent of total exports in 2009.

- Intra-African exports are more diversified than Africa’s exports to the rest of the world. Non-oil agricultural goods and manufactures account for about 60 percent of Africa’s exports within the region, while the corresponding share in world exports is merely 28 percent. This suggests that while Africa’s external trade, which is concentrated in production and exports of oil and minerals, entails risks of a ‘resource curse’ or Dutch disease, regional trade has prospects for diversification.

- The actual volumes of intra-African trade...
are underestimated since official statistics do not record the informal trade that takes place within Africa. In West Africa, for example, the share of the informal sector in the national economy is estimated to range from 20 percent for Nigeria to 75 percent for Benin. Informal trade between countries such as Benin, Togo and The Gambia, and between these countries and Nigeria, far exceeds the official trade. Informal trade is also high in East Africa. For example, at $206 million, Uganda’s informal exports to the EAC in 2009 were estimated to reach more than half of the country’s official trade with these partners.

- Aggregate trade shares hide important country-level variations. Some countries, especially the smaller ones (e.g., Lesotho and Swaziland) trade more regionally than others. Conversely, Africa’s largest economies (except South Africa) and the oil exporters are – in relative terms – the least involved in regional trade. Similarly, some RECs such as EAC engage more in regional trade than others (Table 2, Annex).

**III Impediments to Intra-African Trade**

At a fundamental level, the low degree of intra-African trade is due to a lack of product diversification and poor trade complementarity among African countries. These structural constraints are compounded by inadequate and inefficient infrastructure, both hard (such as roads, transportation and energy) and soft (such as ICT and customs systems). Moreover, a number of factors that reduce firm-level productivity, raise costs and erode export competitiveness also end up impeding trade beyond the borders. These factors include a lack of access to working capital and trade finance, outdated technology, lack of worker training, unreliable and costly utilities, and a generally poor macroeconomic environment that results in low levels of investment and a lack of impetus to exporting.

While regional integration efforts could offset some of the above constraints, in practice this has not been the case.

**Infrastructure**

Cross-border infrastructure such as transport, energy and telecommunications are essential to move goods, services, people, and information between countries. Such linkages expand market access; reduce economic distance; and facilitate trade, investment and labor mobility. However, Africa’s poor transport and communications infrastructure and unreliable power raise trade costs and undermine competitiveness and the continent’s ability to integrate regionally as well as globally.

**Transport**

As tariff levels in Africa have fallen, transport costs have emerged as the most restrictive barrier to trade. Specifically, freight costs represent 13 percent of import costs for Africa (14 percent for SSA) compared to 9 percent in Asia, 7.5 percent in Latin America and about 5 percent in industrial countries (ECA, AUC and AfDB, 2010). According to the World Bank Enterprise Surveys, SSA is the region with the largest proportion of firms identifying transportation as a major constraint to doing business.

Poor transport infrastructure is the main cause of high transport costs in Africa and, arguably, the most binding constraint to intra-African trade. In Africa, infrastructure accounts for 40 percent of predicted transport costs for coastal countries, and up to 60 percent for landlocked countries (Limao and Venables, 2001). Several empirical studies document that the returns to investment in infrastructure (for example, upgrading of roads), measured in terms of trade growth, are particularly high in Africa.

Road transport is the key means of trade between African countries, as alternative modes of transport are either inefficient (railways) or too expensive (air transport). However, Africa’s road networks are both inadequate and in a poor shape. Road density is less than 7 kilometers per 100 sq. km. of land, the lowest in the world. Moreover, over 75 percent of roads in the ESA region are unpaved while paved roads are not always well maintained, resulting in faster vehicle depreciation, more frequent breakdowns, and longer transits. Trade-related infrastructure challenges are greatest in LICs and fragile states. The example of the Democratic Republic of Congo shows the opportunity cost of poor infrastructure – the copper transported from the Copperbelt region takes on average 2 to 3 weeks to reach the port of Durban; the same distance in Europe would be covered in 2 days.

Investment to improve the quality of road networks would deliver significant trade dividends. It is estimated that an investment of $32 billion to upgrade roads in Africa would cause trade to grow by some $250 billion over a 15-year period, with the biggest gains accruing to the most geographically isolated countries on the continent. Thus, Uganda would see its trade increase eight-fold while Sudan’s trade would be multiplied by more than 10. Likewise, intra-WAEMU trade would increase threefold if all trans-border roads in the region were paved.

