

# **ATWA Stage 2 Report**

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## **Part 2: Political Economy Analysis – Transport and Port sectors**

Danida/ Dutch Ministry of Foreign Affairs

September 2016

Prepared by

**SAANA CONSULTING**

## **Acknowledgements**

This report was prepared by the European Centre for Development Policy Management (ECDPM) for the ATWA Project Team.

## Acronyms

BAL	Bollore Africa Logistics
CBC	<i>Conseil Burkinabè des Chargeurs</i>
GPHA	Ghana Port and Harbour Authority
LCT	Lome Container Terminal
MSC	Mediterranean Shipping Company
OCOD	<i>Observatoire de la célérité des opérations de dédouanement</i>
OTR	<i>Office Togolais des Recettes</i>
OTRAF	<i>Organisation des Transporteurs Routiers du Faso</i>
PAA	<i>Port Autonome d'Abidjan</i>
PEA	Political Economy Analysis
PAL	Port Autonome de Lomé
TOC	Terminal Operating Company
UNATROT	<i>Union Nationale des Transporteurs Routiers du Togo</i>

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## Executive Summary

This Political Economy Analysis (PEA) takes a closer look at the transport and port sectors in our region of study. It seeks identify feasible opportunities to promote reforms, reduce costs and facilitate trade along (and around) the three corridor and at the same time describe the main actors and institutions that underlie the operation of these sectors.

The port and transport sectors were chosen as focus sectors for the PEA for two main reasons:

1. Transport and ports are the main time/cost components on the three corridors under study. In the previous part of the report we find that 63% of costs is spent on transport on average on the Abidjan- Ouagadougou, Tema-Ouagadougou and Lomé-Ouagadougou corridors. 40 to 50% of time is spent in the ports.
2. There are strong indications from existing literature that political economy and regulatory elements underlie these metrics.

In light of the above this part explore the follo wing three questions:

- Who are the main actors in these sectors (firms, regulators, unions, etc), how do they relate to one another and what type of power do they exert?
- What structural and institutional incentives shape the behaviour of the actors and interest groups around the corridors, resulting in the problems identified above?
- What politically feasible opportunities can be identified to promote reforms, reduce costs and facilitate trade along (and around) the three corridors?

This study should be read in conjunction with Part I of the report detailed the time and cost performance on the corridors concerned. It is meant to illustrate and analyse some of the institutional arrangements, formal or informal, actors and power relations that underlie the performance issues described in the diagnostic report.

### ***Crosscutting findings: ports***

Only a small number of companies dominate the sub-region's ports: Bolloré Africa Logistics (BAL) is present in three of the five ports in our region of study, and seven of the fourteen seaports in the immediate region, not including inland terminals. BAL is often in partnership with A.P. Moller-Maersk, and hold both container terminal concessions in Abidjan, while the Mediterranean Shipping Company (MSC) operates terminals in Lomé and San Pedro. Debie (2013) cites a network strategy of vertical integration around key ports and corridors with port concessions, the rail concession for SITARAIL linking Abidjan-Ouagadougou since 1995 and interior terminals at Bamako, Ouagadougou, and Sikasso.

Sethi et al (2016) examines the port sector in West Africa, describing a "region-wide quasi duopoly of two dominant Terminal Operating Companies (TOC) [namely Bolloré and APM Terminals], which compete or cooperate in different ports and together control around 80 percent of container throughput". As such, with concessioning investment and growing volumes, "prices for end users have not gone down and have increased significantly in some cases, generating substantial profits for ToCs". Sethi et al (2016) also highlights that "shippers have far less service options and far less bargaining power, and therefore face greater risks [than shipping lines, the other port user]". Combined with the (perhaps understandable) lack of willingness to rely on a port in a neighbouring country results in the "continuation of multiple, sub-optimal size facilities which are naturally monopolistic and suggest the need for economic regulation".

### **Crosscutting findings: transport**

Burkina Faso's need for regular access to inputs and consumer goods in particular, and the threat of instability in neighbouring countries, creates political pressure to minimise reliance on the trucking industries of other countries, thereby boosting the political importance of the Burkinabe trucking industry, its transport unions, organisations such as the Conseil Burkinabè des Chargeurs (CBC, Burkinabe Shippers council), and their relations to the coastal country transport actors.<sup>1</sup>

The transport sector is shaped by bilateral arrangements to share transit freight between the arrival and destination country in the ratio of two-thirds to Burkina, and one-third to the coastal country transporters. Though discussed in greater detail below for each corridor, the issue of freight quotas between Burkinabe and coastal truckers is a major element of the system that limits competition in the transport sector, partly because of the way the quota is then allocated between the two different groups of truckers.

Whether formal or informal, the system in place give the CBC and the truckers syndicate, the *Organisation des Transporteurs Routiers du Faso* (OTRAF), power in the way freight is distributed since they are essentially tasked with matching demand and supply. According to interviews this is to secure Burkinabe access to necessary imports, but also to address concerns about employment and the "social dimension of the sector" leading them to protect their transport sector. This then promotes close linkages between CBC and OTRAF, the Burkinabe truckers union, representing a key aspect of the way the sector is governed.

In effective terms, the sector is organised so as to protect Burkinabe truckers at the expense of the wider population. Further, this arrangement is seen as depressing incentives for fleet modernization since trucks are de facto guaranteed cargo and shippers denied free choice of carrier, whatever the quality of the service provided and prices are set by OTRAF.

### **Findings: Togo**

The port and corridor appear to take an important place in the Togolese government strategy, while government has been carrying out a range of reforms, not least with *Office Togolais des Recettes* (OTR) as something of a reform champion in the country.

However, in spite of major port investments and efforts to improve efficiency the systems put in place by the Burkina Shippers Council, the OTRAF and the Togolese truckers union, the *Union Nationale des Transporteurs Routiers du Togo* (UNATROT) are clearly part of the problem in lowering market efficiency and maintaining high prices, leading to numerous bad practices, not least axle overloading.

Groups such as the transport unions wield considerable power over the functioning of the port by their ability to block individual truckers or the port as a whole, and might worsen political tensions when they stand to lose from reforms. Further, while the current system ostensibly strengthens the hand of individual truckers through union membership, interviewees also pointed to opaque workings within the unions that nonetheless favour some members over others.

The Lomé port falls under the authority of the Port Autonome de Lomé (PAL). In 2010 a 35-year concession was awarded to Bolloré Africa Logistics to operate the container terminal, with extension work adding an additional quay of 450 meters and 16 hectares of yard space in 2014 (Sethi et al, 2016). A second concession was signed for the development of a brand new container terminal, Lomé Container Terminal (LCT), reportedly representing the largest

<sup>1</sup> The Burkina Transport Minister is also responsible for Infrastructure and 'Disenclavement'.

private sector investment ever undertaken in Togo.<sup>2</sup> This last concession process was not without controversy.

In sum, the fact that government has a vision that builds on the port and corridor may be an opportunity, while the ability to overcome strikes also suggests an openness to implement reform, but this may come at the cost of inclusivity, suggesting a need to somehow work more with the unions and truckers to gradually alter incentives in the sector.

### ***Findings: Cote d'Ivoire***

The Abidjan case study highlights many similarities with Lomé around the practices of freight distribution among transporters, although since the Côte d'Ivoire crisis, interviewees suggest that the quota has been more loosely applied, if at all. This relates to one of the distinctions from the Lomé corridor in that the port and transit traffic represents a far smaller part of Ivorian traffic. An additional difference from the Lomé corridor is the railway line that may compete with road transport, lowering the influence of the unions compared to Togo. In addition, this seems likely to alter the balance of power around transit traffic between the transport sectors of different countries. Professional associations and coalitions of public and professional stakeholders in the port of Abidjan seem to find common ground to cooperate around particular areas of problem solving and reforms, especially given the high economic stakes around the metropolitan transport market of Abidjan.

Building on the discussion of port terminal concessions in Abidjan and Lomé, these events illustrate the complex interplay of political instability, the judicial fragility of intertemporal commitments, anchor investors and monopoly holders in shaping corridor infrastructure development and the potential abuse by private stakeholders through captive markets. In particular, they highlight the importance of underlying structural factors such as the existence of an anchor investor (mining sector) and related investments, and how these affect actors and interests in the region. These events may reinforce the position of the Port of Abidjan in the region, though it remains highly speculative to assess their potential impact on transport competition, on small transport operators and on transport costs and prices.

### ***Findings: Ghana***

The port and trucking sectors in Ghana differ substantially from other other two considered here. The port of Tema does not handle significant transit traffic and seems to be relying on domestic cargo for future growth. The governance of the port is also substantially different with the Ghana Port and Harbour Authority (GPHA) retraining more direct involvement in operations than public authorities in the Port of Abidjan and Lomé.

The transport sector dynamics are currently very tense, with Burkina Faso seeking to maximise the share of cargo transported by its own truckers unilaterally. This recent shift does not bode well for future attempts to reform the transport sector on this corridor, although the current crisis environment in the sector might offer some opportunity for creative solutions. CBC's role in this also suggests that, perhaps somewhat paradoxically, the organisation currently represents the interests of Burkinabe truckers more than those of Burkinabe shippers.

### ***Implications for ATWA programming***

The key issues from the analysis that should inform efforts at policy reforms are as follows:

- Although in principle governments, transporters, shippers and port operators all seek to improve efficiency to allow more transport, in practice this cannot always be assumed

<sup>2</sup> <http://www.rbs-emea.com/2015/09/lome-container-terminal-lct-the-largest-ever-private-investment-in-togo/>

to be the top priority. Many different parties benefit from current inefficient practices in different ways and at different scales - including low-income individuals.

- Burkinabe interests and concerns about maintaining a strong Burkinabe transport sector shape much of the transport sector dynamics that we see, with concern for transport jobs and maintaining a 'national transport sector' apparently overriding considerations for the price to importers and exporters;
- The Burkina transporters union, OTRAF and the Burkina shippers council between them shape the use (or not) of the bilateral freight cargo quotas between countries, while the transporter unions in Côte d'Ivoire and Togo govern freight distribution among transporters. The unions in Ghana are seen to be less influential or effective in asserting the interests of Ghanaian truckers with regards transit traffic, also reflecting a more market based system.
- In the ports, Bolloré Africa Logistics and the Maersk Group - through its port subsidiary APM Terminals - apparently carry considerable political influence in the countries in which they operate, even with some competition from MSC as the one other major terminal operator in the region.
- Beyond these, a lot of influence is held by customs authorities, whether as a distinct revenue-raising body, or as part of an autonomous revenue authority (the OTR in Togo).
- Nonetheless, the influence and importance of the transport and transit sectors vary in weight across countries with different implications for reform as discussed in Section 4.
- The interests of shippers - consumers, producers and traders - are conspicuous by their absence in discussions of regional transport, with only a few cases emerging of coalitions of reform among citizens or firms, though ports appear more aware of the need to respond to shippers' needs to promote port interests.

In light of these, implications for future ATWA programmes, particularly in the transport sector, are:

- a) Facilitate coalitions for reforms of the transport industry. This might entail strengthening the voice of shippers, which would also counter the monopoly position of the TOCs.
- b) Increase the capacity of authorities in West Africa to undertake a *regulatory* role in the port sector to ensure increased private sector involvement in the ports brings about expected benefits in terms of reduction of cost to end users.
- c) Develop accompanying measures for those who stand to lose out, particularly small truckers;
- d) Deepen the understanding of the socio-economic drivers of the largely informal stakeholders involved in the transport sector in the countries involved. The latter will also be important to better understand the feasibility of a) and b).

We introduce five broader principles that could be mainstreamed in ATWA programming to ensure that the programme is able to grasp with the complex dynamics analysed in this report. These are:

- Embrace gradualism and iterative learning
- Contribute to harmonisation efforts by external partners
- Combine national and regional approaches
- Sharpen the focus on 'losers' of reforms
- Look beyond the sector losers to the likely benefits of sector reforms for the poor.

## 1. INTRODUCTION

This Political Economy Analysis (PEA) takes a closer look at the transport and port sectors in our region of study. It seeks identify feasible opportunities to promote reforms, reduce costs and facilitate trade along (and around) the three corridor and at the same time describe the main actors and institutions that underlie the operation of these sectors.

The port and transport sectors were chosen as focus sectors for the PEA for two main reasons:

1. They are the main time/cost components on our three corridors: 63% of costs is spent on transport on average on the Abidjan- Ouagadougou, Tema-Ouagadougou and Lomé-Ouagadougou corridors. 40 to 50% of time is spent in the ports.
2. There are strong indications from existing literature that political economy and regulatory elements underlie these metrics.

In light of the above this part explore the following three questions:

- Who are the main actors in these sectors (firms, regulators, unions, etc), how do they relate to one another and what type of power do they exert?
- What structural and institutional incentives shape the behaviour of the actors and interest groups around the corridors, resulting in the problems identified above?
- What politically feasible opportunities can be identified to promote reforms, reduce costs and facilitate trade along (and around) the three corridors?

The overarching aim of this study is to inform the next Stage of the ATWA project, which will involve the formulation of projects and programmes in four countries and three corridors:

- Abidjan – Ouagadougou
- Tema – Ouagadougou
- Lomé – Ouagadougou

This study should be read in conjunction with Part I of the report detailing the time and cost performance on the corridors concerned. It is meant to illustrate and analyse some of the institutional arrangements, formal or informal, actors and power relations that underlie the performance issues described in the diagnostic report.

