LongRead Vol 4

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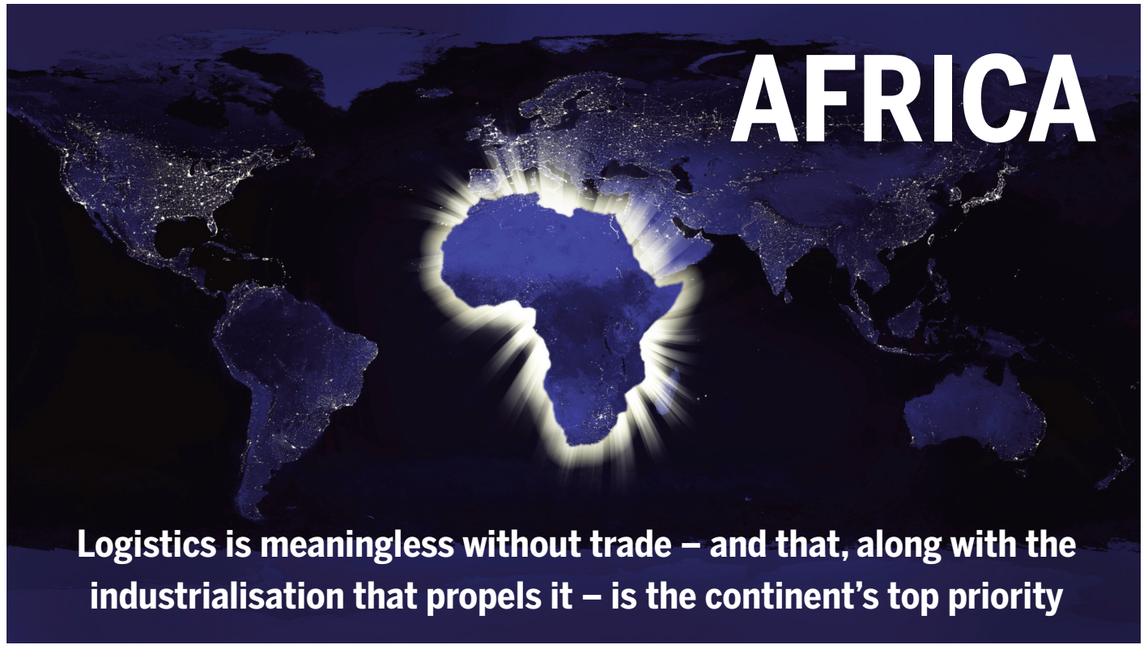


Logistics is meaningless without trade – and that, along with the industrialisation that propels it – is the continent's top priority

Inside

The African Union has a plan. Both exciting and depressing, it is to bring about "a peaceful and prosperous" continent.

So, what could be depressing about that?

Well, the timeline. Agenda 2063 forms a series of strategies that will result in Africa's transformation in 47 years' time. Many of us will never see Africa in all its glory, if that forecast is right.

Key to this transformation is logistics.

"High distribution costs in Africa directly reduce the consumer's capacity to purchase, as goods are more expensive," explains Sylvain Kluba, Agility's chief operating officer of the Middle East and Africa. "This leads to lower demand and therefore reduced volumes to be delivered, thus creating a negative economic cycle that is self-perpetuating.

"The solution to breaking the cycle has two components: the first is to invest in the physical infrastructure capacity, to reduce congestion by developing logistics platforms with improved efficiencies; and the second is to develop the integrated systems, regulations and procedures to bring compatibility and simplified processes that result in lower costs and improved efficiencies."

In some ways, both these solutions are on track – although the reasons are not necessarily positive.

"Falls in oil and commodity prices have led to lower economic activity in many African countries," notes consultancy SeaIntelligence Consulting. "However, there is a silver lining.

"For years, port infrastructure in most

E-commerce

More than 60% of Africa's population has access to a mobile phone. They are cheap, easy to use, can be shared, prepaid, and even billed in prices per second. Which in part explains why e-commerce is set to make up 10% of total retail sales in key markets by 2025, and have 40% annual growth over the next decade.

"There are huge opportunities for growth in e-commerce," says Agility's Mr Kluba. "The continent has 'skipped' many of the steps the developed world had to go through, such as wired internet, and jumped straight to 4G connectivity."

However, despite this growth in connectivity and mobile usage, there are some serious threats to the development of e-commerce.