The trucking sector in much of Africa is dominated by transport cartels that operate through a system of queuing for loads at fixed fares as opposed to competitive best-offer practices. This, in addition to the lack of regulation of this sector due to vested
interests, results in high operating costs. Road freight tariffs in SSA range from $0.04 to $0.14 per ton/km, compared to US$0.01-0.04 per ton/km in other developing regions (Foster, 2008).

Energy

Electricity supply is now a more serious infrastructure problem driving up exporters’ costs. It is by far Africa’s largest infrastructure challenge. At 124 KWh per capita, power consumption in Africa is about one-tenth of the developing-world average. More than 30 countries experience power shortages and regular outages, which, among other things, disrupt economic activity and drive up firms’ operating costs. African firms report that frequent power cuts cause them to lose 5 percent of their sales. For firms in the informal sector that cannot afford backup generators – which is 3 to 5 times more expensive than electricity from the grid – the loss is even higher, at 20 percent (AICD, 2009). Dealing with high electricity costs and reliability of supply is thus a priority issue in most countries. Addressing the problem in most cases will require significant investments in capacity that has lagged behind demand due to rapid growth in Africa in recent years or depleted by conflicts in fragile states.

ICT

Poor telecommunications service and high cost are one of the main constraints to private sector and export development. Africa exhibits very low levels of landline density, internet penetration and mobile phone usage (Table 3, Annex). Africa’s telecommunications infrastructure is, by any measure, the most deficient in the world – the result of lack of competition in the ICT sector and low levels of investment by state-owned telecommunication companies. Consequently, telecommunication costs are very high. For example, in 2007, the average cost of a 3-minute phone call to the US was $0.14 for Africa compared to the world average of $0.09.

Trade facilitation

Challenges due to weak physical infrastructure are often compounded by bad policies and a poor regulatory environment. Constraints include poorly developed financial markets; the absence of cross-border financial instruments; complex and lengthy procedures regulating private business activity; high trade tariffs; complex customs arrangements; and limited regional harmonization of policies, regulations, and procedures. Poor transit systems and numerous informal roadblocks along trade corridors create additional obstacles.

Inefficient customs at border posts often result in long delays and high trade costs, including unofficial payments. Delays at African customs are the longest in the world. For example, clearing the customs at the Victoria Falls border post from Zambia into Zimbabwe along the North-South Corridor can take up to 36 hours. Such delays tend to have a significant depressing effect on trade volumes, especially for landlocked countries.

Crossing a transit territory adds another 4 percent to trade costs irrespective of the distance covered. Multiple roadblocks on major roads cause further delays. As an extreme example, the highway between Lagos and Abidjan has 69 official checkpoints, specifically 7 checkpoints per 100 km. In the EAC, intra-bloc trade is hampered by significant barriers in transit, as illustrated by the 27 police control posts between the Ugandan border and the Kenyan port in Mombasa.

At the regional level, regulations relating to customs procedures, axle loads, vehicle dimensions, carrier’s license, and third-party vehicle insurance, for example, can present formidable challenges to the movement of goods. There is a pressing need to harmonize these regulations and to implement trade facilitation measures designed to reduce the ‘hassle’ costs of doing trade and business in the region.

Well-functioning trade finance systems are also crucial since they support intra-regional trade by helping African producers obtain inputs and exporters fund their exports smoothly within the region. Specifically, for exporters, trade credit bridges the period between receiving the export order and being paid for the goods and services produced.

Limited access to trade finance was a key constraint to intra-regional (and international) trade before the financial crisis. However, the crisis exacerbated the limited availability of trade credit, as some African countries (e.g., Nigeria) had their trade credit lines interrupted when the crisis hit in 2008. Access to trade finance generally remained tight in 2009 but eased up in 2010. Nevertheless, increased risk perceptions and volatile markets can reduce the supply of trade finance in the future. Indeed, evidence suggests that international commercial banks that historically provided confirmation lines for trade instruments remained risk averse in 2010 (Turner et. al., 2010).

The tight trade finance in the run up to the crisis has been in part related to implementation of the existing capital adequacy regime. The Basel II rules increased the capital intensity of trade finance, thus constraining the banks in extending trade credit. The inherent procyclicality of the framework was amplified
during the crisis (International Chamber of Commerce, 2010). Since Basel III still does not allow sufficient room for trade finance transactions, African countries may consider other venues, such as creation of Export-Import banks.

Supply-side constraints

A number of constraints at the firm level and behind the border affect African trade, both regional as well as international. These include high utility costs, unreliable power supply, poorly trained workers, and low levels of technological knowhow and investment, resulting in low levels of export competitiveness. Excessive documentary requirements for setting up a business or for exporting also dampen the export drive. For example, it takes about 8 documents in SSA in order to export, compared to 4.5 documents in the OECD (World Bank, 2009). African countries are the most in need of trade-related assistance; yet institutional support for trade promotion, private sector development and business and investment facilitation are critically lacking in these countries.