As detailed below, the study finds that the West African transport and port sectors are undergoing profound changes. Private sector investment and involvement in the ports (and beyond) is growing exponentially. This is an opportunity in terms of the levels of investments the private sector is able to commit to what are necessary and crucial investments in infrastructure. But this trends also opens up its own specific challenges: today, two companies control 80% of container throughput in West Africa, with strong concerns emerging around competition issues (see Sethi et al, 2016).

On transport, the situation is – on the whole – a delicate one. The market remains regulated in such a way that it allows the perpetuation of the state of affairs described in the first part of this report: low truck utilisation, difficulties to finance fleet renewal, poor service and high prices to shippers. This is possibly allowing for significant rents to be collected. At the same time, the social dimension of trucking should not be forgotten: the current equilibrium allows trucking to employ a large number of low-income individuals. These individual can make a (meagre) living from trucking. Attempts to improve the performance of the sector will inevitably have to deal with this reality.

**Section 2** provides the regional context, briefly summarising the starting point for this report.

**Section 3** provides crosscutting observations as to the port and transport sectors in West Africa and in the study region.

**Section 4** then looks at each of the three corridors in more detail, focusing on key actors operating in the coastal countries (including Burkina Faso) and in particular on i) their role in the running of the port; and ii) the distribution of freight to truckers.

**Section 5** focuses on potential opportunities for promoting reform and implications for ATWA programming.

## 2. CONTEXT

The port and transport sectors in West Africa, and in the four countries that are the focus of this study, have already been studied extensively.

The trucking sector is characterised by high prices (charged to end users) and low (operating) costs, leading Raballand (2008) to conclude that overregulation of the transport sector and cartelisation are to blame for the poor performance of the trucking sector. At the same time, a recent World Bank (2014) programme document of the AOC concludes that, “Given that the trucking industry is comprised largely of an over-supply of small independent truckers who operate on relatively thin margins, the poverty and social impact of trucking reform will be considerable”.<sup>3</sup>

We explore this apparent contradiction in section 3 below and detail the way the regulatory framework operated in each country. In essence, formal and informal systems in place limit the amount of freight available among transporters, therefore raising the pressure to carry as much freight as possible in one trip, bringing the discussion back full circle to axle regulation imposition and transport costs.

The port sector recent analysis and anecdotal evidence suggests that user charges in West African ports are above average, and could be inflated (Sethi et al, 2015).<sup>4</sup> All three ports are “landlord ports” whose container terminal operations have been concessioned to private sector operators, who could be expected to run them more efficiently, and bring costs down for users – which, apparently is not the case.<sup>5</sup> Therefore in spite of high private investment and a priori competition between 6 ports vying for regional supremacy, the literature suggests a more complex picture.

## 3. CROSS CUTTING FINDINGS

The situation with regard to the two sectors under study here is different on each corridors: similar actors do not necessarily wield the same power in each country, and the institutional environment is also markedly different. This section details some of the regional dynamics that provide the background for the corridor-specific analysis below.

<sup>3</sup> World Bank, 2014, Programme Information Document, Concept Stage, March 2014: Saved here: <https://drive.google.com/open?id=0B6JfJSWJARQQZ2ZwRHItS1hrdm9yQVFfX0VDY3pxQ2F0Rnpj>

<sup>4</sup> See also

[http://www.ssatp.org/sites/ssatp/files/Olivier%20Hartmann%20Presentation%20Draft%20Final%20Report%20\(0000002\).pdf](http://www.ssatp.org/sites/ssatp/files/Olivier%20Hartmann%20Presentation%20Draft%20Final%20Report%20(0000002).pdf)

<sup>5</sup> That said, in Tema GPHA is the landlord but also involved in operations - from interviews it is difficult to really say if this arrangement has any significant impact on efficiency/costs/etc.

### 3.1.1 Port sector

Only a small number of companies dominate the sub-region's ports: BAL is present in three of the five ports in our region of study, and seven of the fourteen seaports in the immediate region, not including inland terminals. BAL is often in partnership with A.P. Moller-Maersk, and hold both container terminal concessions in Abidjan, while the Mediterranean Shipping Company (MSC) operates terminals in Lomé and San Pedro. Debrie (2013) cites a network strategy of vertical integration around key ports and corridors with port concessions, the rail concession for SITARAIL linking Abidjan-Ouagadougou since 1995 and interior terminals at Bamako, Ouagadougou, and Sikasso. According to one view, BAL expects to lose money on serving the remote ends of its "vital corridors", but believes that maintaining the network will put it in a better position to bid for supplying lucrative mining projects (The Economist, 2008).<sup>6</sup>

Sethi et al (2016) examines the port sector in West Africa, describing a "region-wide quasi duopoly of two dominant Terminal Operating Companies (TOC) [namely Bolloré and APM Terminals], which compete or cooperate in different ports and together control around 80 percent of container throughput". Within the sub-region studied here, Bolloré operates terminals in three of the five ports (Lomé, Tema and Abidjan), in joint ventures with APM Terminals in Tema and Abidjan. In addition, MSC operates in San Pedro and Lomé. Interviews for this work suggest that outside pressure on the Togolese government led the MSC-led consortium to "promise to focus on transshipment" to be permitted Lomé's second container terminal concession.

While diversification across ports can be seen as a legitimate strategy for operators in view of instability, and while MSC and Bolloré are ostensibly competing in Lomé and in Côte d'Ivoire through MSC's presence in San Pedro, the market structure for port terminals lowers competition.<sup>7</sup> As such, with concessioning investment and growing volumes, "prices for end users have not gone down and have increased significantly in some cases, generating substantial profits for ToCs" (Sethi et al , 2016). Sethi et al (2016) also highlights that "shippers have far less service options and far less bargaining power, and therefore face greater risks [than shipping lines, the other port user]". Combined with the (perhaps understandable) lack of willingness to rely on a port in a neighbouring country results in the "continuation of multiple, sub-optimal size facilities which are naturally monopolistic and suggest the need for economic regulation".

Recent scrutiny of terminal concession processes both in the countries analysed here and elsewhere also reveal Bolloré in particular as wielding considerable political power because of its role as a French overseas interest, and its involvement in political campaigns in the region (further discussed below).

### 3.1.2 Transport Sector

Burkina Faso's need for regular access to inputs and consumer goods in particular, and the threat of instability in neighbouring countries, creates political pressure to minimise reliance on the trucking industries of other countries, thereby boosting the political importance of the Burkinabe trucking industry, its transport unions, and the shippers council (the Conseil Burkinabè des Chargeurs CBC), and their relations to the coastal country transport actors.<sup>8</sup>

<sup>6</sup> <http://www.economist.com/node/12432456>

<sup>7</sup> San Pedro once specialised in cocoa but has now a container terminal with MSC preparing to invest in an extension, announced in May 2016, focusing on transshipment to other countries along the coast: <http://www.financialafrik.com/2016/05/10/cote-divoire-le-geant-maritime-mediterranean-shipping-company-msc-sinteresse-a-lextension-port-de-san-pedro/#.V3rKlpN96gw>

<sup>8</sup> The Burkina Transport Minister is also responsible for Infrastructure and 'Disenclavement'.

In addition to regional regulations, the transport sector is also shaped by bilateral arrangements to share transit freight between the arrival and destination country in the ratio of two-thirds to Burkina, and one-third to the coastal country transporters. Though discussed in greater detail below for each corridor, the issue of freight quotas between Burkinabe and coastal truckers is a major element of the system that limits competition in the transport sector, partly because of the way the quota is then allocated between the two different groups of truckers.

The CBC has the responsibility of ensuring that this rule is enforced. Its agents in each port deliver transport authorization for each load". Interviews in 2016 suggest that CBC enforces this system 'when necessary', putting considerable power to determine freight allocation in the hands of the Burkina Shippers Council CBC, active across ports in the region.

The origins and validity of these agreements across the corridor countries are not clear. While Terevaninthorn and Raballand (2009) state that "Bilateral treaties are in place because after a crisis that followed the 1992 transport deregulation, the government of Burkina Faso signed an agreement with all its corridor partners (Ghana, Côte d'Ivoire, Togo, and Benin) to establish quotas", other studies refer to a 1984 bilateral agreement between Haute Volta (now Burkina Faso) and Togo to limit haulage of transit freight imported to Burkina Faso through Lomé to Togolese and Burkinabè trucks in the ratio one third, two thirds respectively while interviews suggest that Ghana has in fact no such formal agreement.<sup>9</sup>

Though both Côte d'Ivoire and Togo had a formal bilateral agreement on this, and while not always applied - for example in Côte d'Ivoire, where the domestic market was sufficiently large to leave Burkina freight to Burkinabe truckers - information suggests that the Burkinabe would like such an arrangement with Ghanaian truckers though the latter are reluctant to acquiesce. According to Luguje (2004), from the late 1980s to early 1990s, Ghana's ports were not handling any transit cargo at all and only handled negligible amounts of transit freight until the second half of the 1990s.<sup>10</sup> Perhaps for this reason, freight sharing along that corridor was never fully formalised. That said, in July 2015 Burkinabe concerns about loss of access to their own transit freight has led to a closed border and renewed pressure on Ghana to accept an agreement to that stipulates that Burkinabe truckers carry two-thirds of shipments and coastal country truckers one-third.<sup>11</sup>

Other particularities of the system is that *cabotage* is not allowed, meaning that no other nationality of truckers can be involved in the transport of domestic cargo. Importantly, the quota applies to shipments on a case-by-case basis; not to the average overall volume of goods or number of containers over a day or week. This means that for each consignment of three containers, two must be carried by Burkinabe transporters, or negotiated on with the CBC.

Interviews in the field therefore suggest that little has changed since Teravaninthorn and Raballand's report of 2009: "The unofficial rules in a port in West Africa are as follows: A shipper informs the CBC it has a shipment to be transported to Burkina Faso. The CBC then informs the transporters union, the *Organisation des Transporteurs Routiers du Faso* (OTRAF) about this shipment and all its details. It may or may not negotiate the tariff with the shipper. OTRAF turns to its constituents and assigns the load on a first come-first served basis. This tour de rôle is updated in real time: when a truck arrives in the port, the driver

<sup>9</sup> Protocole d'accord de transports routiers entre la République Togolaise et la République de Haute-Volta, Lomé, 14th April 1984. WATH (2012) also cites Burkina Faso ministerial decree number 82-0358/CMRPN/PRES/MTP.T.URB.

<sup>10</sup> Luguje, 2004, [http://commons.wmu.se/cgi/viewcontent.cgi?article=1111&context=all\\_dissertations](http://commons.wmu.se/cgi/viewcontent.cgi?article=1111&context=all_dissertations)

<sup>11</sup> For example, see here on recent tensions between Ghanaian and Burkinabe drivers over freight sharing: <http://lesechosdufaso.net/altercation-entre-chauffeurs-burkinabe-et-ghaneens-des-problemes-de-chargements-evoques/>

goes to the OTRAF representative to be added to the waiting list. Once the contract is established, the trucker pays its due to the association for the service it provided and to the CBC for the loading authorization". The only difference, discussed by corridor, relates to the first come first served basis, which is also reportedly subject to flexible, informal arrangements.

Whether formal or informal, the system in place give the CBC and OTRAF power in the way freight is distributed since they are essentially tasked with matching demand and supply. According to interviews this is to secure Burkinabe access to necessary imports, but also to address concerns about employment and the "social dimension of the sector" leading them to protect their transport sector. This then promotes close linkages between CBC and OTRAF, the Burkinabe truckers union, representing a key aspect of the way the sector is governed.

In effective terms, the sector is organised so as to protect Burkinabe truckers at the expense of the wider population, as it is widely considered that Burkinabé trucks would not be able to compete on price or quality with, for example, Ghanaian trucks. Further, this arrangement is seen as depressing incentives for fleet modernization since trucks are de facto guaranteed cargo and shippers denied free choice of carrier, whatever the quality of the service provided and prices are set by OTRAF. This is a fundamental reality that any attempts at trade facilitation and transport sector reform must explicitly take account of.

## 4. CORRIDOR ACTORS AND INTERESTS

This section takes the three coastal countries and details actors, institutions and power in the transport and port sectors in detail.

### 4.1 Lomé corridor

Given the importance of the port in Togo for the broader Togolese economy, what takes place around it is also politically important. While donors see Togo as being on the path of democracy (e.g. GIZ, 2016), the IMF (2015) highlights that "Political risks hinge on the government's capacity to deliver its promises of economic growth, social spending, and job creation."<sup>12</sup> As this section discusses, this has led to policies to encourage investment and reforms in the port and beyond, most notably in the revenue authority, that ostensibly aim to improve the efficiency of the economy. These reforms have met with some resistance and strikes that have so-far been overcome.

Nonetheless, as this section also highlights, groups such as the transport unions wield considerable power over the functioning of the port by their ability to block individual truckers or the port as a whole, and might worsen political tensions when they stand to lose from reforms. Further, while the current system ostensibly strengthens the hand of individual truckers through union membership, interviewees also pointed to opaque workings within the unions that nonetheless favour some members over others. This does raise the political stakes of transport reforms, requiring that these seek to build in compensatory measures of some kind, to be further discussed in Section 5.

