

98465

BURKINA FASO and COTE D'IVOIRE

**Poverty and Social Impact Assessment (PSIA) of
Road Transport Reforms along the Abidjan-Ouagadougou Corridor**

As supported under the

Regional Trade Facilitation and Competitiveness DPO (P129282)

June 2015

**Global Practice: Macroeconomics & Fiscal Management
Africa Region**



CURRENCY EQUIVALENT
Currency unit = CFA Franc (CFAF)
Exchange rate as of June 15, 2015
US\$1 = 590 CFAF

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AEO	Authorized Economic Operator
AOC	Abidjan-Ouagadougou Corridor
CBC	Conseil Burkinabé des Chargeurs (Burkinabe Shippers’s Council)
CCI-BF	Chamber of Commerce and Industry – Burkina Faso
CFAF	<i>Communauté Financière Africaine Franc</i>
CIC	Ivorian Shippers' Council
CPIA	Country Policy and Institutional Assessment
DPO	Development Policy Operations
ECOWAS	Economic Community of West African States
GIE	<i>Groupement d’Intérêt Economique</i> (Economic Interest Group)
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
OIC	<i>Office Ivoirien des Chargeurs</i> (Ivoirian Shippers’ Council)
OTRAF	<i>Organisation des Transporteurs Routiers du Burkina Faso</i> (National Union of Road Transporters of Burkina Faso)
PEA	Political Economy Analysis
PFM	Public Financial Management
PIA	Policy and Institutional Assessment
PSIA	Poverty and Social Impact Analysis
SCD	Systematic Country Diagnostic
SNTRV-B	<i>Syndicat National des Transporteurs Routiers de Voyageurs du Burkina</i> (Transportation Union)
SONATT	Société Nationale des Transports Terrestres
TA	Technical Assistance
TFF	Trade Facilitation Facility
TIP	Trade Information Portal
UEMOA	West African Economic and Monetary Union
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development

Vice President:	Makhtar Diop
Country Director:	Ousmane Diagana
Sr. Global Practice Director:	Marcelo Giugale
Global Practice Manager:	Seynabou Sakho
Task Team Leader:	David Cal MacWilliam

TABLE OF CONTENTS

EXECUTIVE SUMMARY	iv
1. SCOPE AND PURPOSE OF THE ASSESSMENT	1
2. BACKGROUND.....	2
A. Problem Definition.....	2
B. Macroeconomic and Poverty Context: Côte d’Ivoire and Burkina Faso	5
C. Overview of Cost Environment	6
3. ORGANIZATION OF THE SECTOR/CORRIDOR.....	18
A. The Primary Players.....	19
B. Quantification and Characteristics of Trucking Operators	26
C. Quantification and Characteristics of the Truck Fleet	29
4. REFORM PROGRAM.....	34
5. MACRO IMPACT OF THE PROPOSED REFORM PROGRAM.....	41
A. Broad Regional Impact of Road Transport Reform in West Africa	41
B. Detailed Macro Impact in Côte d’Ivoire and Burkina Faso.....	42
6. POTENTIAL IMPACT ON INDIVIDUAL INDUSTRY PARTICIPANTS.....	48
REFERENCES.....	59

List of Figures:

Figure 2.1: Comparative cost of transit to Burkina Faso	6
Figure 2.2: Time and cost to trade across borders	7
Figure 2.3: Distribution of costs to import a 40-foot container.....	8
Figure 2.4: Schematic decomposition of trucking costs and prices	9
Figure 2.5: Road Condition on West African Corridors	11
Figure 2.6: Truck utilization for Burkina Faso’s external trade.....	13
Figure 2.7: Ownership Structure of the Truck Fleet (19t. and over) in Côte d’Ivoire.....	14
Figure 2.8: Age Profile of the Truck Fleet (19t. and over)	14
Figure 2.9: Impact of Customs Declaration registration date on Port dwell time (transit cargo to Burkina Faso through the port of Abidjan - 2012)	17
Figure 3.1: Type of Enterprises	27
Figure 3.2: Distribution of transport companies (public vs private, registered vs unregistered).....	27
Figure 3.3: Distribution of Trucking Companies by Parking Facilities	29
Figure 3.4: Distribution of Trucking Companies by Warehouse Facilities	29
Figure 3.5: Distribution of Vehicle types by firm type and nature of cargo (domestic or international) in Burkina Faso.....	31
Figure 3.6: Distribution of Vehicle types by firm type and nature of cargo (domestic or international) in Côte d’Ivoire.....	32

List of Tables:

