Toward Structural Transformation for Africa’s Landlocked Countries
Preconditions for Success

Steve Kayizzi-Mugerwa, PhD
Acting Chief Economist and Vice President
African Development Bank

I. Introduction
This note looks at the challenge of structural transformation for Africa’s landlocked countries. It argues that in the main being landlocked is a description of a state of economic development than a geographical one. For example, is there anybody who can argue strongly that Switzerland or Austria are landlocked, at least in the sense that that impedes on their national productivity and competitiveness? Probably not. These countries as well as a number of countries in similar positions all over the world have overcome the strictures of being landlocked through infrastructure development and regional integration. They have also benefitted from the agglomeration effects that come from having good political and economic environments—or good neighborhoods.

This note therefore takes an overview of the key essentials for transformation in landlocked developing countries in Africa from the three vantage points of regional integration, infrastructure development and goods neighborhoods—not just the process of being in one but also actively nurturing them. The note will conclude with a look at the role of the African Development Bank as Africa’s premier development finance institution.

II. Africa’s Landlocked Countries: Some Stylized Facts
Today Africa has 54 independent countries, all of them “regional members” of the African Development Bank, the most recent entry being South Sudan. Of these some 25 percent are landlocked.

Traditionally we have defined landlocked countries as those that have a border between them and the sea. In this regard, developed countries such as Switzerland or Austria would share this distinction with South Sudan, Uganda or Lesotho. From the point of view of geographical curiosity these descriptions would be factually correct until we pose the question why small landlocked European countries are rich and why landlocked countries in Africa have achieved so little development.

The reason is because being “landlocked” is an inherently economic and political artefact, more than simply a geographical one. It is more about market access and how it is achieved than whether countries have a direct to the sea. The remoter reaches of some of Africa’s bigger countries are just as landlocked as any of their neighbors, although the countries themselves might not be landlocked by definition. They too have little or no access to the outside world.

In preparing myself for this trip, I came across a curious terminology—“doubly landlocked” in reference to countries that need to traverse two or more borders before they get to the sea. Although the term sounds like a serious affliction, even here reference is more to paucity of transport infrastructure, communication and economic integration than to serious geographical impediment. For example no one refers to any of the US states as landlocked, thanks to the good and extensive infrastructure within that country. However, many African countries with neighbors in perennial conflict are doubly landlocked—they often have to use longer distances to get to markets than if there was peace next door.

Although Africa’s landlocked countries are outwardly quite different in economic structure, from Botswana, with a large landmass and small population, to Rwanda and Burundi with relatively small
geographical areas but with relatively larger populations, they share a number of features, “stylized facts,” which I have summarized below.

- They are well distributed within the continent, but with a tendency for regional concentration of landlocked countries with contiguous borders: Burkina Faso, Niger and Mali in West Africa; Burundi, Ethiopia, Rwanda, South Sudan and Uganda in East Africa; Central African Republic and Chad in Central Africa; Botswana, Malawi, Zambia and Zimbabwe in Southern Africa.
- Economies are mostly based on traditional agriculture, mining and the exploitation of natural resources.
- Africa’s landlocked countries are larger in area, on average, than similarly designated countries in other parts of the world.
- They are usually linked to a regional growth pole and are rarely a regional growth motor themselves.
- Their borders not always caused by colonial history—but a result of recent events: Ethiopia and South Sudan.
- Africa’s hinterland and the countries there are most likely to be exposed to internecine conflict than the rest of Africa.
- They have lower scores than their peers on the costs of doing business and on the human development index.
- Although their per capita incomes are lower than the African average, they have shown remarkable resilience and posted rapid growth in recent years, thanks to resource discoveries and large inflows of foreign direct investment.

III. The Context of Structural Transformation

It is well known that structural transformation can happen in a range of political and economic contexts, and that there is no off-the-shelf template to follow. It has taken place in China under the aegis of the Communist Party, under the challenging conditions of post-war Korea and is poverty in Korea, and is now happening in multi-lingual and multi-ethnic India. However, experience has revealed that there are important lessons (see Kayizzi-Mugerwa, 2014).