#### 4.1.1 Port dynamics

##### *The importance of the port*

<sup>12</sup> "Le pays se trouve aujourd'hui dans une phase de démocratisation." (GIZ, 2016) - <https://www.giz.de/en/worldwide/26441.html>

Togo's port at Lomé has long played an important role in the country's economy. While import duties represented 51 percent of tax revenues and 41 of total government revenues in 2014 (IMF, 2015), the port is reportedly responsible for 80 percent of overall customs revenues and indirect taxes.<sup>13</sup> Its importance to the economy is also highlighted in the Togo growth strategy that cites ports, logistical services and transport along with agriculture, agro-industrial value chains, mines and tourism as some of the labour-intensive areas where companies are needed to achieve "the highest possible growth rate that is also rich in job creation" (GoT, 2013).

As such, the port and corridor form a key part of the government's national development strategy: "The development corridor is an initiative for economic expansion through which Togo hopes to optimize its geostrategic position in the West African sub-region in order to become more effectively integrated into the global economy", building on the transit backbone to include "the development of crop farming in accordance with agro-ecological zones, industry, mining, trade, tourism, and logistics services" (GoT, 2013). The corridor is therefore seen as linking to the wider economy.

The government's development strategy then talks of forming a State holding company "with structures that guarantee efficient governance" (GoT, 2013). This appears to be connected to a 2010 election campaign announcement by President Faure Gnassingbe to launch a "River of Hope" project linking the North and South of the country by highway and rail, for which a holding company, "Togo Invest Corporation" was formed with board members including Nigerian businessman Aliko Dangoté, South African ex-Minister of Public Enterprises (2004-2008) Alec Erwin, and French investor Claude Perrot.<sup>14</sup> This company is likely to become a major actor around the corridor, if not in shaping interests relating to transport along the corridor.

The vast majority of Lomé's transit traffic is destined for Ouagadougou (JICA, 2016). This raises the importance of Togo-Burkina relations at a political level, but also between actors in the freight chain. Further, the government growth strategy highlights the role of the port authority given that "90 percent of Togo's foreign trade passes through the PAL" (GoT, 2014).

There is also considerable unrecorded trade to countries in the region. "Togo was alone beside Congo as Sub-Saharan African states in the worldwide 20 largest "under-invoicers of export proceeds", with illicit outflows from Togo reportedly averaging 66% of GDP between 2002 and 2011, with a peak in 2008 representing 140% of GDP and more than four times the annual budget (GFI 2014).<sup>15</sup> Although the focus here is on transit traffic to Burkina Faso, the IMF (2016) also talks of informal trade with Nigeria in cars and fuel as key elements of the role of Togo's port that though perhaps less visible, may also play a key role in shaping political dynamics around the port.<sup>16</sup> This is of a smaller scale than neighbouring Benin.<sup>17</sup>

<sup>13</sup> Le Liberal, [www.republicoftogo.com/content/.../Le%20Libéral%20N°223.pdf](http://www.republicoftogo.com/content/.../Le%20Libéral%20N°223.pdf)

<sup>14</sup> Its first board meeting (conseil administratif) was held in March 2013. <http://www.togopage.com/togo-invest/#sthash.vDnVoUf.dpuf>

<sup>15</sup> Cited in Kohnert (2016)

<sup>16</sup> Smuggling to Nigeria: On the informal trade side, Togo is the recipient of large quantities of smuggled fuel originating from Nigeria—through Benin—while Togo informally exports used cars, rice, and fabrics to Nigeria. The formal importation of these items in Nigeria is subject to stringent regulations and high duties. As a result, large quantities are imported in Togo and then informally diverted to Nigeria. <https://www.imf.org/external/pubs/ft/wp/2016/wp1617.pdf>

<sup>17</sup> Kohnert (2016) cites estimates of the size of the shadow economy by Schneider, Buehn, and Montenegro (2010) that put it at 34.9% of GDP in Togo, compared to 49.8% in Benin and 56.2% in Nigeria, and a sub-saharan African average of 37.6% of the region GDP over the period 1999-2007.

### 4.1.2 Port organisation

The Lomé port falls under the authority of the Port Autonome de Lomé (PAL). While PAL handles clinker, wheat and hydrocarbons, container traffic comes through two terminal concessions.

In 2010 a 35-year concession was awarded to Bolloré Africa Logistics to operate the container terminal Togo Terminal, with extension work adding an additional quay of 450 meters and 16 hectares of yard space in 2014 (Sethi et al, 2016). Container stevedoring is run by the *Société d'Entreprise de Manutention Maritime* (SE2M), mainly owned by the Bolloré group; and Manuport, mainly owned by the GETMA group. Non-containerized cargo is handled by the *Société d'Entreprise de Moyens et de Manutention Maritime* (SE3M, part of the Bolloré group) and Manuport (GETMA-Necotrans group). Unlike in Abidjan, Maersk is not part of the terminal concession with Bolloré, but does carry out shipping to Bolloré's terminal and carries out logistics through subsidiary company Damco.

A second concession was signed in December 2008 for the development of a brand new container terminal, Lomé Container Terminal (LCT), reportedly representing the largest private sector investment ever undertaken in Togo.<sup>18</sup> LCT is a joint venture between the terminal operating arm of Mediterranean Shipping Company (MSC) - one of five major global shipping lines- and China Merchant Holding International (CMHI), also with a concession for 35 years with options for ten more years, starting in October 2014.<sup>19</sup> A second phase of the development of LCT will reportedly enable it to reach a capacity of 1.65 million TEUs by end of 2016, once it reaches the planned 22 cranes (Sethi et al, 2016). Concessions have provided Governments with millions of dollars in revenue through entry tickets, annual fees and royalty payments on traffic handled by concessionaires (Hartman, 2016).

### 4.1.3 Concession controversy

The concession process has not been without controversy. In April 2016 French investigators searched Bolloré offices in relation to alleged connections between the communications company Havas - 60 percent owned by Vincent Bolloré and the awarding of the container terminal concession.<sup>20,21</sup>

### 4.1.4 MSC Strategy and Competition?

Among the above issues of port strategy, the recent entry of MSC, for transshipment is a potentially key aspect for regional port dynamics. LCT has a capacity of 500,000 TEU annually in the short term and 1,5 million TEU in the long run making his something of a hub port for MSC (Kohnert, 2016). As Sethi et al (2016) points out, MSC's move into Lomé

<sup>18</sup> <http://www.rbs-emea.com/2015/09/lome-container-terminal-ict-the-largest-ever-private-investment-in-togo/>

<sup>19</sup> More precisely, LCT is owned by Thesar Maritime Limited, a Cyprus subsidiary of Global Terminal Limited, itself a sister company of Terminal Investment Limited (TIL), the terminal operating arm of MSC. GTL was absorbed in 2012 by TIL, while China Merchant Holding International (CMHI) acquired a share of 50 percent in Thesar Maritime Limited (TML) in August 2012. The final shareholders of LCT are therefore now TIL/MSC and CMHI, holding 50 percent each.

<sup>20</sup> Though any connection is refuted by Bolloré as not credible. <http://www.rfi.fr/afrique/20160413-concessions-ports-lome-conakry-perquisition-bolloré-perez-dorent>. <http://www.jeuneafrique.com/depeches/317608/economie/concession-ports-de-conakry-de-lome-perquisition-a-tour-bolloré/>

<sup>21</sup> <http://www.rfi.fr/afrique/20160415-concession-port-lome-bolloré-opposition-togolaise-exige-comptes>

followed a previous investment in San Pedro, Côte d'Ivoire 2008, aimed at transshipment, but which was disrupted by Côte d'Ivoire's subsequent instability.<sup>22</sup>

Reports and interviews with MSC in Lomé suggest that Lomé is intended principally as a hub port for transshipment services: "Ten feeder vessels will operate in conjunction with the first phase development of the Lome Container Terminal connecting to nine ports – Abidjan, Cotonou, Douala, Freetown, Lagos (Tin Can), Libreville, Monrovia, Takoradi and Tema – thereby offering a hub and spoke service to deep-sea west Africa liner services."<sup>23</sup>

In spite of limited overall port competition cited in Section 2, Sethi et al (2016) sees MSC's entry into Lomé as "an entry point into a closed market" that may alter port dynamics. This may also reflect a different approach to Bolloré, in seeking to establish Lomé as a "hub unique" serving its Africa Express service arriving from key Asian ports via Durban and Cape Town, and potentially helping to lower prices.<sup>24</sup> According to JICA (2016) data, at 16.6m, the MSC-run terminal is deeper than that of Bolloré at 12 to 15m, allowing larger ships to dock. The same report suggests future falls in price may favour greater containerisation.<sup>25</sup>

Beyond private sector interests, President Faure Gnassingbe has reportedly also put forward his country as the "West African staging point for China's Silk Road initiative, as countries on the continent begin to warm up to the Asian giant's plan to be a major geopolitical player".<sup>26</sup> The entry of MSC into Lomé port and their direct line from East Asia tend to confirm this.

#### 4.1.5 Freight distribution

The current systems in place at Lomé port mirrors what was described in the section above: one that privileges lower competition among truckers, protecting inefficient, single-truck operators at the expense of the wider population.

In essence, while CBC is informed of all information regarding transit traffic, this is then passed on to OTRAF for distribution among carriers on a first come first serve basis (tour de role). OTRAF themselves see their role as protecting the two-thirds vs. one-third quota, as reflected in interviews and their report from the first quarter of 2015, for example.<sup>27</sup> That means that OTRAF is essentially the gate-keeper to transit traffic, imposing the two-thirds one-third rule on freight that arrives without a pre-determined carrier (the through bill of lading), leaving UNATROT, the Togo union, to allocate one third of freight to its own truckers – again on a first-come-first-served basis. Interviews in 2016 suggest that little has changed to the procedures in Box 1 as summarised by WATH (2012).

<sup>22</sup> "In 2008, the deal between MSC and the port of San Pedro was intended for the development of MSC's West Africa hub. However, with the uncertainties of the situation in Cote d'Ivoire and the limited cargo base of San Pedro, MSC started looking elsewhere and settled on Lome, in 2011." (Hartmann, 2015).

<sup>23</sup> <http://www.portstrategy.com/news101/world/africa/w-africa-article#sthash.P2mWxFBV.dpuf>

<sup>24</sup> Ses filiales, Terminal Investment Limited (TIL) pour la manutention portuaire et Medlog pour le transport terrestre, sont déjà installées au Togo. Pour son tirant d'eau, qui permet d'accueillir les navires les plus grands mis en ligne dans la sous-région ; pour l'espace disponible à proximité du port, afin de pouvoir nous développer ; et pour sa position très centrale, au cœur des principaux marchés sous-régionaux. <http://www.jeuneafrique.com/mag/287892/economie/andrew-lynch-a-lome-msc-inaugure-nouveau-concept/>

<sup>25</sup> Les marchandises en provenance d'Asie et des Amériques étaient toutes transbordées dans les ports européens ou directement à Las Palmas, avant de descendre vers l'Afrique. San Pedro servant davantage de plateforme de redistribution vers les ports secondaires du golfe de Guinée comme Takoradi [au Ghana], Freetown ou Monrovia. Désormais, tous les flux venant d'Asie arrivent à Lomé. Le Nigeria est un marché à lui tout seul et non pas un terminal à transbordement. MSC (in form of tIL) also present in San Pedro

<sup>26</sup> President Faure Gnassingbe in interview with Chinese state news agency Xinhua

[http://news.xinhuanet.com/english/2016-05/28/c\\_135394923.htm](http://news.xinhuanet.com/english/2016-05/28/c_135394923.htm)

<sup>27</sup> <http://lefaso.net/spip.php?article66328>

**Box 1 - procedures to obtain Burkina-bound transit cargo**

1. The freight forwarder, acting on behalf of the importer, gives CBC a copy of the bill of lading in order to obtain a déclaration de fret and a CBC waybill for which CBC charges a fee per truck. CBC sends copies of the déclaration de fret to OTRAF, UNATROT and the port's freight office.
2. Only trucks registered with the transporters' association are authorized to carry transit cargo. A driver of an authorized truck looking for transit cargo in Lomé goes to the office of his country's truckers' association to get a loading ticket which is numbered according to the order of arrival of his truck and posted on a waiting list. The driver chosen for a load pays a fee to the transporters' associations from both countries for the allocation service and assistance when travelling along the corridor, and also to drivers' unions from both countries, the Union des Chauffeurs Routiers du Burkina (UCRB) and the Union des Routiers du Togo (URT), also for assistance during the trip.
3. OTRAF and UNATROT do not use the queuing system to apportion all their freight- allocation rights. Informants estimate that 30% of truckers make an informal payment of XOF 50,000 to jump the queue and an additional 20% make the XOF 50,000 payment in order not to wait too long to obtain cargo.
4. Once a driver's truck reaches the top of the queue, or the owner of his truck has paid the unofficial fee to jump it, the freight forwarder goes to the PAL freight office to get loading authorization and then to the PAL Direction Financière et Comptable to buy a port entry ticket that allows his truck to enter the port to pick up the cargo. (Road Governance focal point agents report that a truck waits about 4 days to obtain a cargo—this is not included in the delays reported in the study).
5. With his loading authorization and permission to pick up the cargo, the driver drives his truck to the loading point in the port.
6. Once the lorry is loaded and all customs and port procedures are completed, officials representing the port, customs, police and gendarmerie undertake their port- departure checks: inspection of the vehicle and its cargo and examination of all customs documents and vehicle papers. The driver pays about XOF 5,000 (USD 11.07) in unofficial payments to the police, customs and gendarmes for this procedure.
7. Once out of the port, the truck makes its way to the Terminal du Sahel, situated 13 km north of the port. There, the driver pays a "Solidarité sur la mer" fee of XOF 20,000 (44.20 USD) per truck to customs for the obligatory convoy and "escort" and receives a windscreen sticker that acts as a laissez-passer.