Table 3.1: Percentage of Companies having a secondary activity and the share of transport activities in total revenue.	28
Table 3.2: Structure of the Truck Fleet (% of total fleet).....	33
Table 3.3: Vehicle Financing Modalities	34
Table 4.1: Strategic Priorities of the Burkinabe Government for International Road Transport.....	36
Table 4.2: Priorities of the Ivoirian Government for the Modernization of the Transport Sector	37
Table 4.3: Policy Reform Matrix	38
Table 5.1: Changes in the Structure of the Transit Trucking Industry, Scenarios 1 and 2	43
Table 5.2: Estimated Average Annual Km for Transit Trucks with and without Reforms	44
Table 5.3: Changes in Operating Costs and Revenue for Transit Trucking	44
Table 5.4: Estimated Transport Cost Savings per ton-km for Transit Truckers	45
Table 5.5: Estimated Transport Price Savings per ton-km for Transit Truckers	45
Table 5.6: Estimated Impacts on Government Expenditures (US\$ million).....	46
Table 5.7: Estimated Benefits to Shippers, Producers and Consumers per year	46
Table 5.8: Estimated Increases in the Annual Value of Trade Induced by Transport Reforms.....	47
Table 5.9: Indirect Employment Impact for Trucking and Trade Changes due to Reforms.....	47

List of Boxes:

Box 2.1: Rotations per Year and Truck Financing	13
---	----

EXECUTIVE SUMMARY

1. **Transport costs in Africa are high.** High transport and transit costs result in high prices to the consumer and a loss of external competitiveness. This has an important impact on the development prospects of the continent – it reduces economic growth, constrains employment generation and makes poverty reduction more difficult.
2. **The situation is particularly acute in West Africa,** where infrastructure is lacking; distances to ports and markets are large, particularly for land-locked countries; and the transport-logistics system is hobbled by market distortions. Lowering transport costs becomes all the more important as African economies become more open, more externally focused, and increasingly engaged in and reliant on international trade as a source of growth and increasing prosperity. Efficient, safe and affordable transport services will be key to unleashing Africa’s productive potential.
3. **The World Bank is developing a regional Development Policy Operation (DPO), the Regional Trade Facilitation and Competitiveness DPO (P129282), as part of a strategy to support road transport sector reforms in West Africa.** Prior to a more region-wide initiative, and given the complexities involved, the Abidjan-Ouagadougou Corridor (AOC) has been prioritized as a suitable cross-border initiative for piloting such an approach in the region. The objective of the DPO is to reduce trade and transport transaction costs in order to promote development of the private sector and improve the business environment in the two countries, with the aim of facilitating their integration with the global economy. Given the importance of trade for the poor, both to create income opportunities and to reduce the cost of living, this operation is fully consistent with the Bank’s twin goals of ending extreme poverty and promoting shared prosperity. By lowering currently high transport costs, facilitating trade and promoting regional integration, the reforms supported by this program are expected to have broad-based welfare gains in both countries, benefiting producers of exported products (including farmers), consumers of imported goods and firms using imported inputs, among others.
4. **Significant reform programs always result in winners who benefit positively as well as losers who will be impacted negatively.** This is inherent in all processes involving economic progress and structural transformation. In complex reform programs, there is a need to identify stakeholders that may be most vulnerable to the changes brought about by the reform program – and to better understand the scope and scale of the impact on these groups. This is the objective of the present analysis.

Summary of the Main Findings

5. **Macro level impacts are estimated to be positive and large, with substantial poverty reduction outcomes.** Total benefits across both countries are on the order of US\$140 million to US\$174 million annually. Approximately US\$42 million annually in economic benefits will accrue to regional consumers, with shippers and producers receiving an additional \$34 million in direct benefits annually. The two governments are expected to save up to US\$100 million in road maintenance expenses per year. Burkina Faso, being landlocked, benefits the most as it enjoys greater trade and producer and consumer price savings from improved transit trade.

6. **There will be direct positive impacts on most transport sector participants on account of higher expected incomes.** Net transport revenue after costs for transit truck operators is estimated to increase by about US\$15 to \$60 million, where both countries are net beneficiaries of the reforms. This net effect includes the combined effects of increased productivity, lower unit operating costs and increased revenue from increased demand and cabotage operations. Estimated cost savings in the neighborhood of 20 percent are envisaged, which when combined with increased demand and increased utilization rates (due to the expected decline in the number of trucks) should lead to significantly increased profits and incomes for truckers and their families. Therefore, the reforms should have a significant impact on lowering poverty levels among the significant number of operators remaining in the industry.

7. **Average transport prices should also fall.** Shippers should benefit from increased efficiency in the transport industry as reflected in price decreases of approximately 20 percent. These price savings will also be accompanied by more intangible and more difficult to quantify benefits such as improved reliability and predictability, faster delivery periods, reduced damage to goods, etc. These additional benefits could be at least as significant to shippers and consumers of transport services as the price reductions.