(i) Economic transformation is by no means automatic. For it to happen requires a leadership that is capable of articulating a national vision. While initial economic structures are important, competent leadership is paramount. Governments must be capable of formulating policies and implementing them within a given time frame.

(ii) Transformation requires the engagement of the people, they must understand the vision—i.e. what it would take to reach the goal of transformation.
Transformation means taking advantage of emerging domestic opportunities—the population must benefit, even in the short run. Sacrificing for the future is often a weak argument.

Transformation has many potential benefits, but also setbacks. In a situation where power is unevenly distributed the benefits and costs will also be unevenly distributed. The domestic tensions associated with rapid transformation must be managed.

As noted above, landlocked countries are generally more exposed to political fragility than neighbors with access to the sea. The conditions for their own take off might be even more demanding than the preconditions listed above.

IV. Preconditions for Success

In this section, I discuss what I consider important preconditions for the sustainability of growth and for economic transformation in landlocked developing countries in Africa: regional integration; infrastructure development; and good neighborhoods.

Regional Integration: when countries are integrated their borders cease to be serious impediments to movements of good and services and hence growth and welfare increases. As indicated above, landlocked countries in each of Africa’s regions have contiguous borders. Nevertheless they undertake little formal trade with each other and even less investment. Studies at the African Development Bank have shown that countries that are well integrated regionally tend to attract more investment within the region and beyond. Moreover, they are less prone to civil strife, as their territorial isolation is reduced.

Infrastructure Development: closed linked to regional integration is the issue of infrastructure development. The very essence of being landlocked is lack of good transport and communications infrastructure. Without the latter landlocked countries risk to be “doubly landlocked”—already closed off from the sea by another country, but unable to reduce the costs of doing business for lack of modern infrastructure. Prohibitive freight costs imply that LLDCs’ comparative advantage is seriously eroded. There is clearly a need for targeted regional projects that would help to reduce the isolation of LLDCs in Africa.

Good Neighborhoods: Countries, much like people, can benefit from good neighborly relations. These enable countries to transact their business without interruption. Experience has shown that LLDCs in African have suffered economically when the country which provided the main route to the sea experienced serious domestic problems, including social conflict. Such incidences also highlight the importance of having multiple accesses to the sea in order to lower the risk of being taken hostage as an LLDC.

V. The Role of the African Development Bank

Regional Integration is the raison d’etre of the African Development Bank. The Bank has been involved from the very start in projects meant to push the integration agenda strongly forward. This it has been done principally through support to regional economic communities and the promotion of infrastructure, notably transport and energy. More broadly it has contributed to the Program for Infrastructure Development in Africa (PIDA), the continental-wide project sanctioned by the African Union. The Bank’s annual lending to infrastructure amounts to some $6 billion.

In 2013, the Bank introduced a 10-year strategy for the period up to 2022, which will focus on inclusive growth and the transition to green growth. The Strategy will continue to emphasize infrastructure development, that of the private sector, governance, including capacity building in public institutions, economic integration of the continent, and skills development and science and technology. It also underlines areas for special emphasis including eradication of socio-economic fragility, agriculture and
nutrition and gender. Importantly, the strategy will be accompanied by a number of instruments to help the Bank to best leverage its support during the decade.

A major issue has been how best to finance Africa’s burgeoning infrastructure gap, estimated at some $50 billion per year. In spite of the huge demand for infrastructure projects, bankability has been a serious issue. The Bank has therefore created the Africa50 fund, recently incorporated in Morocco, as an innovative instrument for preparing and financing mega and “game changing” projects on the continent. It will wholly operate as a commercial entity that returns a profit, and independently from the Bank.

The Bank has also provided support in many other areas in recent years, including trade finance, the development of small and medium size enterprises, and capacity building within the public sector. The latter is important in ensuring like resources are used predictably and efficiently. All these have helped to enhance the resilience of countries’ including LLDCs in various ways.

**Bibliography:**
African Development Bank (various issues), African Development Report, Tunis/Abidjan