Source (WATH, 2012)

**Who carries what?**

Perhaps more interestingly, even when freight arrives with a through bill of lading, implying that the shipper has already taken out a contract with a transporter to ensure door to door delivery of goods, this shipment is nonetheless potentially subject to the quota. Take for example a shipment of nine containers bound for Ouagadougou with a through bill of lading. While the responsibility of one logistics company, with a contract with one transport company, six of the nine containers will be subject OTRAF demands to carry these, while for the remaining three, the company may manage to carry one or two, depending on how it manages to negotiate with UNATROT.

Further, the driver chosen for a load pays a fee to the transporters' associations from both countries for the allocation service and assistance when travelling along the corridor, and also to drivers' unions from both countries, the OTRAF and the UNATROT. This is defended as being for assistance during the trip (WATH, 2012).

This system then implies that a contracted transporter must fully carry the risk of using the transporter allocated by OTRAF or UNATROT. In cases where unionised individual truckers have not enough insurance to cover the merchandise being carried, it is known for contract transport companies to take out additional insurance, charge this to OTRAF or UNATROT, in order for the transport to take place. Companies have been known to refuse trucks deemed not to be in good enough condition, but this then also risks hold-up from OTRAF or

UNATROT who essentially wield power in the ports by blocking entry or exit of specific goods or trucks. At the same time, contracted companies can be held responsible for poorly maintained trucks imposed by the unions that then break down on their way to Ouagadougou, implying substantial additional costs and losses than then must be negotiated with the union in question.

This means that in practice, the quota, freight distribution system, and goods with through bill of lading are subject to negotiation between transporters, OTRAF and UNATROT. Who carries what is also subject to availability of trucks, and the levels of freight passing through the port. It can happen that a contracted transport company manages to carry its full consignment (e.g. of nine containers), but this would mean that in a future consignment it might be obliged by OTRAF and/or UNATROT to forego freight to 'pay back' for what it was allowed to take.<sup>28</sup>

### ***The power of the unions***

While little of this is formally stated or established, in spite of the formal bilateral agreement around the quota, what emerges is that regardless of the contracts established, UNATROT and OTRAF manage to hold transporters to ransom in order to gain access to freight. While the unions defend their practices as defending the access to freight of single-truck, driver-owner transporters, and thus what one might call inclusivity (interview), critics from within the transport sector also point to preferential treatment within the unions - more powerful or influential members of UNATROT can pay to be put at the front of the queue. Similarly, interviewees suggest that import agents are known to take the fee for importing goods but then selling the access to these goods to the highest bidder (who may then also sell this on to another person) introducing additional transaction costs and lowering the price ultimately received by the transporter.

While Burkina Faso has been going through important political changes, with President Compaoré driven from office by popular protests in December 2014, this also carried over to OTRAF. Protesting truckers forced the previous OTRAF head to resign in December 2014 after being in position for 19 years, amid accusations of nepotism, tariffs charged and preferential distribution of freight to the OTRAF president's family and close acquaintances.<sup>29</sup> Articles from July 2015 continue to refer to the issue of OTRAF distributing freight in Lomé and Tema according to payments made by their truckers to the detriment of Burkinabe truckers, reflecting the internal incentives at OTRAF to maximise payments rather than necessarily ensuring freight distribution to their members, leading Burkinabe truckers to close the frontier in 2015.<sup>30</sup> Transporters have complained of being misled by OTRAF, for example in the delivery of pipes, where OTRAF is accused of paying drivers less than they

<sup>28</sup> OTRAF's control of the transport market extends to the type of truck used to carry different merchandise. In March 2016 controversy arose around the use of tip-up trucks by a large transport company of 600 trucks to carry cotton, to the disadvantage of smaller truckers who are accustomed to the cotton transport. Although this has been agreed through contract, ONTTB ( ONTTB. Organisation nationale des transporteurs terrestres de Burkina) are nonetheless engaged in talking to government to seek a way to allow smaller transporters to also transport a share for "social reasons" <http://bayiri.com/economie/industrie/agriculture-elevage/burkina-transport-des-balles-de-coton-cette-fibre-sociale-qui-fait-grincer-des-dents.html>

<sup>29</sup> "Les manifestants ont pris d'assaut les bureaux de l'organisation qu'ils ont presque mis à sac. Ils reprochent au président Sankara d'occuper son poste depuis 19 ans et d'avoir placé des membres de sa famille et connaissances aux postes influents. Les chauffeurs se plaignent aussi des tarifs appliqués sur les voyages. Boukaré Sankara et ses proches, selon toujours les manifestants, se partageraient les bons de transport, occasionnant un manque de travail et de revenus réguliers pour le reste des transporteurs."

<http://www.burkina24.com/2014/12/01/ouaga-les-chauffeurs-et-transporteurs-exigent-et-obtiennent-le-depart-du-president-de-lotraf-2/>

<sup>30</sup> <http://news.aouaga.com/h/73076.html>

should be for the distance covered.<sup>31</sup> Similar controversies surround the transport of clinker for cement factories.<sup>32</sup>

According to Gueh-Akué (2015), the environment for unions, or so-called syndicates, in Togo is characterised by fragmentation, “permanent social tension”, use of strikes as the only collective negotiation tool and a deficit of other alternatives.<sup>33</sup> Drivers and transporters therefore use blockages at truck-parks and around ports and towns to arbitrarily demand contributions (Gueh-Akué, 2015). While there is an implicit understanding that the unions wield political power to create instability, it may be that recent reforms have somewhat reduced any previous hostility – one report suggests that though strong in 2012 with unions managing to bring mass protests, unions are far more divided today with certain key figures joining the government “regime” and government quickly managing to point to a minority “privileged handful”.<sup>34</sup>

### **Impact and reforms?**

The impact of this system is clearly to limit the amount of freight available among transporters, therefore raising the pressure to carry as much freight as possible in one trip, bringing the discussion back full circle to axle regulation imposition and transport costs. The combination of factors is reportedly shrinking and closing several formal transport companies in Togo.

Current strategies underway to promote formalisation include the formation of cooperatives. However, rather than numerous cooperatives emerging, UNATROT has essentially created one cooperative for all of its members, CNATROT (La Coopérative Nationale des Transporteurs Routiers du Togo, formed in February 2016 with the Ministry of infrastructures and Transport “inviting” transporters to join.<sup>35</sup>

But as the above discussion suggests, there are many internal bargaining processes and power games going on within UNATROT that therefore also seem likely to affect attempts now being made to promote transport cooperative - not least among representatives of the drivers union, who see UNATROT as overly focused on larger more powerful owners.

#### **4.1.6 Summing up**

To summarise this section, the port and corridor appear to take an important place in the Togolese government strategy. While government has been carrying out a range of reforms, not least with OTR as something of a reform champion in the country. However, in spite of major port investments and efforts to improve efficiency, costs are rising for transporters, while the systems put in place by the Burkina Shippers Council, the OTRAF and UNATROT - which ostensibly protect small-scale transporters - are clearly part of the problem in lowering market efficiency and maintaining high prices, leading to numerous bad practices, not least axle overloading.

That government has a vision that builds on the port and corridor may be an opportunity, while the ability to overcome strikes also suggests an openness to implement reform, but this may come at the cost of inclusivity, suggesting a need to somehow work more with the unions and truckers to gradually alter incentives in the sector.

<sup>31</sup> <http://lequotidienbf.com/index.php/societe/2614-reglement-des-frais-de-transport-des-marchandises-manifestation-de-colere-des-chauffeurs-au-siege-l-otraf>

<sup>32</sup> <http://news.aouaga.com/h/82912.html>

<sup>33</sup> Goeh-Akue, N.A., 2015, Etude sur le Paysage Syndical au Togo, December 2015.

<sup>34</sup> <http://www.rfi.fr/afrique/20150504-togo-systeme-faure-gnassingbe-eyadema-unir-jean-pierre-fabre-anc-cap-2015-election->

<sup>35</sup> <http://news.icilome.com/?idnews=819221>

## 4.2 Abidjan-Ouagadougou Corridor

While sharing similar issues with Lomé, the transport/transit sector plays a smaller economic role in Côte d'Ivoire than in Togo and Burkina Faso. The country's port industry in Abidjan and San Pedro is of strategic value for generating state revenue<sup>36</sup> and for exporting its major product, cocoa. Yet, the port of Abidjan primarily serves the domestic market. As in the rest of the region, increases in global trade and containerisation - with shipping market pressures to handle more and bigger ships - have resulted in an ongoing process of gradual transformation from public port to landlord port.

During the Ivorian military-political crisis (2002-2011) the country's transport sector was severely affected. Its share of the transit market has not fully regained its pre-war position, although the country under the President Ouattara has engaged in ambitious bilateral and regional transport sector reforms aimed at improving the quality and reducing the price of transport and transit of goods (World Bank 2014, 2015).

The Abidjan case also brings an additional specific element to the fore that potentially affects transport dynamics across Côte d'Ivoire, Ghana, Togo, Burkina Faso and the wider region - rail. As this section outlines, the link between the port and rail means not only that Abidjan port has some potential advantages over neighbouring ports to serve the hinterland, but that road transport is increasingly also subject to competition from rail, implying that the regional transport market is slowly changing in any case.

At the same time, the private sector actors involved in the port also control the railway, again potentially limiting the beneficial effects of competition on transport costs. The dynamics and interests around transport sector reform therefore depend on the impact of rail on the underlying economic structures in the region as well as the actors and interests around road transport.

### 4.2.1 Key private sector drivers in rail and port infrastructure development

The Autonomous Port of Abidjan (*Port Autonome de d'Abidjan, PAA*)<sup>37</sup> was the first port authority in West Africa to sign a concession with a private consortium on a container terminal. This brownfield concession of 2003 and the successor greenfield concession in 2013 for a second terminal in the Port of Abidjan highlight some key political economy dimensions underpinning port dynamics in Cote d'Ivoire, the sub-region and West Africa more broadly. Historically well-connected private players - especially around the Bolloré Group and some of the major shipping lines - play important roles in identifying and financing transport related cross-country infrastructures beyond the port, such as the regional *railroad belt* with important implications for transport market performance and thus reforms in the region.

#### *Port and container terminal dynamics*

The initial ambitious colonial plan was to link coastal Abidjan with Ouagadougou in landlocked Burkina Faso, and finally with Niamey in landlocked Niger. Work started on such a railroad in 1904, continued in 1934, and only reached Ouagadougou twenty years later in 1954. After the construction of a new wharf in 1931, the port of Abidjan expanded rapidly, and with the completion of the 2,8 km long Vridi Canal in 1951 the then capital of Cote d'Ivoire, Abidjan, was able to develop important seaport functions.

<sup>36</sup> Customs and other duties as % of tax revenue in 2012 stood at 34.1 in Cote d'Ivoire, 24.1 in Ghana (2011 figure), 23.5 in Togo and 16.6 in Burkina Faso

<sup>37</sup> Created in 1992, the PAA is a public industrial and commercial enterprise with responsibilities to manage, exploit and promote the infrastructures of the Port of Abidjan

Now, with a population of almost 5 million people, slightly larger than Accra's 4 million and only slightly less than Togo's *national* population of 6.8m, Abidjan has become the second largest city in West Africa and an important market for imported goods through its port. As well as serving the large domestic market, it also functions as a gateway port for Mali and Burkina Faso, two landlocked neighbours, although the Port of Abidjan has also expressed the ambition to serve again as a gateway for Niger.

Transit trade to Mali and Burkina Faso is undertaken by road and by railway, which runs between Abidjan and the Burkinabé capital Ouagadougou. By rail, transit goods to and from Mali have to be transhipped in Ferkéssédougou as the railway does not stretch to the Malian capital. Abidjan has become the second largest port in West Africa with port traffic generating 90% of customs income of the country, and 60% of the income of the state.

With peace, a new political elite at the helm of the Ivorian state and increased trade in the region with pressures for containerisation, the incentive environment altered in favour of improving handling efficiency and expanding port facilities. In the Port of Abidjan this resulted in a concessioning process with licenced private port actors to consolidate multi-purpose berth activities into a dedicated container terminal. This process first started as a competitive tender, but having failed, a negotiated procedure with a number of private sector actors resulted in a joint venture between the Bolloré Group, APM Terminals and Bouygues obtaining the concession for 25 years. Bolloré had been operating in Cote d'Ivoire since the early sixties. This fitted with the group's strategy for the region as the major shipping line serving West Africa, Delmas Shipping<sup>38</sup>, was at that time still part of the Bolloré Group. The world's largest shipping line, Maersk, was involved through its terminal operating arm APM Terminals.

