Infrastructure and Transit Cooperation

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Retreat of Ambassadors in preparation of the Second United Nations Conference on LLDCs
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World Bank Goals and Strategies

- The World Bank recently adopted two development goals that guide its work:
  - Ending extreme poverty and
  - Promoting shared prosperity

- The goals must be achieved in an environmentally, socially, and fiscally sustainable manner:
  - Sustainable resource management
  - Social inclusion
  - Fiscally responsible policies

- The World Bank remains committed to APoA objectives – because of their practical focus and their coincidence with its two goals

Two main strategies guide the World Bank’s work in this area:

- **Transport Strategy with the following priorities:**
  - Increased support for transport investment and governance
  - Deeper engagement in roads and highways
  - Diversifying engagement in transport for trade
  - Transport and climate change: control emissions and mitigate impact

- **Trade Strategy with the pillars:**
  - Trade Competitiveness and Diversification
  - Trade policy and trade in services
  - Trade Facilitation, Transport Logistics and Trade Finance (reduce costs of moving goods, enhance performance of trade corridors)
  - Market Access and International Trade Cooperation
  - Managing Shocks and Promoting Greater Inclusion
There has been significant investment since 2003

- About 60% of Bank lending on Transport in FY13 was on highways and inter-urban roads while 8% of Bank lending was on trade facilitation and logistics
  - about $2bn in Fy13 on LLDCs or their transit neighbors
- Main objective is to improve infrastructure and services for traders
  - Road and rail corridors
  - Regional integration and connectivity
  - Customs and border management
  - Agro-supply chains, etc.
  - TA and capacity building
- Data collection and diagnostics have improved
  - Trade costs dataset (WB+UNESCAP)
  - Others: Doing business, ICAs, WEF, etc
- Development of knowledge, guides and toolkits (Border Management, Corridors, Transport Services, etc.)
- Databases, reviews etc.

**World Bank “APoA Lending”**

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LLDCs still face Challenges with Logistics Performance

- LPI 2014 data show LLDCs have lower logistics performance compared to other countries
  - But, some of the countries showing big improvements in logistics performance are LLDCs
  - Investments in infrastructure and policy reforms are still needed in most countries, but with differences in emphasis:
    - In low income countries infrastructure and border management reforms are key to improving logistics performance.
    - In MICs the “low hanging fruits” have largely been reaped, congestion of infrastructure is a growing concern. Need new generation of reforms (e.g. in logistics services).

**LPI and per capita GDP**

**10 largest gains in LPI score**

- Burundi
- Latvia
- Nepal
- Chad
- Rwanda
- Estonia
- Montenegro
- Jamaica
- Kenya
- Greece
Infrastructure has Improved ...

- In the majority of cases the LPI scores for infrastructure improved between 2007 and 2014 in both LLDCs and transit countries

- But much remains to be done
Building infrastructure is good but maintenance is paramount ...

Lesson Learnt: In the 1997 Asian crisis, declining infrastructure spending was accompanied by declining growth in Indonesia

- Reduced spending on infrastructure adversely impacts growth well beyond a crisis
- Costs of replacing infrastructure often exceed those of proper maintenance
Multimodal systems have potential but face serious challenges

- There is growing interest in railways
- Railways have great potential which is presently not fully exploited for LLDCs
  - Low cost option suited to LLDC exports
  - Reduce carbon emissions, congestion, accidents, cost of road infrastructure
- They face significant challenges
  - Small volumes of traffic – lack economies of scale
  - Stiff competition from road transport
  - Poor infrastructure in many countries, significant investments are needed
- Revival of railways is possible
  - Concessioning as a solution – more than 10 operational concessions
  - Greenfield developments – linked to and bundled with mining or industrial development
Hard Infrastructure is not enough ...

- As hard infrastructure has improved, other major contributors to costs have become more pronounced
  - Ports: large delays in ports and in transit countries (dwell times have reduced but they remain much higher than in MICs and HICs)
  - Border posts: steady improvement in customs but other border control agencies lag behind
  - A telling example: Malaba (Uganda/Kenya), from 24 hours to 4 hour

- Transport and logistics services need special attention
  - Example: New World Bank project under preparation: A Regional Trade Facilitation and Competitiveness Development Policy Operation (Cote d’Ivoire and Burkina Faso)
    - First corridor focused development policy operation in the World Bank
    - Four year operation with three pillars:
      - Reforming the trucking industry, through professionalization and formalization of the trucking industry;
      - Strengthening competitiveness of the gateway and inland platforms;
      - Improving border management and customs
  - The project will help tackle one of the major remaining frontiers of reform in transport

- There is need to complement hard infrastructure investments with for comprehensive approaches notably to transit facilitation
Comprehensive Approach to Transit: A Conceptual Framework

"SOFT "AND "HARD" INFRASTRUCTURE

Private sector
- truckers
- forwarders
- business assoc
- banks

Legal Framework
- global tools
- bilateral treaties
- regional community

Institutions
- Transport
- Customs
- regional secretariat

Physical Connectivity
- rail
- road
- border
- ICT

TRANSIT SYSTEM: IMPLEMENTATION MECHANISMS

IMPLEMENTATION ACTIVITY
- Customs TRANSIT REGIME & Facilitation
- Enforcement of TRANSPORT Policies
- CORRIDOR Management

IMPLEMENTATION FOCUS
- International Movement of GOODS
- International Movement of Vehicles & SERVICES
- Cross Border COOPERATION & information SHARING
Conclusions

- The aims of the Almaty Programme remain valid
- Infrastructure quality is a chief driver of progress in logistics performance across countries but needs to be accompanied with improvements in transport and other services, customs and border management, etc.
- Countries that perform well in logistics have put together resources and commitment over time and carried out targeted reforms to improve the efficiency across several areas:
  - Asset creation and maintenance
  - Deeper regional integration (especially on seamless transit regimes)
  - Operational performance of services
  - Capacity enhancement of public agencies and the private sector
- Coherent strategies and cooperation across borders are needed to improve connectivity
  - It is important to nurture and improve partnerships at several levels (national, regional, international)
- A comprehensive approach is key is to get right a number of reforms in parallel and in several areas.
- The World Bank Group remains committed to APoA objectives and will continue to support their attainment
Questions / Thank you / Merci

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