Astral's Sanjeev Gadhia warns of several challenges to overcome. "African consumers like to see, touch and feel products, and there are also issues such as lack of trust, security challenges and the lack of a postal address for delivery.

"In addition, foreign platforms rarely accept credit cards from African customers, and Customs may require the consumer to appoint an agent to clear the goods and pay duties and taxes.

"But the market may have opportunities once regulations between regions are harmonised – currently every country in Africa has different tariffs and taxes."

African countries has been struggling to keep up with growing volumes, and now the ports have got a break to catch up.

"Congestion is easing and becoming less of a problem, especially in West Africa."

But we get ahead of ourselves. Logistics is meaningless without trade – and that, along with the industrialisation that propels it – is Africa's number-one priority, according to the UN.

PwC notes in its Africa research: "In Africa, industrialisation has actually declined over the past several decades. In 2012, manufacturing contributed less than 10% to overall GDP, while resources accounted for more than 20%."

The World Bank's Africa Development Forum agrees with the need for industrialisation and sees strong potential in light manufacturing, particularly as land, labour and other costs in China rise. Sub-Saharan Africa also enjoys duty-free and quota-free access to the US and EU markets for light manufacturers, under the African Growth and Opportunity Act (AGOA) and the Cotonou Agreement.

Currently, however, Africa has a "narrow production and export base, dominated by low-value products such as raw materials and primary commodities, very high trade costs, tariff and non-tariff barriers to intra-African trade and Africa's access to international markets", notes the UN's 2015 economic report on the continent.

More exports

Africa's share of global exports increased from 4.99% in 1970 to 5.99% in 1980 – but had fallen to 3.3% by 2010 and remained there in 2013. The vast majority of its exports continue to be unprocessed, resource-based commodities such as minerals, fuel, precious stones and the like. Manufacturing's contribution to the economy remains small, and is particularly low in oil-exporting, mineral-poor and landlocked countries.

Nevertheless, there are products outside of minerals to watch. Perishables are key in East Africa, and both Kenya and South Africa have significant agricultural exports. But much of Africa's land, while suitable, is not cultivated, and limited roads, irrigation and power constrain growth.

"In Africa, industrialisation has actually declined over the past several decades"

But countries currently dependent on minerals or fossil fuels are also eyeing agriculture.

West Africa, dependent on oil exports, is noting the need for diversification. Nigeria's main trading partner for oil exports is the US, but the shale gas boom has reduced dependence. Angola's biggest export market for fuel is now China.

East Africa is also now in a position to export fuel. The IMF believes that Kenya will begin producing commercial quantities of oil in six to seven years, while Tanzania has natural gas reserves and Mozambique has large reserves of both coal and natural gas too.

Outside of this, there has been a drive towards building an apparel manufacturing market to rival – and outperform – the more traditional garment hubs in South and South-east Asia. Security worries in the Indian subcontinent, rising costs in China and retailer concerns over exploitative employee conditions following disasters such as the Rana Plaza building collapse in Bangladesh have spurred some companies to look towards Africa.

Ethiopia is certainly trying to attract clothing buyers. H&M opened an office in Addis Ababa in 2012, while Primark, Tesco and Walmart are sourcing clothes from the country, where wage levels are 20% of China's and half that of Vietnam. The Ethiopian garment and apparel industry has grown by an average of 51% a year since 2000, with continental Europe buying 50% of that stock, the US taking 40% and the UK 10%.

However, while talk on apparel is big, the reality is different, says Sanjeev Gadhia, chief executive of intra-African cargo airline Astral Aviation, based in Nairobi.

"We are seeing new industries in the energy sector, with new solar, wind and green energy, whereas manufacturing and the apparel sector has reduced, due to high costs in production.

"But the retail sector is booming, with the opening of new malls to keep up with the demand for the 300 million-strong middle-class population – which is 30% of the continent."

According to consulting firm Bain & Co, more than 70% of the world's biggest consumer goods companies are already operating in Africa.

"The FMCG market is really strong, and currently underserved, so moving goods in that sector is fundamental to the growth story," says Agility's Mr Kluba.

"Widespread and rapid urbanisation has led to cities becoming home to an increasingly educated and empowered middle class, in turn, creating for the first time a strong domestic consumer market.

"And while it is not yet a reality, we are beginning to see growing interest in industrialisation and the development of a manufacturing sector, in order to create jobs and add value to the available raw materials."

Nuts & bolts

Turner and Townsend has project-managed for clients in Africa for 30 years. It helps import, move and build all over the continent. Ian Donaldson, managing director for Africa, has seen it all – from importing an entire hotel, every last nut and bolt of it, to pipeline projects and watching new sectors grow.