Many African countries lack production facilities for a diversified manufacturing base – and depend on exports of primary products – due to low investments in manufacturing, as investors do not see them as profitable enough locations. Nevertheless, countries have made significant strides towards creating an enabling environment for investment and trade according to the 2010 Doing Business report by the World Bank. Rwanda was one of the top reformers in the world in terms of trading across borders, and other structural bottlenecks. Still, firms in Africa face greater regulatory and administrative burdens and less protected investor rights than in other regions, pointing to room for further improvement.

IV Policies to Support Intra-African Trade

There are a number of steps that African countries can take to address the above impediments and encourage intra-African trade. The African Development Bank (AfDB) can make significant contributions to its regional member countries in this endeavor.

African countries need to diversify their production bases and export markets. This could be achieved by encouraging further private sector development and removing remaining barriers to trade. Effective trade liberalization within RECs can significantly boost intra-regional trade. If the key reforms are well designed and implemented as well as supported by social safety nets and mitigating revenue measures, major social costs (loss of revenues) can be avoided. Some suggested measures are highlighted below.

- Given the numerous and intertwined RTAs that characterize the complex institutional framework for regional integration in Africa that is costly for business, RTAs should be streamlined. At the same time, stronger implementation of political commitments under the key existing regional trade agreements is needed.
- As trade tariffs in Africa have declined with RTA-driven trade liberalization, supply side bottlenecks such as infrastructure have become the most binding constraints to intra-African trade. Africa needs to generate substantial funds to bridge the vast infrastructure gap to boost trade, through both new investments and maintenance.
- In the transport sector, there is need to expand and upgrade selected trade corridors and road networks; invest in highways, ports and border-crossing facilities; and build one-stop border posts along major corridors.
- In the energy sector, greater support should be given to the development of regional power pools and to national projects that have a regional impact. Unlocking Africa’s potential for hydropower with a view to filling the continent’s huge energy deficit will require substantial investments and coordination among donors.
- In the ICT sector, regional collaboration in ICT development is critical to strengthening regional interconnectivity. Efforts in this direction as well as greater investments in international connectivity and broadband access will reduce telecommunications costs for businesses and the wider community.
- Intra-African trade would also benefit from an improved business environment and strengthened trade-related institutions. In addition to removing barriers to business, customs regulations in many African countries could be streamlined and the use of automated, ICT-based processing of documentation promoted.
- Given that trade and FDI reinforce each other and some FDI is even contingent on trade, increased regional trade would be FDI-enhancing. In turn, intra-African and regional FDI can help integrate receiving countries into the regional economic space through launching new products and facilitating access to markets. Hence measures geared to attracting intra-regional FDI can also stimulate intra-regional trade.
- In the area of trade finance, it is important that both African and advanced economies improve data collection in order to facilitate evidence-based policy analysis and its implementation. To mitigate risks associated with trade finance, African countries could also develop national guarantee programs, alongside of multilateral programs for trade
finance. Moreover, the revised Basel framework needs to increase the ability of banks to lend short-term trade credit by reducing the capital intensity of trade finance.

• To be effective, structural measures outlined above must be complemented by a stable macroeconomic environment. To achieve export competitiveness and diversification, macroeconomic policies should aim at keeping real exchange rates close to their equilibrium values and avoiding excessive fluctuations. Moreover, African countries should steer clear of aiming at undervalued currencies (through competitive devaluations) and instead cooperate on exchange rate policies at sub-regional (REC) levels.

Over the years, considerable effort has been made to facilitate intra-African trade. The RECs have been ardent supporters of trade facilitation at the sub-regional level, with much of their effort targeted at removing the non-physical transport barriers along major transit corridors. In the ESA region, for example, COMESA/EAC and SADC have taken steps to set up one-stop border posts, adopt a single administrative document for customs and harmonize carrier licenses, road transit charges, weight limits and vehicle dimensions. COMESA member-states are also implementing the Automated System for Customs Data (ASYCUDA++).

And finally, the three RECs have agreed to set up a single Tripartite FTA with a view to overcoming the constraints presented by overlapping memberships. At the regional level, NEPAD and the AU recognize transport and trade facilitation as a priority area in their various infrastructure action plans, and within this framework, the African Development Bank, EU, USAID and Japan are providing support to a number of RECs.