8. **However, some industry participants will be negatively impacted by the reforms** as the number of trucks in the total transit trucking fleets is expected to decline with reforms by 800 to 1,000 vehicles, or some 11 to 14 percent of the 7,100 transit vehicle fleet. This will lead to a decrease in direct trucking industry employment of around 2,500 jobs,¹ with the impact on landlocked Burkina Faso being more severe than in coastal Côte d'Ivoire.

9. **Those who are most vulnerable to the negative impacts emanating from the reforms will be mostly informal truckers** -- often older and illiterate, who are unable to find employment elsewhere in a more professional and modernized transport industry. As well, some coxeurs and stevedores, who benefit from the heretofore informal structure of the trucking business, will be negatively impacted.

10. **Nonetheless, benefits from reforms are orders of magnitude higher than the potential negative impacts on specific actors in the industry:**

- ***The trade effects are an order of magnitude larger than the trucking employment effects.*** Trade increases have a variety of employment impacts. For imports of consumer goods there are retail jobs, delivery and distribution jobs, import service jobs and their multipliers. For intermediate goods and exports there are distribution and logistics jobs, processing and related services with their multipliers. Even by these low estimates trade impacts on employment more than compensate for losses in trucking-related industries. The net employment effects of the proposed reforms are expected to be between 60,000 and 220,000 new jobs in Burkina Faso, which is the country most negatively affected by the direct trucking employment losses.

¹ In the long run, a loss in employment will be more than compensated for by much larger job increases in other sectors arising from increased trade.

- ***The impacts of road transport reform go far beyond the direct impact on truckers, shippers and governments.*** As noted, total annual benefits across both countries are on the order of US\$140 million to US\$174 million when net benefits to the trucking and government sectors are included.
- ***The potential increases in trade to landlocked Burkina Faso would amount to US\$380 million annually.*** This is related primarily to responses to price changes, which result in increased demand for imports and an increase in supply of exports. This is a conservative estimate since it does not take into account the general improvement in logistics service, which will result from these reforms. The improved logistics systems may be an equally effective catalyst for increased trade as the lower costs. Gains from more efficient and cost-effective road transport could be expected in Côte d’Ivoire as well.

11. **Therefore, the policy question is not whether to proceed with the reforms, but how to mitigate the potential negative impacts.** After careful analysis, including substantial discussion with a broad cross-section of industry participants, the PSIA proposes the following potential mitigation measures for negatively affected stakeholder groups:

- ***Measures to facilitate fleet renewal:*** Measures to facilitate access to finance in order to facilitate fleet renewal, including the purchase or upgrading of new trucks, trailers and equipment, will have to be appropriately structured so as to facilitate access from across the spectrum of truckers and companies, from large to small and from formal to informal. This will have to include a careful determination of collateral requirements, interest charges, amortization periods, down payment requirements, etc.
- ***Phasing and sequencing of reforms:*** First, given that a number of those unable to transition to a more modern and professional environment tend to be older operators, it may be useful to phase in some requirements or provide “grandfather” clauses to permit a logical phasing-out period and to permit natural attrition to take its course. Second, some adjustment will be required even among those willing and able to modernize. Appropriate timing and sequencing of reforms could facilitate and allow for a more gradual, less disruptive and more inclusive adjustment period.
- ***Scrappage schemes:*** As truck numbers are expected to fall, at least initially, appropriately designed mechanisms that provide incentives to scrap old trucks could be useful in modernizing the road transport sector and also in providing resources for those wanting to transition to other activities. Participation in scrappage schemes could also help identify those truckers leaving the sector and thus facilitate their access to and participation in other programs, such as re-training programs, that could further accommodate their transition.
- ***Re-group into groupement d’intérêts économiques (GIE):*** Small and artisanal operators could organize themselves into cooperatives to attain economies of scale -- potentially enabling them to share costs and assets as a means to attain a greater degree of professionalization. Several small operators expressed an interest in this avenue and some were planning such efforts.

- ***Partnerships with large operators:*** Small, informal, and artisanal operators could potentially partner with larger, formal operators, including through the sale of their trucks. Supporting measures may be necessary to organize and bring them together with potentially interested big operators, but this was noted as a possibility.
- ***Transition to other activities:*** If unable to professionalize, small/informal operators can transition to other activities based on their existing skill levels or asset endowment. For example, some have indicated the possibility of transitioning to passenger transport, which is less cumbersome in terms of investment requirements relative to the trucking business. Others could transition to trade in merchandise related to the trucking business, such as sale of truck tires, vehicle oil and lubricants, or logistics related activities.
- ***Supporting policy measures:*** As part of the reform process, operators intending to transition to other activities could benefit from supporting policy measures such as access to finance as well as training opportunities to transition to other activities. Training opportunities were noted as being very important, in particular for the small operators considering the fact that almost all drivers are illiterate.