"On the imports side, a lot of the high-value kit is made elsewhere, and there is a limited amount available locally. But countries want manufacturing and job creation. For manufacturing capability you need raw goods in and finished product out. People are looking at manufacturing, mining, industrial, hi-tech and energy.

"Africa is trying to grow its export markets, such as agricultural processing," he continues. "It has great ambitions to export to the rest of the world – cut flowers, tea, coffee. And there is more pressure to export, as they want foreign revenue."

And this is where logistics and infrastructure come into play.

"There are some sectors where the logistics works very well," says Mr Donaldson. "The farms are very organised – they have got it down to a fine art for flowers. Mango farmers in South Africa and Mozambique export 90% of their produce to Europe – and it gets there overnight. Cut flowers are in the Netherlands the next day. There are certain things that work really well – but then the flower industry is a constant, everyday activity. It's when you get one-offs that you get the challenge."

According to the World Economic Forum, "inadequate supply of infrastructure" was considered the third-biggest obstacle to doing business in Africa, after access to finance and corruption.

Agility agrees. "There are a range of challenges including political risk, weak corporate governance, macroeconomic volatility and a lack of infrastructure," explains Mr Kluba. "Logistics is a key factor to any business venture, but especially to a new market launch. A well-planned, solid supply chain can be the difference between a rapidly successful initiative and a struggling one."

Key aspects to operating effective supply chains in Africa are managing shippers' expectations and planning.

"Projects in Africa require a lot of front-end planning," says Mr Donaldson. "The trick is not to be scared, but to plan and process how you will attack it.

"What often surprises our clients is the logistics. It isn't easy, there are remote locations with limited road and rail networks and often there is no power. We need to get clients to be realistic about their expectations.

"The big difference is that you have to do your risk modelling at the front end. If you are planning to bring in big equipment, you have a good chance of delivering it in time if you recalibrate schedules. Perhaps you need to order earlier than you thought, which means the design has to be completed earlier. So logistics does drive a project."

He advises, for example, testing equipment or checking shipments at the port "before you go to the trouble of moving it onwards, you want to know if you need to send it back".

Mr Kluba suggests a fall-back option.

"Understanding time expectations is critical to our business and we do so by ensuring they are managed into our logistics plan. We then focus on utilising regular and reliable services with the fastest available transits, which involves building long-term relationships with carriers which are responsive to our requirements.

"We also always have a Plan B to enable switching of operational plans where required, as needing to be prepared for the unexpected is a critical requirement in logistics."

Passing the port

One of the most frustrating aspects of trade in Africa is port dwell time. Turner and Townsend reports that a 40ft container may need 42 to 50 days for port clearance, as opposed to three to four days in Europe. The World Bank notes that it takes 12 days to export a container from Egypt. But the same journey lasts four times longer – over a month and a half – to export a container from Angola, and at nearly triple the cost.

Terminal operator DP World reports: "Processing times for cargo are long, and none of the continent's ports plays a significant role in international sea shipping, with the exception of Durban

Key aspects to operating effective supply chains in Africa are managing shippers' expectations and planning

AFRICAN INFRASTRUCTURE DEVELOPMENTS

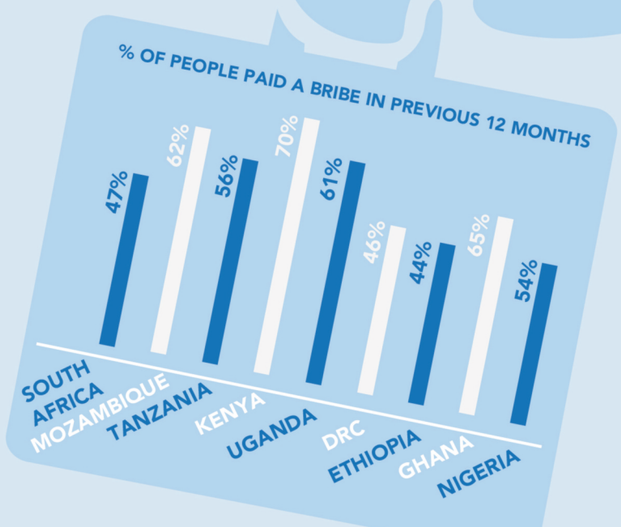
LOGISTICS PERFORMANCE INDEX WORLD RANKING