The concessioning process of the second terminal in the port of Abidjan (CT2) a decade later involved a more substantial package of investments by public and private actors. The government could have opted to exclude the BAL-APMT consortium if it intended to improve competition within the port, or avoid market capture by two operators who jointly control 80% of the container traffic passing through the region. However, this consortium also managed to win the heavily contested greenfield terminal concession though a number of disgruntled competitors took the case to court.<sup>39</sup>

The court cases and media reports suggest that government in the concessioning process prioritised maximizing high direct returns from yearly fees and royalties over improved services, lower tariffs, or - more generally - over an improved competitive position of the Port of Abidjan vis-à-vis other ports in the region (Sethi et al, 2016). The consortium of BAL and APMT proposed an entry ticket of EUR 120 million and a fixed annual fee of EUR 22 million, an amount that was higher than the consortia led by MSC and by CMA-CGM.<sup>40</sup>

Tariff reductions were included in the assessment criteria for the bids, the winning proposal including a commitment to reduce the maximum tariff by 25%. Yet, in order to be able to measure the margins for these tariff reductions, new information would have to be made available on the terminal operators to take into account the balance between operating costs, concession fees and investment versus revenue. The allocation of this second container concession therefore confirms the concerns about captive markets in the regional port industry. These fears were further fed by developments in the concessioning of railways in West Africa (see further).

### **The Blueline railway**

<sup>38</sup> In 2006 Bolloré sold Delmas to CMA CGM

<sup>39</sup> These involved the \*\* in Abjadian and a case brought before the UEMOA Commission

<sup>40</sup> The competing consortium led by CMA-CGM introduced a case with the Public Procurement Authority in Cote d'Ivoire and with the regional body of the UEMOA Commission. MSC won the bidding process for second terminal concession in Lomé, Togo, discussed above.

In addition to its port terminals, and in contrast to both Tema and Lomé, understanding the actors and interests around the Abidjan-Ouagadougou Corridor must also take account of the powerful private actors driving bilateral and regional plans and infrastructure development in railways.

Since 1995, the public-private consortium Sitarail<sup>41</sup> operates a railway concession (mainly freight but also some passengers) from the port of Abidjan to Ouagadougou.<sup>42</sup> BAL holds the majority control over Sitarail and is involved in other railway operators or concessionaires in Benin, Burkina Faso and Cameroon. In the Port of Abidjan, Sitarail organises departures for goods three times a day, with 95% of the container and bulk freight loaded at the SETV terminal. Due to low returns on investments during the conflict years, maintenance and upgrading of infrastructure have been neglected, leaving the rail corridor in dire need of new investments and rolling stock.

There was a brief attempt at revitalising the Abidjan-Ouagadougou railway corridor in 2009 when the port of Abidjan, Sitarail, the Burkina Chamber of Commerce and the Burkinabé Customs authorities made use of more peaceful conditions in Cote d'Ivoire to pilot trial runs with a multimodal transport system - including railway. This was a joint attempt to recapture the 30% transit traffic to and from Niger with Abidjan as gateway port, which was lost during the crisis years in Cote d'Ivoire. Yet, those attempts were aborted due to the resurgence of political violence at the end of 2010.

Since then, stability and expanding trade have increased incentives for a number of private sector actors to engage in cross-country infrastructure investments in transit railways: petrol products, which represent a third of all traffic through the Abidjan port, are likely to increase;<sup>43</sup> cement and clinker production is likely to rise from 2.7 million tons today to 5 million tons over a couple of years according to the Burkinabe Minister of industry and commerce with two new factories being built along the Abidjan-Ouagadougou Corridor. But the potential exploitation and transport of Burkinabe manganese ore seem to have been decisive for the Bolloré Group to dust off old plans for a regional railway belt and publicly launch a master plan to link Cote d'Ivoire, Burkina Faso, Niger, and Benin by a 2.500 km long railway that would ultimately also reach the capital of Togo.<sup>44</sup> BAL baptised it the *Blueline*.

In 2014, BAL signed a protocol with an anchor investor in the manganese mining industry in Burkina Faso. The deal involved the guaranteed export by rail of manganese ore from Pan African Minerals (PAM), a South African mining and consultancy company that belonged to the group around the Romanian-Australian businessman Frank Timis. PAM exploits a manganese mine in Tambao, 238 km from Ouagadougou. Bolloré agreed to rehabilitate 120 km railway line from Ouagadougou to Kaya, on the way to Tambao, with PAM agreeing to invest in railway tracks from Tambao to Kaya. It was estimated that the manganese mine would require a capacity to transport 2.800 tons per day to the port of Abidjan. The mine's

<sup>41</sup> *Société internationale de transport africain par rail*, is a consortium owned by the governments of Cote d'Ivoire and Burkina Faso (each holding 15%) and BAL (67%), with staff holding the remaining 3%.

<sup>42</sup> *Société internationale de transport africain par rail*, is a consortium owned by the governments of Cote d'Ivoire and Burkina Faso (each holding 15%) and BAL (67%), with staff holding the remaining 3%.

<sup>43</sup> Cynthia Ouattara, chief financial officer of Carena, a shipyard specialising in repairing offshore oil and gas vessels: "The volume of demand is very high; there is lots of petroleum vessels, lots of oil rigs, and the numbers are increasing." in: Cote d'Ivoire 2015, Port of call: Expansion at the two main ports should boost transit traffic.

<sup>44</sup> La lettre du continent, 23 september 2015, *Boucle ferroviaire: qui monte dans la locomotive Bolloré, qui reste a quai?*; Jeune Afrique, 21 décembre 2015, *Le Burkina autorise à nouveau l'exportation du managnèse de Tambao*; Prince Rob (29 December 2015), *Manganese mining is a linchpin of Burkina Faso's corruption and oppression*

potential yearly capacity was estimated to reach 3 million tons per year. This turns the manganese mine into an important anchor investor for potential railway investors.<sup>45</sup>

Once again, political instability interfered, this time in Burkina Faso. The transitional government that replaced Blaise Compaoré's regime in 2014 reviewed all mining contracts signed by the previous government. It suspended the export licence of the mine of Tambao held by Pan African Minerals in March 2015, as the Burkinabe subsidiary of PAM had not invested in the Kaya-Tambao trajectory of the railway as stipulated by the agreement with the previous government.<sup>46</sup> In September 2015, the transitional government of Burkina Faso, the government of Cote d'Ivoire and Sitarail signed a new protocol on a five year rehabilitation programme of the railway, with commitments by the Bolloré Group to investment in the Abidjan-Kaya railway line up to EUR 400 million. Two months later the transitional government lifted the restrictions on PAM, with renewed promises from the miner to deliver on the exploitation agreement.

However, when BAL and the Burkinabe government prepared for reviewing the concession agreement in March 2016, the Bolloré Group sought further guarantees from PAM, and made its commitment to invest conditional upon a signature by PAM on tariffs and transit channels of manganese. A month later, in the presence of the Minister of Transport of Cote d'Ivoire and his Burkinabe homologue, Frank Timis of PAM committed to "transport all of the manganese of Tambao by the rehabilitated railway line".<sup>47</sup> Jeune Afrique added that this "railway line should also benefit from synergies with the container terminals of the Bolloré Group in Cote d'Ivoire, Benin and Togo".<sup>48</sup>

It is not clear exactly how Bolloré's investment planning in the bilateral railway corridor fits into the broader strategy of the Bolloré Group vis-a-vis the regional railway belt. BAL simultaneously had begun to speed up its investments in different countries along the railway belt of its *BlueLine*. Not only has BAL renewed and expanded part of its rolling stock on the Abidjan-Ouagadougou Corridor, but it has also moved forward on other fronts and in other countries along the wider railway belt, expanding into Niger and Benin. After signing a concession agreement with Benin and Niger BAL has renovated the railway stations in Cotonou and Niamey, and has laid 143 km railway tracks to connect Niamey and Dosso in Niger.

In some other cases, the formal agreements or concessions were obtained after BAL started the works, or even with competitors simultaneously holding a concession over the same asset. As an insider summarised it, the Bolloré Group acted as "artists without a safety net".<sup>49</sup> This resulted in numerous court cases. The Appellate Court in Cotonou ordered BAL to stop the railway works in Togo in May 2016. The Group Petrolin had introduced a case against Benin and Bolloré on the ground that the Group Petrolin too had obtained a concession on the same trajectory already as of 2010.<sup>50</sup> The french company Geftarail and its daughter company Africarail - in 1999 the first ones to start exploring the idea of a regional railway belt in West Africa<sup>51</sup> - have also introduced an international court case in France against BAL and the government of Niger.

<sup>45</sup> As was the case for aluminium melter in Mozambique for the Maputo Development Corridor, see also ECDPM, Discussion Paper...

<sup>46</sup> See also Jeune Afrique, 16 avril 2015; *Boucle ferroviaire: statu quo au Burkina Faso*

<sup>47</sup> Jeune Afrique, 9 juin 2016, *Boucle ferroviaire: le Burkina prend position entre Bolloré et Africarail*

<sup>48</sup> Jeune Afrique, 28 octobre 2015, *Bolloré préparerait une IPO de son projet ferroviaire africain.*

<sup>49</sup> Ange Mancini in Jeune Afrique, 4 mai 2015, *Rient n'arrete la locomotive Bolloré*

<sup>50</sup> Jeune Afrique, 24 mai 2015, *Autour de la boucle ferroviaire, Samuel Dossou joue l'apaisement*

<sup>51</sup> See also *Ligne Cotonou-Abidja: Vincent Bolloré est en train d'essayer de nous voler* dénonce Rocard. in : Le Monde Afrique, 3 septembre 2015 [http://www.lemonde.fr/afrique/article/2015/09/03/michel-rocard-vincent-bolloré-est-en-train-d-essayer-de-nous-voler\\_4744700\\_3212.html](http://www.lemonde.fr/afrique/article/2015/09/03/michel-rocard-vincent-bolloré-est-en-train-d-essayer-de-nous-voler_4744700_3212.html)

#### 4.2.2 Public-private cooperation - custom clearance and port dwell time

The gateway and inland terminal reform agenda is substantial, touching on three key challenges: the physical movements of goods, the documentation process, and governance and compliance arrangements in key reform areas. Yet overly ambitious, wholesale reforms, with 'ideal' management based on technical and regulatory blueprints have generally been disappointing, given the complex mix of formal and informal actors and institutions that govern the port. Although looking good on paper, many formal rules and regulations lack functioning arrangements with effective compliance mechanisms or reinforced by informal norms or behaviour by sector actors.

Still, some of the customs reforms at the Port of Abidjan point to areas where public and private stakeholders manage to resolve mutually identified problems, with opportunities for learning by doing and incremental institutionalisation. With the liberalisation of the port industry in Cote d'Ivoire as of the beginning of the new millennium and with the growing number of public and private stakeholders, numerous representative and professional bodies were created or emerged so as to facilitate dialogue and resolve conflicts.

##### **Customs clearance reforms and coalitions**

In 1994, the Port Community of Abidjan (*Communauté portuaire d'Abidjan*) was created, an apex body that included public and private stakeholders such as the port authorities, the professional associations such as the *Fédération Maritime de Cote d'Ivoire* (FEDERMAR), and various *syndicats* or unions. In the beginning of the new millennium Customs introduced a reform package that included modern clearance procedures, limits on the number of *visual controls of freight*, and quicker handling of freight (with an agreement to finalise the clearance procedures within 48 hours). But it was only when public and private stakeholders agreed to cooperate, that some issues were taken forward and problems solved. They set up an "observatory of the swiftness customs clearance operations", OCOD (*Observatoire de la célérité des opérations de dédouanement*) in order to monitor application of these agreements.

The port users agreed to contribute to fee-based payments for 'supplementary work' by customs officials.<sup>52</sup> Members of this observatory meet on a weekly basis to discuss cases brought to their attention.<sup>53</sup> Between 2004 and 2014, 241 cases were introduced and dealt with, triggering further on-site investigation by mixed teams involving private and public partners. The presidency alternates every two years between the private and public actors. Currently, the Director General of BAL and president of the association of forwarding agencies in Abidjan is vice-president of OCOD. Over the years, a professional and businesslike cooperation has developed with Customs officers. The vice-president of OCOD can immediately contact the Director General of Customs services if needed - mutual recognition has matured out of the need to cooperate and deliver on the rights and obligations of the different public and private sector operators or actors. OCOD, according to its vice-president, has become a trusted instrument for monitoring, facilitating the resolution of conflicts or complaints by users (interview May 2016). In cases of non-implementation of the proposed measures a *procès verbale* is sent to the DG of Customs.