POVERTY AND SOCIAL IMPACT ASSESSMENT (PSIA) OF ROAD TRANSPORT REFORMS ALONG THE ABIDJAN-OUAGADOUGOU CORRIDOR

1. SCOPE AND PURPOSE OF THE ASSESSMENT

1.1 The World Bank is developing a regional Development Policy Operation (DPO), the Regional Trade Facilitation and Competitiveness DPO (P129282), as part of a strategy to support road transport sector reforms in West Africa. Prior to a more region-wide initiative, and given the complexities involved, the Abidjan-Ouagadougou Corridor (AOC) has been prioritized as a suitable cross-border initiative for piloting such an approach in the region.

1.2 Two supporting studies are being undertaken, including a political economy analysis and this poverty and social impact assessment (PSIA), in order to better inform operational design and optimise the achievement of results. These background studies in support of the operation should improve knowledge of the corridor specific and broader transport sector reform challenges/opportunities, the prospects for success, and the implications of the planned reforms.

1.3 The PSIA aims to assess the poverty and social impact of the proposed reforms in the participating countries. Impact will vary between the in-transit country (Côte d'Ivoire) and the land-locked country (Burkina Faso), and between various social/demographic groups within the countries. It is expected that poverty and social impacts will arise at the macro, sectoral and micro levels and the analysis will attempt to identify impacts arising at these various levels.

1.4 Macro, sectoral and micro level impacts will all be assessed. Macro level impacts will largely arise from increased economic efficiency related to reduced transport costs, expanding trade opportunities, increased economic competitiveness, and the resultant increased employment, wages and incomes associated with improving economic conditions and increased competitiveness. At the sectoral level, the supported reforms will lead to cost and price changes in the sector with related effects on incomes, institutional changes, shifts in numbers employed in various job categories across the sector, and in the creation of new employment opportunities and the potential disappearance of some existing jobs. As such, there will be a distributional impact on employment and incomes across the sector. At the micro level, particular attention will be given to the impact on small independent truckers and those employed as intermediaries in institutions that may no longer exist or will be subject to significant downsizing post-reform. Impacts on their families and dependents, and the potential options open to these individuals in light of the proposed reforms will be explored.

1.5 The exercise also identifies potential mitigating or compensatory measures that could be instituted. Similarly, the analysis will identify, where possible, potential measures and policies that could be undertaken by Governments to mitigate the impact, to allow those affected by the reforms to benefit to a greater degree from the reforms – or alternatively, to transition into other activities, trucking and trade-related or otherwise.

1.6 **The report is organized as follows:** Section 2 provides a background discussion of issues and challenges within the road transport sector in the region; briefly reviews the macroeconomic and poverty situation in Côte d’Ivoire and Burkina Faso; and then more specifically, focuses on road transport costs and the Abidjan-Ouagadougou corridor. Section 3 follows with a discussion of the organization of the industry in order to better understand the various players and institutions involved in road transport along the corridor. This is important to facilitate an appreciation of the various players, their roles and thus their potential exposure to significant sector reform. Section 4 then summarizes the envisaged reform program and introduces the various specific reform proposals. The macroeconomic impact of road transport reforms are then discussed in Section 5 and the broad benefits of the proposed reform program are summarized. Section 6 then recognizes that despite the significant macro and economy-wide benefits, certain groups will be negatively impacted by the planned reforms and the impact on these groups is identified. Finally, Section 7 concludes and summarizes the main findings.

2. BACKGROUND

A. PROBLEM DEFINITION

“One of the few things that African policy makers, development partners, civil society, and policy researchers agree on is that Africa has a serious infrastructure deficit. . . . Perhaps the most compelling problem is that of road infrastructure. There are fewer kilometers of roads in Africa today than there were 30 years ago. Some 70 percent of Africa’s rural population lives more than 2 km from an all-season road. And the cost of transporting goods in Africa is the highest in the world. Not only have high transport costs raised the cost of doing business, impeding private investment, but they serve as an additional barrier to African countries’ benefiting from the rapid growth in world trade. Especially for Africa’s many landlocked countries, high transport costs mean that, even if they liberalize their trade regimes, they will remain effectively landlocked.”

Teravaninthorn and Raballand, 2009

“Sahelian landlocked countries – Mali, Burkina Faso and Niger – suffer from high costs of road haulage due to long distances to ports, poor roads, un-roadworthy trucks, poor logistics and corruption. High costs limit the competitiveness of their transit trade through West Africa’s ports. The resulting low volumes of trade limit their prospects for economic development and thus limit growth in employment and incomes.”

West Africa Trade Hub Technical Report #32, 2010

“The road transport sector in West Africa has been described as:

- Higher priced, less efficient, and less reliable than transport in other regions of Africa and the world;
- Dominated by older vehicles and small informal operators; and
- Saddled with policies and regulations that provide no incentives to become more efficient.”