World Bank, 2016

SOUTH AFRICA	20	RWANDA	62		
KENYA	42	NAMIBIA	79	ETHIOPIA	126
BOTSWANA	57	MOZAMBIQUE	84	DR CONGO	127
UGANDA	58	GHANA	88	DJIBOUTI	134
TANZANIA	61	NIGERIA	90	ANGOLA	139

BRIBERY

Transparency International, 2015



SENEGAL
Bissau
GUINEA
Conakry
Freetown
SIERRA LEONE
Monrovia
LIBERIA
Bamako
BURKINA FASO
Ouagadougou
Niamey
COTE D'IVOIRE
Yamoussoukro
GHANA
Accra
BENIN
TOGO
Lomé
Badagry
Lekki
Kano
NIGERIA
Abuja
N'Djamena
CAMEROON
Douala
Yaounde
Kribi
Sao Tome
Libreville
GABON
Annobon
(EQUA. GUI.)
CENTRAL AFRICAN REPUBLIC
Bangui
REP. OF THE CONGO
Brazzaville
Pointe-Noire
ANGOLA
(Cabinda)
Kinshasa
DEMOCRATIC REPUBLIC OF THE CONGO
Barra do Dande
Luanda
ANGOLA
Lobito
Namibe
Ondangwa
NAMIBIA
Windhoek
Walvis Bay
SUDAN
Nyala
SOUTH SUDAN
Juba
UGANDA
Kampala
Malaba
KENYA
Entebbe
Nairobi
RWANDA
Kigali
BURUNDI
Bugesera
Musongati
Musoma
Lamu
Mombasa
Bagamoyo
Dar es Salaam
TANZANIA
Djibouti
Addis Ababa
Adama
ETHIOPIA
Hawassa
SOMALIA
Mogadishu
ZAMBIA
Lusaka
Lilongwe
MALAWI
Livingstone
Harare
ZIMBABWE
MOZAMBIQUE
BOTSWANA
Gaborone
Pretoria
Sidvokodvo
Maputo
Johannesburg
Mbabane
Lothair
SWAZILAND
LESOTHO
Maseru
SOUTH AFRICA
Durban
Cape Town
Port Elizabeth
Antananarivo
MADAGASCAR

TRAIN
PORT
AIRPORT
(DEVELOPMENT PROJECTS)

in South Africa. Africa's port systems are among the least efficient in the world, as measured by average turnaround time. Between 1996 and 2011, time efficiency for the processing of containers in ports deteriorated across Sub-Saharan Africa."

But conditions are improving, according to SeaIntelligence Consulting. The average vessel turnaround time – measured from the point at which the first mooring line is fixed to when the last is let off – in 2011 was 50 hours, and although that has not declined every year, in 2015 it was down to 42 and this year so far the average has been 37.5 hours.

The average, though is only part of the story, as ports vary widely.

"Mombasa, Maputo and Lagos have seen the most impressive improvements over the period," notes SeaIntelligence Consulting. Maputo is now just 15 hours, making it the lowest dwell time in Africa. Meanwhile Dar es Salaam and Douala have seen big spikes.

One key resource for professionals in this area is PortOverview.com, which monitors incidents in ports, such as strikes, congestion, security issues and so on, in real time.

Another key resource is local knowledge.

"There are a number of issues, such as how long it can take to get through a port: Nigeria has import restrictions on a number of things; and some equipment you may be able to get through a port but not to the site," says

"At borders there can be miles of nose-to-tail trucks and it can take four to seven days to cross"

Turner and Townsend's Mr Donaldson.

"You need to understand the supply chain and use the right expertise in the local market. We like to work with multinational logistics companies, but we always want to know that they have experience in the local market. We like suppliers to have a good local understanding, and local skills can be well-priced. A mix of global and local suppliers is the best of both worlds."

The multinationals feel the same. "We mitigate the challenges by sourcing local expertise," says Mr Kluba. "We have also taken a long-term view – we minimise risk for our customers by going in early and investing in infrastructure."

Road runners

Onward travel from a port is where logistics begins to get interesting. Connectivity is often cited as one of the continent's biggest problems. The road network is limited and crossing borders adds cost, time and security issues to supply chains.

"The big trick is to improve connectivity," says Mr Donaldson. "There are north-south and east-west corridors that allow for an easier flow of trade. But in a country like Mozambique, which is long and thin, it's very hard for things like fresh produce – you have to travel 2,000km by road.