The Aid for Trade (AFT) initiative has played a crucial role in promoting intra-regional and international trade in Africa. It has supported the process of regional integration on the continent by providing RECs with the technical assistance needed in implementing trade and customs reforms, dealing with nontariff barriers, and setting up trade facilitation procedures, among others. In the area of trade development, the AFT initiative has provided funds for trade promotion, trade finance and business development. But the bulk of AFT resources have been directed to financing national and regional infrastructure projects, such as roads and power plants. The Bank strongly supports calls for continuity and ‘additionality’ of resources under the AFT initiative.

V The role of the African Development Bank

The Bank has – directly or indirectly – helped African countries tackle the impediments to intra-African (or international) trade through various programs and policies, including the following:

V.1 Infrastructure development

In line with the Bank’s 2008-2012 Medium Term Strategy, infrastructure has been a priority area of financing, absorbing over half of the Bank’s resources (USD 6 billion in 2009). The energy sub-sector represents 57 percent of the Bank’s infrastructure portfolio, signaling the Bank’s commitment to tackling power outages and energy deficiency across Africa (see Box 1). Transport makes up another one-third. Although the Bank’s approvals for infrastructure projects have considerably increased in recent years, they represent a small fraction of the estimated USD 93 billion annual financing required for closing Africa’s huge infrastructure deficit. This means that the international donor community has a key role to play in meeting this challenge.

V.2 Trade facilitation

The African Development Bank has played an important role in promoting intra-African trade through its Regional Integration Strategy centered on institutional capacity building and regional physical infrastructure. It is currently designing a Regional Trade Facilitation Framework aimed at implementing a regional work program based on a prior assessment of trade facilitation needs at the level of RECs. This program will tackle export supply constraints along the entire supply chain, and will cover logistics and NTBs in addition to border processes and procedures.

The AfDB’s focus on trade facilitation is a natural complement to its traditional – but growing – role as a financier of regional transport infrastructure projects. In North Africa, for example, the AfDB has actively intervened in a number of road and railways projects. The Bank could take a similar proactive approach in supporting private infrastructure investors, especially since the returns on investment in infrastructure – whether in monetary terms or in terms of development outcomes – are particularly high in Africa. Such investments will help cut trade costs and expand intra-regional trade. Trade facilitation, by complementing hard infrastructure projects, will further enhance the impact on trade and ultimately on growth and employment on the continent.

V.3 Trade finance

The Bank set up a USD 1 billion Trade Finance Initiative in March 2009 to allow African commercial banks and DFIs to support trade finance operations on the continent at a time when the global financial crisis cut off the flow of credit from conventional sources. The Bank invested an additional USD500 million in the Global
Trade Liquidity Program in 2010, serving as a catalyst to mobilize some USD15 billion of revolving trade finance operations over a 3-year period for the benefit of RMCs. By providing liquidity and sharing risk with African financial institutions, the GTLP will help sustain Africa’s trade momentum by alleviating critical trade finance constraints.

**V.4 Private sector development**

Private sector development is a key component of trade facilitation in Africa, where trade opportunities are often limited by lack of industrial diversification and low levels of private investment. The Bank is a fervent supporter of private sector development in Africa, and this is increasingly manifest in its operations. Gross approvals of private sector projects increased 22 percent in 2010 to USD 6.2 billion. Lending to the private sector is expected to increase faster public sector lending during the current decade. Financial services have absorbed about 60 percent of the private sector portfolio, reflecting the general view that financial deepening is critical to industrial growth and private sector development in Africa, especially through small and medium enterprises (SMEs).

**VI Conclusions and Key Messages**

This note highlighted several features of intra-African trade and pointed out that many African countries depend on regional trade to a larger extent than official figures suggest. The analysis underscored that the low trade intensities within Africa do not necessarily mean that African RECs failed to promote intra-regional trade. Rather, the limited progress hints at the formidable challenges that Africa faces. On the positive side, in Africa the benefits of trade facilitation are likely to be particularly significant given constraints to trade expansion that the continent faces.

Key challenges to intra-African trade are the lack diversification, similar patterns of production, and low trade complementarity. Other factors are of a systemic (such as geography and political fragmentation of the continent) and policy-induced nature (such as the lack of infrastructure, limited access to trade credit, challenging business environments, complex customs procedures and inefficient transport services). In some countries protracted periods of real exchange rate misalignment have weakened export competitiveness. Since many of the constraints to intra-African trade are also impediments to trading internationally, tackling them will allow Africa to increase its share of world trade and benefit from greater integration into the global economy.