Nathan Associates/USAID, 2012

“One of the few things that African policy makers, development partners, civil society, and policy researchers agree on is that Africa has a serious infrastructure deficit. . . . Perhaps the most compelling problem is that of road infrastructure. There are fewer kilometers of roads in Africa today than there were 30 years ago. Some 70 percent of Africa’s rural population lives more than 2 km from an all-season road. And the cost of transporting goods in Africa is the highest in the world. Not only have high transport costs raised the cost of doing business, impeding private investment, but they serve as an additional barrier to African countries’ benefiting from the rapid growth in world trade. Especially for Africa’s many

2.1 **Transport costs in Africa are high.** High transport and transit costs result in high prices to the consumer and a loss of external competitiveness. This has an important impact on the development prospects of the continent – it reduces economic growth, constrains employment generation and makes poverty reduction more difficult. Lowering transport costs becomes all the more important as African economies become more open, more externally focused, and increasingly engaged in and reliant on international trade as a source of growth and increasing prosperity. Efficient, safe and affordable transport services will be key to unleashing Africa’s productive potential.

2.2 **The situation is particularly acute in West Africa,** where infrastructure is lacking and distances to ports and markets are large, particularly for land-locked countries. The state of the region’s physical transport infrastructure is but one part of the story, and increased public and private investment is unquestionably needed. However, if we have learned anything in development economics over the past couple of decades it is that “institutions matter.” Governance arrangements in the West African road transport sector are antiquated, highly inefficient and distortionary. These policy, regulatory and institutional failures are widely recognized.

2.3 **Significant analysis has been undertaken on the high costs imposed on the economies of the region by the structural distortions and constraints imposed by inefficient regional trucking conventions** (such as the tour de role system, quotas for national carriers, non-market based freight allocation, over-weight loads, oligopolistic unions/structures, inefficient institutions, a multitude of rent seeking opportunities, etc.) A considerable body of evidence indicates that liberalization and professionalization of the trucking market would result in important economic efficiencies, significantly lower costs, including costs to both import and export, and improve economic efficiency.

2.4 **The sub-region is characterized by strong market regulation** (formal and informal), primarily regulated by freight forwarders and shippers. There is also a multitude of existing regional and bilateral arrangements in the sector that pose constraints and disincentives to the efficient and effective provision of road transport services. This existing institutional and policy environment has resulted in the provision of low quality transport services, small trucking companies (indeed largely single truck owner-operator entities), and old, obsolete and unsafe trucking fleets.

2.5 **It is not that a trucking fleet consisting of small, old, independently operated trucks in and of its self contributes to higher costs and reduced efficiency.** Indeed, there are numerous examples of such fleets elsewhere in the world that are fully capable of providing competitive and low cost transport services. Modernization of the fleet is not the end goal. Rather it is largely the regional regulatory and policy environment that results in the existing fleet, old or otherwise, and sector organization, not meeting the necessary requirements for the provision of effective transit services, with trucks being unreliable and poorly-maintained, more often than not over-loaded, unable to meet safety standards, under-utilized, high cost, inefficient, etc. In sum, the existing policy environment provides little incentive for the fleet to provide effective and competitive transport services.

2.6 Available research finds that high transport costs in West Africa are the result of a combination of dilapidated infrastructure and a number of market distortions. Both the existing regulatory frameworks and shortcomings in their implementation limit effective competition within the transport industry, increasing costs and leading to a gap between prices and costs, as well as to an environment not conducive to investment. The lack of criteria for access to the transport profession and transparent mechanisms to match supply and demand for transport services has given rise to the emergence of a few dominant operators that allocate freight to truckers with large rents, but at barely break-even rates to the operators carrying the freight. The sector is divided between a large number of small informal and inefficient transporters and a small number of larger and relatively efficient companies. Low profitability creates strong incentives to resort to short-term rent-seeking behaviors, including overloading of trucks beyond the legal axle load limit. Overloading adversely affects the durability and safety of operations, damages the road network, and discourages containerization. In addition to the market structure, a major problem affecting the profitability of the trucking industry and increasing trade costs is the slow rotation time on the corridor, i.e. the small number of round trips from Abidjan to Ouagadougou by the average truck, which also results from delays at the port and at the border and the difficulty to find backhaul cargo. These conditions make it difficult for the majority of transporters to finance new trucks.

2.7 Reducing transport prices is not only important to facilitate the much-needed structural transformation, but also has direct poverty-reducing impacts by promoting better regional integration. Notably, lower transport prices and more efficient logistics services for the movement of food staples will enhance food security by preventing the loss of crops during transport, while helping to strengthen the competitiveness of traditional exports such as cattle from landlocked countries in the Sahel. Transit systems are vital for landlocked countries and have been recognized as such in the 10-year Vienna Program of Action, which was adopted in November 2014 by the United Nations General Assembly and is supported by the Bank.