"Lots of freight ends up on roads that are challenging for big articulated trucks. At borders there can be miles of nose-to-tail trucks and it can take four to seven days to cross."

He cites a recent crossing from Zimbabwe to Zambia, where he saw a 3km queue of bumper-to-bumper trucks.

On the upside, he says, road transport is pretty competitively priced, "although not a game for the faint-hearted".

The IRU, the global road transport organisation, has set its sights on Africa as ripe for development. The jewel in its crown is the TIR system, by which goods are contained in sealed load compartments, and the contents detailed in a TIR carnet.

Customs simply have to verify the carnet and that the seals are intact as it crosses a border, rather than inspecting the goods. This substantially eases cargo flows.

The IRU has been looking at four major transit corridor routes: the north-south corridor (Durban to Lubumbashi), Walvis Bay-Ndola-Lubumbashi corridor, Dar corridor (Dar es Salaam to Lubumbashi) and the northern corridor (Mombasa to Kigali).

"The results show that TIR is up to 16 times cheaper than the national bond system on the Walvis Bay-Ndola-Lubumbashi corridor, and is also substantially more cost efficient on the three other African trade corridors in the study," says Umberto de Pretto, IRU secretary general.

Clive Smith, from Walvis Bay Corridor Group, adds: "Implementing TIR along the Walvis Bay corridor could have a huge impact on reducing the cost of moving goods between the port and the hinterland.

"It makes total sense to be looking at implementing a trade facilitation solution that is already proven and successful.

"TIR fits with Namibia's vision to become a logistics hub for southern Africa and we are really keen to see concrete steps taken towards implementation in the region."

The IRU is now working with stakeholders in Kenya, Uganda, Tanzania, Zambia and Namibia to try to bring in the scheme, which is gaining traction all over the world.

On track?

Rail freight is in its infancy outside of South Africa, the most developed country for logistics in sub-Saharan Africa. According to PwC, "rail integration in the west is nearly non-existent". That, however, appears to be changing (see box).

As a result of poor inland transport connectivity, air transport has historically been seen as critical to the continent's development.

"Air freight is a very expensive way to operate, so we do try to containerise, but air can be used for small, high-value parts which can go on smaller planes," says Mr Donaldson.

"But there are few airfields which can handle the biggest aircraft. You can air freight through a major airport, but if the project is elsewhere you may need to truck it."

As with other transport modes, airlines face challenges with infrastructure, regulation, lack of liberalisation and high costs.

"There is a high cost of doing business, while excess capacity by foreign airlines has resulted in lower yields," says Mr Gadhia. "And the decline in oil and gas prices has affected air cargo volumes into the major oil export countries.

"Customers expect lower freight charges in the form of spot rates for African cargo, which at times is

Rail projects

South Africa and Swaziland are working on a rail project which would link Lothair in Mpumalanga in South Africa to Sidvokodvo Junction in Swaziland, while upgrading other networks. Over-budget and overdue it could, however, finally start operations next year.

In the east, Tanzania is working with neighbours Rwanda and Burundi to link the gateway port of Dar es Salaam with Kigali in Rwanda and Musongati in Burundi. Another project will see a link from mines to the port at Mtwara. And Kenya is already connected to neighbouring Uganda via rail, but more projects are under way.

Kenya Railways Corporation is developing a new standard gauge railway (SGR) line between the port of Mombasa and Nairobi, cutting travel time from 10 hours to four, and cutting 60% off freight costs, when it opens at the end of next year, and is the first part of a plan which will connect Kenya, Uganda, Rwanda and South Sudan.

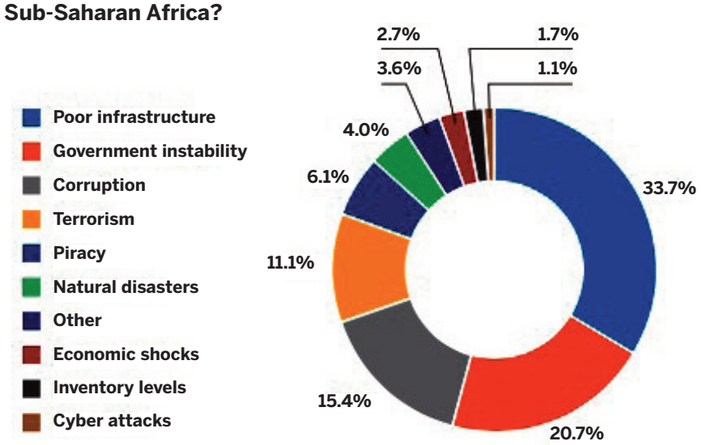
The project will connect Mombasa to Malaba, on the

border with Uganda, and continue onward to Kampala. It will further run to Kigali in Rwanda with a branch line to Juba in South Sudan.