This cooperation platform is being showcased in other countries in the region as there is an interest in the OCOD model, including with UEMOA. OCOD organises studies and undertakes tailor-made training for customs officials and for economic operators. Some of

<sup>52</sup> An amount of FCFA 150,000 was agreed for each *manifest*, and each customs declaration would cost FCFA 20,000

<sup>53</sup> These include various public representatives and representatives from professional bodies or *syndicats*: la Confédération Générale des Entreprises de Cote d'Ivoire, l'Office Ivoirien des Chargeurs, la Fédération Nationale des Industries et Services de Cote d'Ivoire, la FEDERMAR, le Syndicat des Transitaires de Cote d'Ivoire, le Port Autonome d'Abidjan, and five representatives appointed by the Director General of the Customs Services.

this work is supported by donors, such as the EU, with technical assistance from the World Customs Organisation. According to the OCOD vice-president and BAL director, improved Customs operations - to which OCOD has contributed - has helped raise state revenue with an additional EUR 400 million.

### **Effects on dwell time at ports**

Yet, despite institutional, organisational and revenue improvements through more effective customs clearance and revenue operations, accusations of corruption have not disappeared. Moreover, the average dwell-time of goods at the Abidjan port is excessively high as detailed in Part I of this report. The US State Department's assessment of corruption refers to the substantial "commissions" that are often required to clear goods at the ports (US State Department, 2015). Containers can stay at the Port of Abidjan for months "incurring substantial demurrage charges because of corruption within Customs" (*idem*, p. 19).

A study ordered by Customs with support from OCOD detailed the various actors and factors contributing to delays in the clearing processes at the port. Contrary to initial assumptions, private sector actors - for a host of reasons - are responsible for the bulk of the delays that largely transgress the 10 days that port authorities have fixed for goods to be cleared, not public actors. From the moment the goods arrive at the port, to the introduction of the goods in the customs system of SYDAM (*Système de dédouanement des marchandises*) and the hand-over of all relevant documents for customs procedures, shipping agents and shippers take an average of nine days. Only one in four finalise this phase in two days. Customs control and customs clearance also take on average 8 days, despite the agreement to speed up the clearance process within 48 hours. Finally, when goods have been cleared by customs, it takes different private operators another six days to remove the goods from the port.

These findings are consistent with the World Bank study on dwell time in African ports (Raballand et al, 2012). Partly, the incentive environment is such that shippers and other private sector operators are allowed to surpass the agreed 10 days to process and clear the goods. Some interviewees and stakeholders (such as BAL) have accused the private company Webb Fontaine of having contributed to delays, certainly during the startup of its operations on behalf of Customs. The government has subcontracted Webb Fontaine to assist the Customs office with the valuation of goods as part of the customs clearance process. Customs had opted for a new private operator and valuation system in order to ensure a contractually agreed transfer of capabilities and skills to the public sector so as to improve the quality and speed of the customs valuation and clearance processes. Inevitably, there is bound to be criticism on such new customs approaches as it will create winners and losers - especially smaller, less professional or informal operators in the port - and may well reduce opportunities for corruption for some of the actors.

Importantly, some interviewees and studies point to the congestion within and around the port in their relations to the combination of infrastructural and regulatory challenges. Most indicate that this is indicative of the numerous informal truckers and non-professional logistics operators including *coxeurs* involved and the lack of regulatory framework and compliance mechanisms to carry forward envisaged reforms in the trucking industry and the freight market.

### **4.2.3 Access to freight**

In theory, access to cargo in Cote d'Ivoire has been liberalised, with shippers having the right to negotiate with carriers directly. Yet, truckers' access to freight remains constrained in multiple ways. One can distinguish transit between the gateway port of Abidjan and its

landlocked countries on the one hand, and the transport of goods from the port to the metropolitan area of Abidjan.

Some ten years ago, the allocation of freight in Cote d'Ivoire was still formally regulated, with the Ivorian Shippers Council (*Office Ivoirien des Chargeurs*, OIC) and the CBC playing important roles. In Cote d'Ivoire, the OIC provided the Ministry of Transportation with information on the tonnage of goods to be transported within Cote d'Ivoire or to be transited to landlocked neighbours. The ministry provided the information to the *syndicats* who informed carriers. This was particularly the case for transit to neighbouring countries, whereby only one third of the goods could be exported by Ivorian truckers.

As mentioned above, this quota system was put in place as a result of a transport crisis that followed the 1992 transit deregulation in Burkina Faso. The Burkinabe government signed an agreement with all its corridor partners, including Cote d'Ivoire, to allocate two-thirds of transit trade to Burkinabe truckers. Established in 1978, the CBC<sup>54</sup> needed to address the transport related challenges of a landlocked country by minimizing transit costs and streamlining supply conditions. For a long time, it held a unique monopolistic position in Abidjan and in other ports of the region, such as Lomé, in that it implemented these transit cargo sharing regulations in close cooperation with OTRAF, the main Burkinabé truckers' syndicate.

Yet this situation altered for transit goods when the quota system eroded under the pressure of the security and political crises in Côte d'Ivoire. The CBC and OTRAF lost their strategic importance and power. Other players increasingly entered this space. The quota and *tour de role* systems are only practiced to a limited extent in the Port of Abidjan.

With support from the WB, the CBC is piloting a virtual *bourse de fret* to replace the quota system. Many stakeholders see the potential of this mechanism in that it may create transparency in quality and quantity of demand for transport services and tariffs. However, although the system has been put in place, its use has not been in line with the expectations, as many smaller, illiterate transporters do not use it yet, and there is no obligation to declare freight to the CBC.

Access to freight for the vast transport market of the Abidjan metropolitan area is equally constrained for a whole range of truckers and transporters, as this market is captured by stevedoring companies at the port that have granted themselves a monopoly for road deliveries. The World Bank (2015, 2016) specifies that shipping lines and their respective stevedoring subsidiaries have established a de facto monopoly for container deliveries in Abidjan. Hence, some of the largest trucking companies in Cote d'Ivoire are port cargo handling companies - an arrangement that also leads to high transport prices within Abidjan, a shrinking market share for smaller truckers, with reduced potential for professionalising the profession. The government of Cote d'Ivoire has announced measures to undo this monopoly.

### **Access to the profession of transport operators**

The governments of Cote d'Ivoire and Burkina Faso seek to adapt the legal and regulatory framework to redefine the criteria for access to the trucking industry. As a result of market imperfections and obsolete rules and regulations, informal actors and practices are widespread, giving rise to harmful practices such as overloading and poor service delivery, and to low profit margins for these informal operators. A second component related to the professionalisation agenda includes support measures for renewing the trucking fleet. Yet all

<sup>54</sup> After the Sahel famine in the early and mid-seventies, the Burkinabe government created a state agency to ensure reliable supply of commodities and products from world markets by assisting Burkinabe importers and establishing the CBC.

these initiatives unfold in an environment in which a substantial number of actors operate in informal ways, with parallel channels and intermediaries (syndicates, *coxeurs*) that control access to part of the freight market, raising costs and sustaining the business model of informal operators and their resistance to professionalisation.<sup>55</sup>

A first set of reforms target regulatory frameworks and criteria for access to the truckers' profession that are no longer compatible with the requirements of a more demanding transport and transit environment. Currently, the sector is characterised by widely varying *business models* of trucking operators that basically fall apart in two distinct groups.

One smaller group consists of formal, professional transporters that are legally established companies or individuals that meet standards, operate modern trucks and maintain direct contracts with shippers or forwarding agents, or work with several clients or intermediaries.

Yet the major groups consists of informal transporters/truckers operating usually a single second-hand truck that is not registered, infrequently used, and often non-compliant with vehicle standards. Given the dominant market conditions in Cote d'Ivoire and Burkina Faso, these informal truckers tend to be involved in other activities and operate their businesses at barely break-even rates. Hence the pressures to overload, and use dilapidated vehicles. 80% of trucks in Cote d'Ivoire are second hand or rehabilitated purchased vehicles. In Burkina Faso, tax relief systems have been applied to imported vehicles in order to incentivise fleet renewal.

Two out of three trucking "companies" in Cote d'Ivoire (trucking as a primary activity and operating more than one truck and more than one employee) are informal, with only one in five in Burkina Faso. Landlocked Burkina Faso has a regulatory framework that encourages parts of the sector - especially those that are of relevance to security and stability (such as transport of hydrocarbons) - to professionalise through tax exemptions for example.

Deregulation in the sector in Cote d'Ivoire has resulted during the last fifteen year in a substantial increase in the number of unions or *syndicats* in Cote d'Ivoire, with 65% of truckers belonging to one of the 250 *syndicats*. Syndicats can easily be set up, and the regulatory environment is very loose. Some act as professional interest organisations, but many operate in nontransparent ways. Some extract rents for providing shady services as part of protection racketeering, capturing a share of the freight market and managing or manipulating access to parking space. These narrow interests may pit the unions against reform efforts to professionalise the trucking industry.

In Burkina Faso, the transport unions are better organised, with OTRAF even disposing of offices in all major gateway ports. OTRAF's role in the Port of Abidjan has diminished substantially with the gradual abandonment of the quota system.

Support measures to improve access to the profession included, among other things, upgrading training services to truckers and drivers. Next to the acquisition of driving skills, trainees should also be accommodated with entrepreneurial capabilities. There is also growing support for a stronger role for the private sector in providing training and issuing certificates of professional competence for the trucking industry in Cote d'Ivoire and Burkina Faso (World Bank 2015; interviews, May 2026).

A second category of measures relates to modernising the trucking fleets. In both countries, there are proposals to link vocational training to modernising of the trucking fleet, for example by ensuring that truckers have the skills set and abilities to develop a business plan.

<sup>55</sup> See for all reforms of both countries - including those related to access to the profession - initiated under the Development Policy Operation with the World Bank, the joint [Letter of Development Policy](#) (*Lettre de Politique de Developpement de l'industrie des transport de marchandises au Burkina-Faso et en Cote d'Ivoire et du corridor de transit Abidjan-Ouagadougou (2015-2017)*).

Furthermore, compliant transporters may receive tax and customs duty exemptions when buying new trucks.

Past attempts at modernising the trucking fleet in Cote d'Ivoire involved the creation in 2009 of a guarantee fund (the *Fonds de développement du transport routier*). Yet, this fund was perceived to be a handout to a limited number of operators, and was abandoned once President Ouattara took office in 2011. This state fund has been transformed into a commercial enterprise (*Etablissement à caractère industriel et commercial, EPIC*) in order to restore the confidence of the financial sector to engage with the transport industry and to develop a sustainable model of support for financing fleet renewal. Mutual guarantee funds can provide back-up support, but need to be balanced with risk reduction through proof of management and driving skills with truckers or entrepreneurs in a market environment in which the freight market is transparent and liberalised.

#### 4.2.4 Summing up

The Abidjan case study highlights many similarities with Lomé around the practices of freight distribution among transporters, although since the Côte d'Ivoire crisis, interviewees suggest that the quota has been more loosely applied, if at all. This relates to one of the distinctions from the Lomé corridor in that the port and transit traffic represents a far smaller part of Ivorian traffic. An additional difference from the Lomé corridor is the railway line that may compete with road transport, lowering the influence of the unions compared to Togo. In addition, this seems likely to alter the balance of power around transit traffic between the transport sectors of different countries. Professional associations and coalitions of public and professional stakeholders in the port of Abidjan seem to find common ground to cooperate around particular areas of problem solving and reforms, especially given the high economic stakes around the metropolitan transport market of Abidjan.

Building on the discussion of port terminal concessions in Abidjan and Lomé, these events illustrate the complex interplay of political instability, the judicial fragility of intertemporal commitments, anchor investors and monopoly holders in shaping corridor infrastructure development and the potential abuse by private stakeholders through captive markets. In particular, they highlight the importance of underlying structural factors such as the existence of an anchor investor (mining sector) and related investments, and how these affect actors and interests in the region. These events may reinforce the position of the Port of Abidjan in the region, though it remains highly speculative to assess their potential impact on transport competition, on small transport operators and on transport costs and prices.

### 4.3 Tema corridor

Although the port sector in Ghana is considered a vehicle for economic growth, Tema Port lags behind its main regional competitors, Abidjan and Lomé in terms of competing for transit traffic to landlocked West African countries. While investments such as the USD1.5 billion expansion project at Tema announced in 2015 potentially reflect an interest in attracting more transit traffic and positioning Tema Port as a regional hub, growing domestic trade volumes provide another rationale for such investments. As for the Port of Abidjan, the domestic economy is more important for port and transport reforms than the hinterland countries.<sup>56</sup> Certainly, the vast majority of traffic passing through Tema Port is accounted for by Ghanaian imports and exports. As detailed in the previous part of this report only 6% of throughput in the port is destined for transit.

80 percent of transit traffic through Ghana is accounted for by Burkina Faso. Transit trade with Niger and Mali has declined in recent years and given the geography of the region, there is little obvious potential for growing the currently marginal volumes of transit trade with these countries. It does seem, however, that the focus in Ghana is much more on satisfying the domestic market than on growing transit trade volumes. For example, stakeholders at Tema Port claim that the port - and Ghana in general - does a bad job “marketing” the Tema-Ouagadougou corridor to shipping lines, and doesn’t make enough effort to attract transit traffic.<sup>57</sup> This is despite the fact that the port offers some advantages over other ports in the region.