2.8 Therefore, a regional approach to reform is necessary. It is apparent that both regional and simultaneous national level reforms are necessary to permit and facilitate efficient, safe and affordable road transport in the region. Just as national reforms on their own, in areas such as truck registration, mandatory technical standards and inspections, driver training (both for initial driving licenses and for acquiring professional and specialized competencies), insurance requirements, access to the profession and to the market, regulations on perishable food stuffs and dangerous goods, etc., will accomplish little in the absence of a fundamental and meaningful reform of the regional governance and regulatory framework, so will reform of regional arrangements, such as freight sharing quotas, joint border procedures, containerization measures, etc., accomplish little unless appropriate, coherent and compatible national frameworks are in place. Reform at both levels is clearly required.

2.9 However, it must be recognized that meaningful reforms will entail significant adjustment and that such adjustment will fall more heavily on certain countries (e.g. landlocked countries) and on certain affected groups within countries (e.g. small trucking companies and single truck operators). The provision of adequate financial resources to participating countries, in addition to necessary analytic, TA and capacity building efforts, will be important in order to

facilitate the necessary adjustment. This PSIA is intended to assist in effectively identifying vulnerable groups, assessing the impact of reforms on affected populations, and potentially identifying accompanying measures and programs to address those negatively affected.

B. MACROECONOMIC AND POVERTY CONTEXT: CÔTE D'IVOIRE AND BURKINA FASO

2.10 In recent years, the economic performance of both Côte d'Ivoire and Burkina Faso has been characterized by relatively strong growth and macroeconomic stability. Following the end of the crisis in 2011, Côte d'Ivoire has quickly rebounded. Investor confidence has benefited from large-scale debt relief following the Heavily Indebted Poor Countries (HIPC) completion point and from satisfactory progress under an IMF program and Bank DPOs. Sharp improvements in its Country Policy and Institutional Assessment (CPIA) and its Cost of Doing Business ranking are further testimony to the country's rapid progress.² Burkina Faso has seen equally rapid growth in recent years, on account of: a booming mining industry; improved performance of the cotton industry, which employs the majority of the labor force; and expansion of the services industry (e.g., banking, insurance, transport). In addition to strong performance under IMF programs and Bank DPOs, Burkina's progress in economic policy reform is also demonstrated by one of the highest CPIA ratings in West Africa (3.8), driven by improvements in public financial management (PFM) and the business environment, leading to substantial increases in its Doing Business rating.

2.11 Notwithstanding these improvements, poverty reduction has remained elusive in both countries. Partly due to the impact of Côte d'Ivoire's political crises since the late 1990s, the country's poverty rate rose from a mere 18 percent in 1985 to over 50 percent in 2008. Preliminary evidence suggests that the war exacerbated poverty rates even further, and that progress since the end of the crisis has been limited (in 2013, the incidence of poverty is estimated to have fallen back to 2008 levels). Over the past decade, in addition to an increase in the incidence, depth and severity of poverty, the bottom 40 percent of the population lost more in terms of mean consumption per capita than the total population. Poverty is overwhelmingly concentrated in rural areas and it has been increasing in the North and the West, due in part to a geographical concentration of social and infrastructure expenditure in Abidjan.³ This highlights the importance of better connecting rural areas to more economically dynamic centers and to markets, which requires both adequate transport infrastructure and efficient transport and logistics services.

2.12 For Burkina Faso, national statistics measured a headcount poverty rate of 46.7 percent in 2009, down marginally from 51.0 percent in 2003. Preliminary results suggested that it has continued to decline since then, to 40.1 percent in 2014. A rapidly growing population and substantial income inequality have limited the anti-poverty effects of Burkina's recent growth performance, even if improvements have been observed in the area of human development. Poverty incidence remains heavily concentrated in rural areas, where average

² Côte d'Ivoire's CPIA score improved from 2.7 in 2011 to 3.2 in 2014. Its ranking on the Cost of Doing Business index improved from 177th in 2011 to 147th in 2015, and Côte d'Ivoire was among the Top 10 reforming countries in both the 2014 and 2015 editions of Doing Business.

³ Information on poverty is taken from the recently completed Systematic Country Diagnostic (SCD) for Côte d'Ivoire.

poverty rates are more than double those of urban centers, and the decrease of poverty in recent years has been faster in urban areas. In order to increase the impact of accelerated growth on poverty reduction, reforms are needed in key areas, including the reduction of transportation and trade costs. In parallel, both countries have recorded persistently high underemployment, in particular among youth and women.