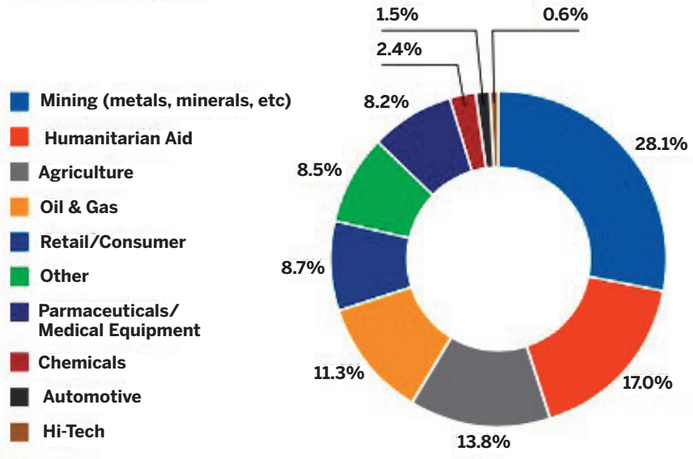
The freight terminals will be located at Mombasa port and the inland container depot at Embakasi in Nairobi. The railway line is designed to carry 22m tonnes of cargo a year – or a projected 40% of Mombasa's port throughput – by 2035.

In September, an electric rail line between Addis Ababa and the port of Djibouti opened, via the coffee-growing city of Adama, cutting transit time between the two in half.

Which supply chain risk poses the greatest threat in Sub-Saharan Africa?



Which Sub-Saharan vertical sectors have the greatest potential for growth in emerging markets?



Source: Transport Intelligence

difficult, as most of the regional freighters move cargo in one direction and often ferry empty on the return. The cost of insurance and taxes on fuel, handling and airport fees are among the highest in the world."

As you might expect, airports fare better than ports at releasing cargo. At the "freighter-friendly" JKIA in Nairobi, exports take three to six hours, while transhipments take up to 24 hours to complete. In Nigeria, transit formalities take two to three days – "far too long" says Mr Gadhia.

He adds that while Johannesburg, Nairobi and Addis Ababa have the best airports, there has been good progress at Kigali, Entebbe, Dar es Salaam, Lusaka and Accra.

The Ghana gateway

Ghana, in fact, is seeing some significant developments. In October the president opened a multimillion dollar cargo facility at the airport, increasing Accra's handling capacity from 50,000 tonnes to 70,000 tonnes, and adding two cold stores and scanners. It hopes to boost Ghanaian fresh produce exports.

In fact, Ghana is well-positioned to become a key gateway. "It is the natural gateway for West Africa," says Mr Kluba. "It has political stability and a strong economy in the medium- to long-term and should become the centre for regional distribution."

As recently as last month, Agility opened the first of several warehouses around Africa in Ghana, close to the port of Tema. The 45-acre Ghana Agility Distribution Park includes a number of multinationals as anchor clients and is based in the Tema free trade zone to encourage light manufacturing and value-added logistics services.

"The cost of insurance and taxes on fuel, handling and airport fees are among the highest in the world"

Agility is developing distribution parks in Cote D'Ivoire, Tanzania, Nigeria, Mozambique and Angola. It has additional sites available in Senegal, Mauritius and Cameroon, and Agility Africa chief executive Geoffrey White says: "By developing and leasing much-needed warehousing, the Agility distribution parks help companies operate in Africa with the reliable, modern and secure infrastructure they need to grow their business, allowing them to access new markets without committing large amounts of capital."

Pan-African agreements

Air transport could be further bolstered following the Yamoussoukro agreement, which saw 14 countries make a commitment to establish a single African air transport market by next year. Many African countries have restricted their air services markets, to protect the market share of state-owned air carriers.

This has not necessarily stood them in good stead – in fact, governments are often forced to bail out state carriers, and all over Africa, airlines struggle to survive and come and go like the tide. Liberalisation, however, is expected to cut costs, create efficiencies, speed transit times and boost the economy, if liberalisation elsewhere in the world serves as any indication.