#### 4.3.1 Port dynamics

Ghana Ports and Harbours Authority (GPHA) is a public company established under the Ministry of Transport to build, plan, develop, manage, maintain, operate and control Ghana’s ports. GPHA acts as a landlord at Tema Port, but also provides a number of services at the Port, including marine services (pilotage, towage and mooring), stevedoring (and allocating private stevedores), cargo handling (both independently and through its participation in the joint venture, MPS - see Box) and security. In addition, GPHA sets maximum port tariffs. The fact that GPHA acts as both an operator and a supervisory authority at Tema Port means that it plays a very complex role. While such a situation could in theory lead to inefficiencies and conflicts of interest, interviewees in Ghana did not suggest that the position of GPHA was a major contributor to any of the challenges highlighted at the Port.

#### Box 4: Tema Port Concession Arrangements

Tema port, located around 30km East of the capital Accra, is the leading port in Ghana and one of the main ports in the region in terms of container throughput. In August 2004, the concession for the development and operation of a container terminal was awarded for a duration of 20 years to Meridian Port Services (MPS), a partnership between the companies APMT and BAL (35 percent each) and the Ghana Ports & Harbours Authority (GPHA) (30 percent). The creation of a container terminal required extensive demolition followed by construction work, which started respectively in June 2005 and August 2006. The terminal became partly operational in April 2007, when MPS took over container handling operations, and the construction work was completed in February 2008. At that time, the container terminal had an annual capacity of 0.5 million TEUs, which was regularly expanded by MPS, first to 750,000 TEUs, and then in June 2013, to 1 million TEUs, by acquiring quay and yard handling equipment (a US\$50 million investment) to increase berth productivity and the storage capacity of the yard (converting from reach stacker to rubber-tyred gantry operation). Around 20 percent of container traffic is handled in multipurpose berths run by GPHA and other local operators.

In November 2014, GPHA and MPS signed a MoU for a major extension at the port of Tema, comprising four deep water berths, dredging of the access channel and a six-lane highway between Tema and Accra, with total investment estimated at US\$1.5 billion. The construction work for the extension is expected to start mid-2015, with two berths completed by October 2016, and final completion by December 2018. The final capacity of the port of Tema would increase from the current 1 million TEUs to 3.5 million TEUs.

Source: Sethi et al (2016)

<sup>57</sup> Discussion at Tema Port (CBC, BAL)

A recent study noted a number of advantages of Tema Port vis-a-vis its competitors in the region, including: relatively competitive (official) port tariffs;<sup>58</sup> daily departure of loaded trucks; safety of freight cargo in the Port; electronic tracking along Ghanaian corridors; and dedicated infrastructure for handling transit freight (JICA, 2016). Interviewees in Ghana agreed that security at Tema Port is better than in other ports in the region.<sup>59</sup> Interviewees also noted the relative stability and reliability of the port (including the fact that it is 'never closed'), the Port's responsiveness to users (a Transit Shipper Committee meets every quarter to address challenges), and the effectiveness of the 'berthing window' at the Port.<sup>60</sup>

Conversely, relatively long clearance times at Tema Port represent a major bottleneck on the Tema-Ouagadougou corridor (JICA, 2016). One of the main reasons for the long clearance times is the complexity of administrative procedures and the number of agencies involved. There used to be 29 regulatory agencies involved in the clearance chain, but through engagement with stakeholders and the government, GPHA was able to successfully push for the number to be cut down to 14 by December 2015 (with the hope that the full implementation of the single window will improve the situation even further). According to GPHA, the impact of this reduction has been noticeable for port users.<sup>61</sup> Other factors contributing to long clearance times at Tema include the inefficiency of customs clearance procedures (which, according to some, is used as a tactic to solicit unofficial payments); the fact that agents clearing cargo at the port are often servicing multiple clients; the fact that the 'single window' is not yet fully operational; persistent congestion problems resulting from a lack of storage (something that should be addressed by ongoing and planned investment in the expansion of the Port); and the 'lack of professionalism' of many shippers, who are often unfamiliar with relevant requirements, leading to delays in clearing freight.<sup>62</sup>

#### 4.3.2 Transport sector dynamics and other factors affecting corridor competitiveness

In discussions with stakeholders in the Tema-Ouagadougou corridor, two factors stand out as inhibiting significantly the competitiveness of the corridor. The first is that the regulatory environment for the market for cross-border freight transportation between Ghana and Burkina Faso results in shippers not being able to benefit from competitive transportation services. Shippers in Tema agree that the Ghanaian trucking industry is relatively more competitive than that of Burkina Faso, as although it is made up largely of private individual operators, with small fleets and limited capacity for upgrading, it also comprises a number of well-established freight companies with a greater capacity for offering a professional service.

However, due to practices around cargo allocation (see discussion on freight transit allocation in the following section), and restrictions on Ghanaian truckers carrying goods from Burkina Faso, shippers utilising the Tema-Ouagadougou corridor are forced to make use of the relatively less competitive services of the Burkinabe trucking industry. The stakeholders interviewed in Ghana also agree that liberalisation of the road transportation sector in the region would be to the benefit of Ghanaian trucking companies and would lead to lower costs for shippers and more competitive services. The trucking sector in Ghana itself is also constrained by the fact that the country strictly regulates axle-load limits, unlike other countries in the region, putting its trucks at something of a competitive disadvantage.

<sup>58</sup> It should be noted, however, that while official tariffs at Tema are competitive relative to neighbouring ports, unofficial payments, including to service providers, consolidators, clearing agents and customs officials, add to the cost of moving goods through Tema Port.

<sup>59</sup> Discussion - CBC, BAL

<sup>60</sup> Interview Danish Embassy

<sup>61</sup> Interview GPHA

<sup>62</sup> Interview Danish Embassy

The second factor inhibiting the competitiveness of the corridor is the large number of official and unofficial costs involved in moving goods from Tema port to Burkina Faso. These include a 200 USD transit charge levied by the Ghanaian Central Bank on goods transiting Ghana from Burkina Faso, numerous illicit or informal payments demanded by officials at the numerous checkpoints along the corridor and at the border crossing between the two countries and a 10,000 CFA payment demanded by informal freight forwarders at the Paga border to act as intermediaries between the truckers and customs officers (truckers do not give their documents directly to customs officers). Previously, efforts by advocacy groups such as Borderless Alliance to monitor the checkpoints along the corridor and the demand for informal payments demanded by officials had led to a reduction in the extent of such demands, but more recently this monitoring has been scaled back, and there is anecdotal evidence that demand for such payments has again increased.

In addition, Ghana, unlike other countries in the region, continues to charge VAT on transit services, contrary to international guidelines against this practice. Some stakeholders claim that this has led to shippers in Burkina Faso switching to using other corridors (as other corridor countries in the region have scrapped VAT charges on transit services). Currently this issue is the subject of advocacy by representatives of the Ghana Shippers Authority, who are confident that the VAT charge will soon be scrapped in Ghana too.

### ***Transit freight allocation***

Unlike the Abidjan-Ouagadougou and Lome-Ouagadougou corridors, there is no formal agreement in place between Burkina Faso and Ghana setting out bilateral quotas for the allocation of transit freight destined for Burkina Faso. However, the Burkina Shippers' Council (CBC) and Burkinabe Transporters Association (OTRAF) have been able, through their monopoly right to issue a '*bon de chargement*' (loading note) at Tema Port for transit freight destined for Burkina Faso - to *de facto* enforces a quota system in practice.<sup>63</sup> CBC describes the *bon de chargement* as a tool that gives them back control over cargo allocation to ensure that two-thirds of transit freight is allocated to Burkinabe transporters, in line with norms and practices along other corridors in West Africa.<sup>64</sup> Indeed, apart from possibly allowing for improved data collection, the *bon de chargement* does not appear to have any other purpose. CBC is also clear that ensuring cargo allocation to Burkinabe truckers is an important part of its mission.<sup>65</sup>

In April 2015, the GPHA issued a circular (circular number DG/HQ/C.2/V.2/046 of 16th April 2015) granting CBC and OTRAF the right to issue the *bon de chargement* to every truck intending to carry Burkina Faso bound cargo. Subsequent disruptions to transit traffic along the Tema-Ouagadougou corridor, conflicts between OTRAF and its Ghanaian counterparts and complaints by Ghanaian shippers about the way CBC was using these permits to impose quota allocations on transit freight led GPHA to suspend this right in December 2015.<sup>66</sup> The Ghanaian Ministry of Transport also tasked the Ghana Shippers' Authority and other relevant interest groups to collaborate with CBC to resolve their differences and come up with a sustainable model for the allocation of transit freight.<sup>67</sup>

<sup>63</sup> According to data collected by the Joint Association of Port Transport Unions (JAPTU), the umbrella body at Tema Port representing Ghanaian transporters, in recent months about 80% of transit freight has been allocated to Burkinabe trucks. Interview JAPTU, Ghana Haulage Transport Owners Association (GHATOA) and Ghana Haulage Transport Drivers Association (GHTDA).

<sup>64</sup> Interview CBC and OTRAF, May 2016

<sup>65</sup> Interview CBC and OTRAF, May 2016

<sup>66</sup> GPHA Circular DG/HQ/C.3/V.3/151

<sup>67</sup> Ibid.

The recent detention of a fleet of Ghanaian trucks at the Burkina Faso border indicates that the suspension of the right to issue the *bon de chargement* did not have the intended effect. In March 2016, over 70 Ghanaian trucks were detained by Burkinabe authorities at the Ghana-Burkina Faso border for over a month as they did not possess *bons de chargement*.<sup>68</sup> This incident followed the enforcement of a December 2015 Burkina Faso by-law<sup>69</sup> enjoining foreign freight transporters to produce a valid *bon de chargement* before being allowed to enter the country.<sup>70</sup> The trucks were eventually let into Burkina Faso following an intervention by a high-level delegation of Ghanaian authorities, led by the Deputy Minister of Transport, who met with the Burkinabe Minister of Transport and other Burkinabe officials on 21 April 2016 to resolve the situation.<sup>71</sup> The example illustrates the power that Burkina truckers have to block and undermine reforms that are perceived to damage their interests.

At the meeting, a communiqué was produced which, in addition to providing for the release of the Ghanaian trucks, noted: 1) Burkina Faso's reasons for enacting the by-law, including the prolonged stay of Burkinabe drivers at the ports of Ghana and the non-compliance of freight quotas; 2) that even though Ghanaian transporters were increasingly applying for the *bon de chargement*, they were doing so under protest; 3) that there is no official load sharing arrangement between Ghana and Burkina Faso; 4) that the Burkinabe authorities had requested Ghana's assistance in the implementation of the by-law pending such an arrangement; 5) that it was the view of the Burkinabe authorities that "the legal basis for the principle of cargo sharing is the extension to Ghana of the provision of the bilateral agreements that Burkina Faso has signed with some other countries"; and 6) that it is the view of the Ghanaian authorities that Ghana cannot enforce Burkina Faso legislation (e.g. the by-law) in its own territory in the absence of a bilateral arrangement. In the communiqué, the authorities of the two countries also tasked their respective shipping councils to discuss an agreement on cargo allocation.<sup>72</sup> It is not clear, however if this communiqué has had any practical effect, or even if it has been officially issued. Representatives of CBC at Tema Port claim that, to the best of their knowledge, the communiqué was never signed or sent.

According to CBC, the *bon de chargement* system has been in place at Tema Port since the 2000s, and it is true that tensions over transit freight allocation practices on the Tema-Ouagadougou corridor - as well as CBC and OTRAF's role in these practices - have arisen periodically since at least the early 2000s.<sup>73</sup> Nevertheless it does appear that transit freight allocation and the use of the *bon de chargement* became particularly contentious issues during 2015 and continue to be in 2016. This is possibly due to the fact that prior to that, CBC and Burkinabe customs/border authorities were less concerned with enforcing freight sharing quotas.<sup>74</sup>

This sudden concern for enforcing freight sharing comes from CBC claims of increasingly unhappy Burkinabe truckers due to Ghanaian truckers carrying "everything" to Burkina Faso, while they were having to wait up to a couple of months at Tema Port to be allocated freight.<sup>75</sup> This situation reportedly led to Burkinabe truckers "attacking" the OTRAF head

<sup>68</sup> See <http://www.ghanaweb.com/GhanaHomePage/business/Ghana-calls-on-Burkina-to-release-detained-truck-drivers-434984>

<sup>69</sup> No. 2015-0087/MIDT/SG/DGTTM

<sup>70</sup> Ibid.

<sup>71</sup> See <http://www.graphic.com.gh/news/general-news/burkinabe-government-frees-70-ghanaian-haulage-truck-drivers.html>

<sup>72</sup> See <http://www.graphic.com.gh/news/general-news/burkinabe-government-frees-70-ghanaian-haulage-truck-drivers.html>

<sup>73</sup> E.g. see here: <http://mediaf.org/?p=2139> and here:

<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/Shippers-Council-up-in-arms-23943>

<sup>74</sup> It was also suggested by officials of the Ghana Shippers Authority that enforcement was tightened up following the signing of a decree to that effect by a Minister in the previous Burkinabe government.