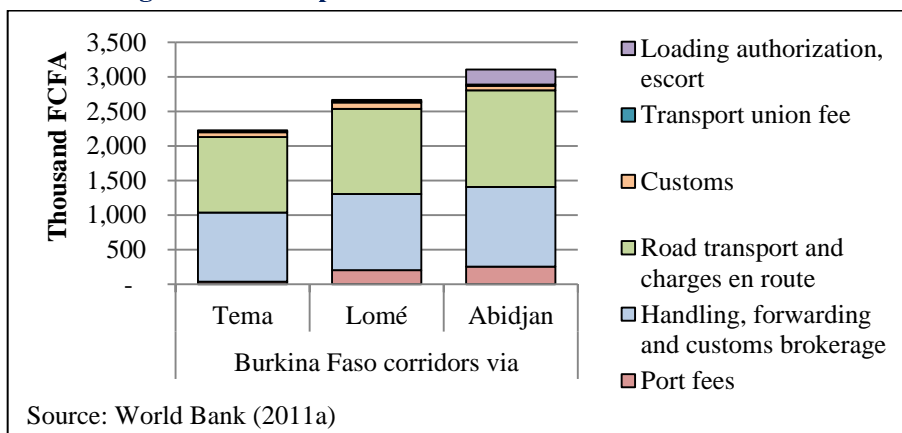
2.13 The failure of Burkina Faso and Côte d’Ivoire to increase productivity in agriculture and industrialize is related, in part, to shortcomings in their business environments.⁴ Most importantly, case studies of companies in the two countries have demonstrated that high transport costs are one of the key binding constraints to growth—in addition to the cost of energy and access to finance. The available evidence suggests that the Abidjan-Ouagadougou corridor is expensive, even by African standards. Reducing transport costs would have large economic impacts beyond the corridor as is explored further in Section 5.

C. OVERVIEW OF COST ENVIRONMENT

2.14 Trade transaction costs are critical for the competitiveness of any economy, and Côte d’Ivoire and Burkina Faso stand out even among other high-cost countries by their logistics costs. With export competitiveness being one of the most important factors explaining higher growth in emerging markets, high transport costs act as key factors adversely affecting the development of the private sector, and hence incomes and growth.

2.15 A comparative analysis of the cost of transit freight for a container from the ports of Abidjan, Lomé and Tema to Burkina Faso indicates that the Abidjan corridor is the most costly. In fact, data shows that high transport prices and fees charged by port and transport operators are among the main factors reducing the competitiveness of the Abidjan-Ouagadougou corridor (Figure 2.1).

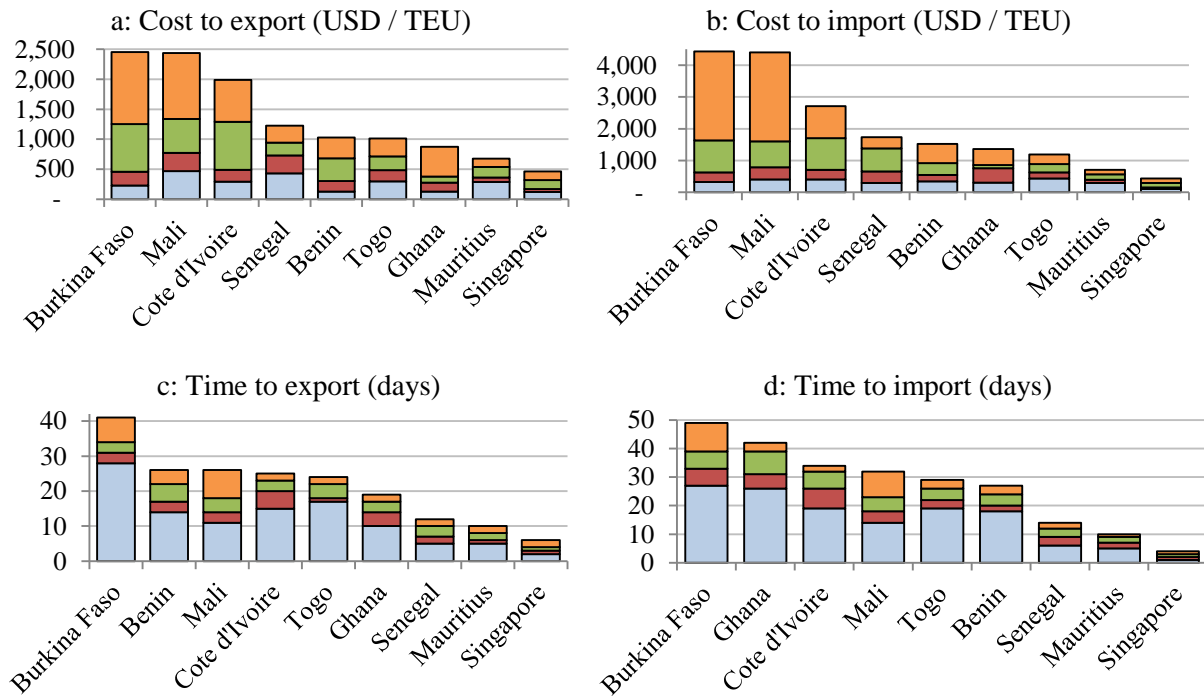
Figure 2.1: Comparative cost of transit to Burkina Faso



⁴ Despite improvements in the business environment, both Côte d’Ivoire and Burkina Faso rank near the bottom of this index.