Trade agreements, liberalisation and shared zones are cited – along with infrastructure – as being crucial to Africa's development. There are numerous agreements in place, but African countries in the past seem to have found more things that divide than unite them. West Africa, for example, is one of the less well-connected regions, in part because it is divided between francophone (Guinea, Senegal, Mali, and Côte d'Ivoire) and anglophone (Nigeria, Ghana, Liberia, Sierra Leone) nations.

Poor efficiency

"The efficiency of cross-border trade in West Africa is very poor and, as a result, trade within the region is estimated to make up only 15% of its total commerce compared with up to 50% in developed markets," explains Mr Kluba.

Despite an average annual growth in exports of 8.5% since 2010, trade between African regions remains low when compared with other parts of the world, according to The Africa Economic Outlook Report 2016. Intra-regional trade accounted for 16% of Africa's total trade in 2014.

The East African Community (EAC), comprising Burundi, Kenya, Rwanda, Tanzania and Uganda, is one of the better integrated regions – and more is to come. Last year, the three existing trading blocks – the Southern African Development Community (SADC), the EAC, and the Common Market for Eastern and Southern Africa (COMESA) – agreed to harmonise their trading agreements next year, which is expected to stimulate $1trn worth of economic

Port projects

There are currently plans to build or significantly expand many ports – including in the west, at Barra do Dande (north of Luanda), Lobito in Angola, Lekki and Badagry in Nigeria, Kribi in Cameroon and Freetown in Sierra Leone; and in the east, at Lamu in Kenya and Musoma and Bagamoyo in Tanzania.

Lekki port is well-advanced, and is expected to open in 2018, with a 6m teu capacity, while the Badagry development project is reportedly set to create Africa's largest port.

On the east coast, Mombasa competes with Dar es Salaam as the maritime "gateway to East Africa". But now, the Kenyan plan to build a huge port at Lamu, while Tanzania develops Bagamoyo, is raising the stakes. Both claim they will be larger than any other port in sub-Saharan Africa. Lamu and Bagamoyo will

have capacity to handle 20m containers a year, 25 times more than Dar es Salaam.

In Cameroon, where volumes at Douala have exceeded capacity, the government plans a deepwater port at Kribi. Meanwhile Bolloré Ports, the stevedoring arm of French group Bolloré Transport & Logistics, has started major development work on the container terminal at the port of Freetown in Sierra Leone, West Africa, enabling it to handle bigger ships and 750,000 teu.

Stamping out corruption

The International Centre for Trade and Sustainable Development claims that between 60% and 90% of trade costs in Africa relate to non-tariff obstructions, such as slow processes, bureaucracy and corruption.

These barriers are cited as one of the greatest problems of doing business in Africa. It takes, for example, between 79 and 100 government officials' signatures to clear an individual shipment for import in Nigeria, offering plenty of opportunity for corruption.

But the government, in a recently launched crusade, is looking to stamp it out and increase efficiency in a country where each shipment takes an average of 298 hours and $1,077 for border compliance procedures. Corruption was set to cost Nigeria up to 37% of its GDP within the next 14 years, according to PwC.

It's not just the government. One local forwarder has also found a way out of corruption.

Lagos-headquartered AMG Logistics completed certification with TRACE, an anti-corruption and compliance specialist.

"People realised that there was a problem," explains Mark Daoud, managing director. "And since the new [Nigerian] president took power, we have seen a difference, even in the last few months."

He admits that when AMG first stated its anti-corruption stance, not paying bribes had led to severe delays at customs.

"It was a nightmare. About 10% of our shipments weren't cleared, and about 90% were queried. But we stuck to our principles; we didn't allow anything that wasn't fully compliant. It was hard work, and there were problems – shipments were taking 18 days to clear.

"Now, it is two to seven days. People know we are very transparent. There is nothing to stop our shipments if the correct duty is paid. We have set a precedent, and it is getting easier."

He said the firm would find officials they knew were not corrupt and work with them on ensuring all the paperwork and payments were completely accurate.

Not only does it cut costs, but it brings in business, he says. "Sometimes people don't realise that business can be done in a compliant manner, as they have heard Nigeria is one of the most corrupt countries."

The prevalence of corruption in the continent can also be used against clean companies. DP World in March welcomed a judge's ruling which found no basis to allegations that a manager at the company had paid bribes in relation to its Doraleh Container Terminal in Djibouti.