<sup>75</sup> A situation CBC describes as "unacceptable" and as prompting a need to take action to ensure fairness for Burkinabe truckers. Interview CBC and OTRAF, May 2016

office in Ouagadougou.<sup>76</sup> CBC also claims that its role in “organising” transit freight allocation is partly to address the fact that the system at Tema Port lacked transparency and had become “corrupted” by ‘coxeurs’, well-connected middlemen who are able to use their connections to ensure freight landing at Tema Port is allocated to their preferred transporters, much as in the other ports.<sup>77</sup> CBC claims that in the case of transit freight, such a situation was not, and would never be, acceptable to Burkina Faso.

According to CBC and OTRAF the *bons de chargement* system works similarly to Lomé. A freight forwarder can reject a particular truck if he/she is not happy with it and request another one in its place (although it was suggested by one freight forwarder that it is “difficult” to refuse trucks owned by certain people, even if these appear unroadworthy). OTRAF does not assign trucks for the one-third of the freight to be allocated to Ghanaian transporters, instead simply using those supplied by the freight forwarder.<sup>78</sup>

This system is applied per consignment, but only in the case of larger consignments involving multiple trucks. For particularly large consignments, Ghanaian trucks may carry more than one-third of the transit freight, but only if there are not enough Burkinabe trucks to fill the two-thirds ‘quota’.<sup>79</sup> It also appears that if a forwarding company uses its own trucks to transport transit freight, then it can obtain *bons de chargement* for these without having to comply with the quota system.<sup>80</sup> In addition, one large logistics company based at Tema Port noted that it “encourages” the (Ghanaian) trucking company that it uses to work with CBC and to subcontract Burkinabe drivers where possible, but also that in practice it has not been forced to allocate two-thirds of the freight it is forwarding to Burkinabe transporters.<sup>81</sup> This suggests that CBC/OTRAF may be less inclined to enforce the quota arrangement on larger companies.

In practice, the use of *bons de chargement* to enforce bilateral quotas raises the cost of transporting freight through the Tema-Ouagadougou corridor, as the prices demanded by the Burkinabe transporters assigned by OTRAF are generally higher than the market rate (i.e. what Ghanaian transporters would charge).<sup>82</sup> In addition, the service offered by the Burkinabe transporters assigned by OTRAF are said to be worse than that offered by Ghanaian transporters. For example, forwarders at Tema complain that Burkinabe drivers are less professional than those provided by the Ghanaian (or Burkinabe) transport companies that the forwarders would prefer to work with; use uninsured trucks; do not honour verbal contracts (apparently OTRAF do not work on the basis of actual contracts - resulting in liability falling on the forwarders); do not comply with instructions or with criteria and regulations for transporting particular types of goods; and cause delays due to their dealing with “their own people” at the Ghana-Burkina Faso border.

According to one logistics company at Tema Port, the current reality is that it has to go through OTRAF in order to get *bons de chargement*, but also that OTRAF is difficult to work with and does not engage constructively (e.g. to encourage Ghanaian forwarders to develop

<sup>76</sup> Interview CBC and OTRAF, May 2016

<sup>77</sup> Interview CBC and OTRAF, May 2016

<sup>78</sup> Interview CBC and OTRAF. The ‘tour de role’, or first-come-first-served system does not appear to apply in relation to transit freight carried by Ghanaian transporters, and instead it seems that these transporters tend to work with forwarding companies who know them (Interview, JAPTU, GHATO, May 2016)

<sup>79</sup> Interview CBC and OTRAF, May 2016

<sup>80</sup> According to one logistics company at Tema Port that owns its own trucks but needs to subcontract to transport companies for large consignments, it is only when OTRAF see that the logistics company has made a subcontracting arrangement that it “demands that the freight is allocated to ‘their’ trucks instead”. This has led the company to give serious thought to whether it makes sense to increase its own fleet of trucks. Telephonic interview, ACC Logistics.

<sup>81</sup> Interview DAMCO, May 2016

<sup>82</sup> The reference price that for Burkinabe transporters to transport freight from Tema to Ouagadougou is CFA40,000 per tonne.

relationships with Burkinabe trucking companies).<sup>83</sup> In the opinion of the company, OTRAF clearly has CBC “under its thumb” (CBC are only “doing the paperwork”), and it is no coincidence that recent problems around freight allocation only arose after OTRAF established a physical presence at the CBC office at Tema Port (in 2014).

The company also noted that these issues never arose under the previous government in Burkina Faso (under Blaise Campaoré), which may point towards changes in political economy dynamics in Burkina Faso. Interestingly, Burkina Faso is currently in the process of renewing its road haulage fleet, and to this end, in May 2016, the Burkinabe government temporarily suspended VAT and import duties on haulage and road transportation vehicles.<sup>84</sup> According to CBC, however, the enforcement of the *bon de chargement* requirements has nothing to do with attempts to promote the trucking industry in Burkina Faso, and is simply about fairness.<sup>85</sup>

### 4.3.3 Summary

In summary, the port and trucking sectors in Ghana differ substantially from other other two considered here. The port of Tema does not handle significant transit traffic and seems to be relying on domestic cargo for future growth. The governance of the port is also substantially different with GPHA retraining more direct control over operations than public authorities in the Port of Abidjan and Lomé.

The transport sector dynamics are currently very tense, with Burkina Faso seeking to maximise the share of cargo transported by its own truckers unilaterally. This recent shift does not bode well for future attempts to liberalise the transport market on this corridor, although the current crisis environment in the sector might offer some opportunity for creative solutions. CBC’s role in this also suggests that, perhaps somewhat paradoxically, the organisation currently represents the interests of Burkinabe truckers more than those of Burkinabe shippers.

## 5. IMPLICATIONS/OPPORTUNITIES FOR ATWA PROGRAMMING

This section builds on the analysis above to identify potential entry points to promote and support reforms where incentives currently seem to be in line, or can be seen as being feasibly adapted to align to encourage effective implementation of reforms. In this regard it focuses on general principles and then some potential reforms and their implications. The analysis aims to identify mechanisms that could be used as entry points for ATWA in the ports & transport sector as well as the risks that might have to be managed as the programme develops.

The key issues from the analysis that should inform efforts at policy reforms are as follows:

- Although in principle governments, transporters, shippers and port operators all seek to improve efficiency to allow more transport, in practice this cannot always be assumed to be the top priority. Many different parties benefit from current inefficient practices in different ways and at different scales - including low-income individuals.
- Burkinabe interests and concerns about maintaining a strong Burkinabe transport sector shape much of the transport sector dynamics that we see, with concern for transport jobs and maintaining a ‘national transport sector’ apparently overriding considerations for the price to importers and exporters;

<sup>83</sup> Telephonic interview, ACC Logistics, May 2016

<sup>84</sup> See <http://lepays.bf/souleymane-soulama-ministre-transport-de-mobilite-urbaine-de-securite-routiere-taxis-utilisent-gaz-doivent-se-mettre-regle-risque-de-se-voir-interdits-de-circ/>

<sup>85</sup> Interview CBC and OTRAF, May 2016

- The Burkina transporters union, OTRAF and the Burkina shippers council, CBC, between them shape the use (or not) of the bilateral freight cargo quotas between countries, while the transporter unions in Côte d'Ivoire and Togo govern freight distribution among transporters. The unions in Ghana are seen to be less influential or effective in asserting the interests of Ghanaian truckers with regards transit traffic, also reflecting a more market based system.
- In the ports, Bolloré Africa Logistics and the Maersk Group - through its port subsidiary APM Terminals - apparently carry considerable political influence in the countries in which they operate, even with some competition from MSC as the one other major terminal operator in the region.
- Beyond these, a lot of influence is held by customs authorities, whether as a distinct revenue-raising body, or as part of an autonomous revenue authority (the OTR in Togo).
- Nonetheless, the influence and importance of the transport and transit sectors vary in weight across countries with different implications for reform.
- The interests of shippers - consumers, producers and traders - are conspicuous by their absence in discussions of regional transport, with only a few cases emerging of coalitions of reform among citizens or firms, though ports appear more aware of the need to respond to shippers' needs to promote port interests.

In light of these, implications for future ATWA programmes, particularly in the transport sector, are:

- a) Facilitate coalitions for reforms of the transport industry. This might entail strengthening the voice of shippers, which would also counter the monopoly position of the TOCs.
- b) Increase the capacity of authorities in West Africa to undertake a *regulatory* role in the port sector to ensure increased private sector involvement in the ports brings about expected benefits in terms of reduction of cost to end users.
- c) Develop accompanying measures for those who stand to lose out, particularly small truckers;
- d) Deepen the understanding of the socio-economic drivers of the largely informal stakeholders involved in the transport sector in the countries involved. The latter will also be important to better understand the feasibility of a) and b).

Generally, the study of the three corridors confirms the complex interaction of interests and power involved in the slow and messy processes of improving services and lowering transport prices along corridors.

Programmes need to be designed in such a way as to allow them to grapple with this complexity and the fact that changes in political economy factors is likely to happen during programme lifetime. We explore five principles below that could be mainstreamed into ATWA programming in order for programmes to be adaptive and responsive to the context they operate in.

## 5.1 Embrace gradualism and iterative learning

As the above suggests, there are no overarching sector reform models or blueprints that can be imported or applied to national and regional contexts without continual adaptation. The diversity of private and public sector actors and stakeholders, some of whom are involved in reform initiatives while others may undermine reforms, mean that overly technocratic and first-best type scenarios have no traction in reality.

It is often much harder to *alter* incentives than to *adapt* to them or to seek ways to *avoid* them. Achieving results that may strengthen support among reform-minded private and public actors will be difficult in the short run. The incentives created by the reforms may not be initially strong or visible enough to stimulate fast behavioral change or institutional transformations.

Hence the need to:

- Facilitate iterative learning about the evolving political economy and incentive environment;
- Identify next best scenarios that lower resistance against reforms, build on what works and strengthen public sector capabilities for reform implementation and for broadening private sector support over time;
- Combine quick-wins with longer term support strategies;
- Look for ways to build on current 'informal' practices in ways that nudge actors towards reform objectives.

## 5.2 Contribute to harmonisation efforts by external partners

Numerous external partners are involved in a wide variety of country level, cross-country and regional support programmes in West Africa in transport and corridor reforms. These partnerships generate their own background documents, evaluations, experiences and insights - often without dedicated efforts to share and inform efforts at improving collective action.

Hence the need to:

- Monitor, document and share in a systematic way what works and does not in the variety of sector support efforts;
- Explore which types of donor partnerships contribute to responding to the incentive environment;
- Avoid duplication and identify opportunities and needs for improved harmonisation or complementarities across countries;
- Identify strategic opportunities for gap filling in corridor specific and sector-wide support strategies within countries.

## 5.3 Combine national and regional approaches

The interdependence of corridor choice and transport sector performance means that reforms play out in and between countries, as well as in relation to the wider region. This study confirms buy-in and opportunities for supporting or facilitating reform coalitions at all these levels but nonetheless also highlights different levels of national prioritisation for transport, and different underlying structural factors that drive transport sector dynamics.

In the absence of best-practice models, and the presence of other long-standing support programmes to transport in the region, there is a need to:

- Develop approaches that build on domestic and regional reform constituencies, building on national level political interests;
- Identify opportunities for strengthening synergies between national reform coalitions and regional sector support dynamics;

- Recognise the likely differential impact of reforms across as well as within countries.

#### 5.4 Sharpen the focus on ‘losers’ of reforms

Reforms create winners and losers. In the transport sector, the main likely losers of successful regulatory and other reforms are small-trucking companies, single truck operators, informal freight intermediaries (*coxeurs*) and truckers’ syndicates. These groups often lack a combination of resources, access to freight, capabilities and opportunities to professionalise, and are least well placed to benefit from other opportunities that might arise. All corridor cases also present examples of these actors engaging in collective action to block or undo certain reforms.

The WB’s *Poverty and Social Impact Assessment* of the transport reforms along the Abidjan-Ouagadougou Corridor (WB, 2015) has listed a range of potential mitigation measures for those largely informal actors that stand to lose out on some of these reforms.

Hence the importance of:

- Ensuring that the socio-economic conditions in which informal actors in the transport value chain (including for example *coxeurs*) operate are properly analysed and understood
- Designing compensatory or mitigation measures for those losing out on the process of professionalisation,
- Targeting support strategies to inclusion of a number of informal actors into the modernisation of the trucking industry
- Considering in particular the place of hinterland countries as these countries stand to gain from lower transport prices, but also stand to lose most if import and export corridors become politically unstable and if informal jobs in the sector are lost
- Looking at reform in a gradual and iterative sense, to allow adaptation
- Assume that actors will themselves also decide whether to try and alter how reforms are implemented, adapt to reforms, avoid reforms and potentially undermine their application if sufficiently backed by a sense of impunity or power.

#### 5.5 Look beyond the sector losers to the likely benefits of sector reforms for the poor

In pursuing their own interests, actors benefiting from the status quo not only create income but may also raise costs of transit and transport, lower quality of services, reduce the potential within the sector to modernise, raise the prices of consumer goods (especially for poor consumers) and affect the incentive environment negatively for actors in other economic sectors or value chains such as agriculture.

Hence the need to:

- Factor in the wider dynamics taking place outside the transport sector, such as lower consumer prices, increased export competitiveness, lower corruption, etc when considering reform with distributional impacts.
- Consider potentially complementary investments or policies when setting priorities for transport and transit sector reforms, to increase the net gains from reforms.

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