There are a number of measures that African countries can take to address the above impediments and encourage intra-African trade. Infrastructure investment in particular will help cut trade costs and allow

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**Box 1 Infrastructure development to facilitate intra-regional trade**

**VICTORIA FALLS-KATIMA MULILO INTERCONNECTOR PROJECT**

Zambia’s current hydro-power capacity of 1,600 MW represents about a quarter of its potential and connects only 22 percent of the population to grid-supplied electricity. In the rural areas, where 60 percent of the population lives, only 3 percent have access to electricity. Two major projects of a combined generation capacity of 480 MW are currently under development.

The Victoria Falls-Katima Mulilo Interconnector Project was initially meant to meet the increased demand for power in Western Zambia but it evolved into a regional project with the development of an interconnector to supply electricity to Namibia. The AfDB financed the project through an ADF loan covering 40 percent of project costs, with co-financing by the Development Bank of South Africa and NamPower, Namibia’s state-owned power company. Completed in 2006, the project is already delivering significant results. For example, line transfer capacity has increased from 10 MW prior to the project to reach a peak of 200 MW in 2010. Similarly, power transfer has increased from 10 MW to 27 MW in 2010, and is anticipated to grow to 60 MW in 2011, of which about 10 MW would flow to Western Zambia and the rest to NamPower.

Wheeling from Zimbabwe Electricity Supply Authority (ZESA) to NamPower is expected to begin around mid-2012. By 2013, total uptake should be in the order of 160 MW, that is, 80 percent of the projected capacity.

**THE KAZUNGULA BRIDGE**

The North-South Transport Corridor through the Kazungula Bridge is the busiest and most extensive route of the regional corridors going across the mineral-rich economies of Zambia, DRC and Botswana. The Corridor serves the largest economic hub (South Africa) and is linked to the busiest sea port in sub-Sahara Africa, namely Durban. It is also interconnected with the Nacala and Dar es Salaam ports through regional corridors traversing Malawi, Mozambique and Tanzania.

Given the poor infrastructure system and challenging geographical characteristics, the region’s economies incur very high trade costs in global markets. At 120 trucks/day at Kazungula, the opportunity cost for every day lost due to downtime at the border is approximately US$ 48,000/day. Excluding the opportunity cost on trade loss, social and environmental, this represents revenue loss to the logistics businesses community and consequently, lost employment opportunities.

By linking two landlocked countries – Botswana and Zambia – the construction of the Kazungula Bridge will facilitate the integration of their economies. In addition to easing access to ports and external markets, countries on transit routes of regional corridors, such as Botswana, will benefit economically from transit traffic.

Source: Internal reports.
intra-regional trade to expand. Trade facilitation, by complementing hard infrastructure projects, will further enhance the impact on trade, growth, and poverty reduction on the continent. The AfDB can help their RMCs in this endeavor, including through implementing its 2009-2012 Regional Integration Strategy, which is centered on institutional capacity building and regional physical infrastructure.

The G20 Community has been very supportive of the Bank’s efforts so far. The Bank has designed new instruments – including the highly successful Trade Finance Initiative and the newly established Aid-for-Trade Trust Fund – to tackle Africa’s impediments to trade, regional as well as international, and hopes that the G20 will continue to support these efforts – with added impetus.

Key References


Table 1, Annex Intra-regional exports, selected years (% of total exports)

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Source: UNCTAD.

Table 2, Annex Intra-regional and intra-Africa exports by RECs (% of total exports)

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<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>CEMAC exports to Africa</td>
<td>3.8</td>
<td>3.7</td>
<td>3.0</td>
<td>3.0</td>
<td>3.6</td>
</tr>
</tbody>
</table>


Table 3, Annex ICT Indicators, regional averages (2007)

<table>
<thead>
<tr>
<th>Main telephone lines (per 100 inhabitants)</th>
<th>Telephone subscribers (per 100 inhabitants)</th>
<th>Internet users (per 100 inhabitants)</th>
<th>Mobile phone users (per 100 inhabitants)</th>
<th>Cost of call to US (USD per 3 minutes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>3.21</td>
<td>30.94</td>
<td>5.46</td>
<td>28.44</td>
</tr>
<tr>
<td>Americas</td>
<td>31.14</td>
<td>103.01</td>
<td>43.23</td>
<td>72.21</td>
</tr>
<tr>
<td>Asia</td>
<td>15.64</td>
<td>53.21</td>
<td>14.43</td>
<td>37.64</td>
</tr>
<tr>
<td>World</td>
<td>19.11</td>
<td>68.89</td>
<td>20.86</td>
<td>50.10</td>
</tr>
</tbody>
</table>

Source: ITU (2007)