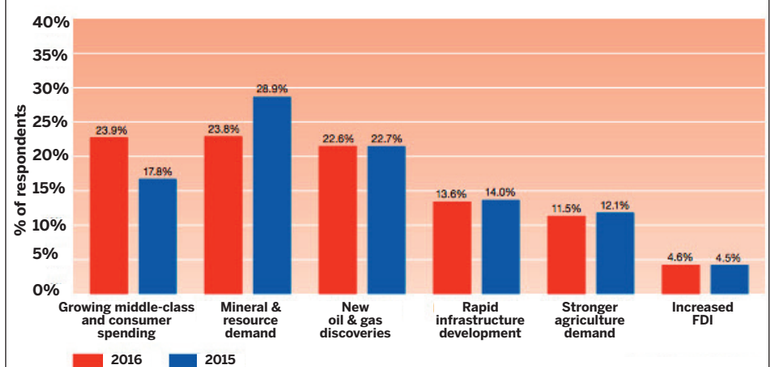
Security is also on companies' radar.

"I wouldn't say it's particularly bad," says Mr Donaldson. "Except in Nigeria, where people and trucks get hijacked.

"There are some 'no-go' areas, but you just need to understand the market you are in. So if you are in the Delta region, you need to do a risk assessment. We don't work in Sudan. But Zambia, Uganda, Ethiopia are all fine, but you have to be vigilant."

Drivers behind the Sub-Saharan Africa's emerging markets

What do perceive to be the most significant driver of growth in the emergence of Africa's logistics market?



Source: Transport Intelligence

activity.

There are other notes of optimism in individual countries.

"Djibouti has ambitious plans and has invested heavily in infrastructure development," says Mr Kluba. "Furthermore it is ideally located to develop into a hub at the southern entrance to the Red Sea, at the intersection of major shipping lanes connecting Asia, Africa and Europe."

He adds: "Mozambique too presents a number of opportunities, particularly linked to the abundance of mineral resources. We also see Tanzania as a viable future transport hub, with the potential to serve growing economies in the land-locked heart of Africa from Uganda on its northern border to Malawi in the south."

Meanwhile, to improve regional markets, Uganda's government is planning to construct border export zones to act as one-stop markets where traders from neighbouring countries will pick the goods without going through a lot of bureaucracy.

Project work

There are numerous infrastructure projects going on in Africa, many of which are spearheaded by Chinese expertise and investment. However, says Mr Gadhia, some projects have been found to be overvalued. Kenya's new standard gauge railway (see box), built by the Chinese, will cost $3.2bn, whereas the World Bank estimates the cost should have been $160m.

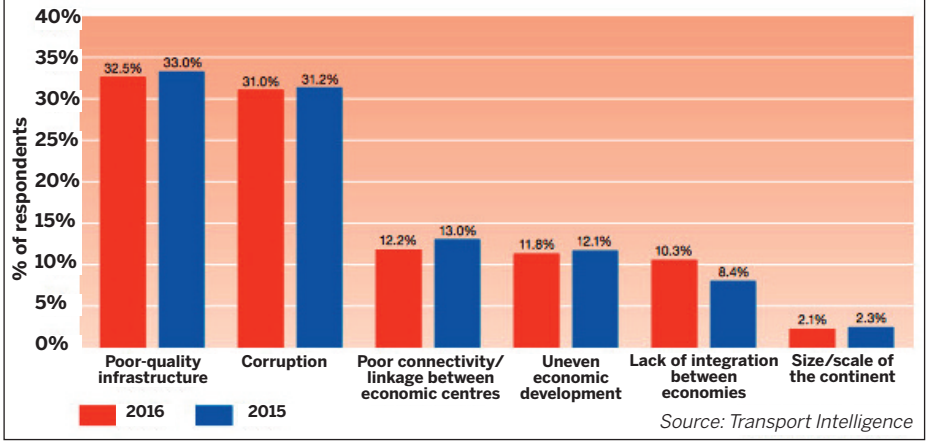
"In some cases, the projects will never be able to pay back, resulting in Africa being indebted to China for many generations to come.

"On a positive note, however, the investments will improve trade and logistics considerably in the long term."

Mr Kluba concludes: "To date, Africa's significant growth has taken place in spite of its limited infrastructure development. The removal of obstacles to intra-Africa trade and improvements to infrastructure and connectivity are important steps towards increased trade within Africa, which will create opportunities for transport and logistics service providers on the African continent."

Inhibitors of growth in Sub-Saharan Africa

What do perceive to be the biggest challenge prohibiting the emergence of Africa's logistics market?



Source: Transport Intelligence