2.16 A breakdown of transport costs shows that cargo handling and inland transport seem to be the main drivers of trade costs in Burkina Faso and Côte d’Ivoire. According to the most recent Doing Business data, handling and inland transportation costs per 20-foot container add up to US\$2,305 and 4,330 for exports and imports respectively in Burkina Faso, and to US\$1,390 and 1,960 in Côte d’Ivoire.⁵ This is well above the corresponding costs in other West African countries except Mali. It is also significantly higher than costs in Mauritius and Singapore, respectively the best African and global performers (Figure 2.2). While high transport costs would be expected for landlocked countries given the distance to the port, cargo handling and transportation represent a higher proportion of total costs between Ouagadougou and the port of Abidjan (81% in the case of exports) than between Bamako and the port of Dakar (68%). Likewise, cargo handling and transportation are significantly more expensive in Côte d’Ivoire than in other coastal countries.

Figure 2.2: Time and cost to trade across borders



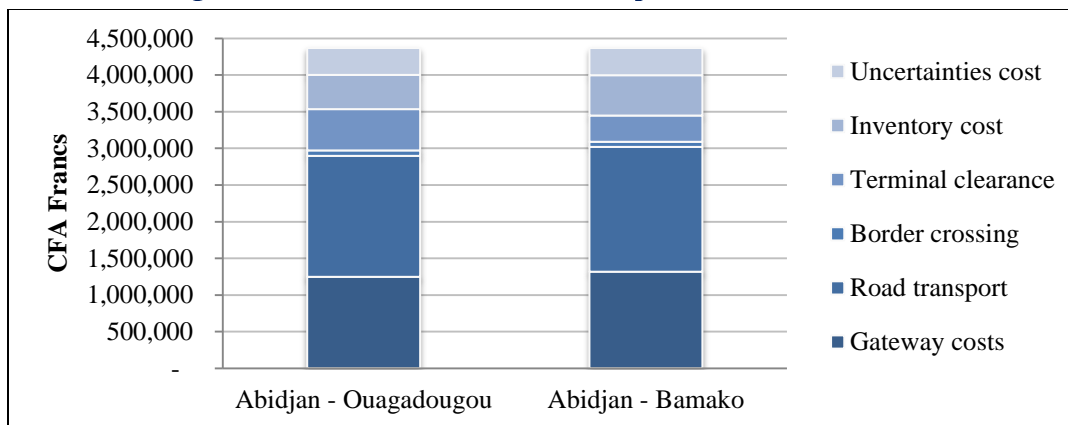
⁵ Doing Business measures the time and cost associated with exporting and importing a standardized cargo of goods, based on information provided by local freight forwarders, shipping lines, customs brokers, port officials and banks. For exporting goods, procedures range from packing the goods into the container at the warehouse to their departure from the port of exit. For importing goods, procedures range from the vessel’s arrival at the port of entry to the cargo’s delivery at the warehouse in the country’s largest business city. For landlocked economies, procedures and costs at the inland border post are included, since the port is located in the transit economy. Only official costs are recorded, including costs for documents, administrative fees for customs clearance and inspections, customs broker fees, port-related charges and inland transport costs (sea transport and customs tariffs are not counted). For more information, see <http://www.doingbusiness.org/methodology/trading-across-borders>

- Inland transportation and handling
- Ports and terminal handling (incl. border if landlocked)
- Customs clearance and technical controls
- Documents preparation

Source: Doing Business 2014

2.17 **The priority areas of intervention for the reduction of trading costs are by decreasing order of magnitude: the inland transport prices, mainly road transport, followed by the terminal costs, mostly at the maritime gateway, and less importantly at inland destination/origin.** An analysis conducted in 2012 on the West Africa corridors assessed the total logistics costs for importing goods, taking into account not only the financial cost of the logistics services from the maritime gateway to the final destination, but also the economic impact of delivery time and the uncertainties of that time (Nathan 2013). The results on the Abidjan-Ouagadougou and Abidjan Bamako corridors, for a 40’ container, are illustrated in Figure 2.3. The large uncertainties in the delivery time, as well as the excessive time taken by some portions of the transfer of the goods along the corridors, are largely a consequence of the inefficiencies along the corridors. Improving the documentation process and the physical movement of the goods will have a strong positive impact on the costs associated with delays and uncertainties borne by the shippers, but also on the direct cost of the logistics services, as delays en route impact the efficiency of the inland transport operations.

Figure 2.3: Distribution of costs to import a 40-foot container



Source: Nathan 2013

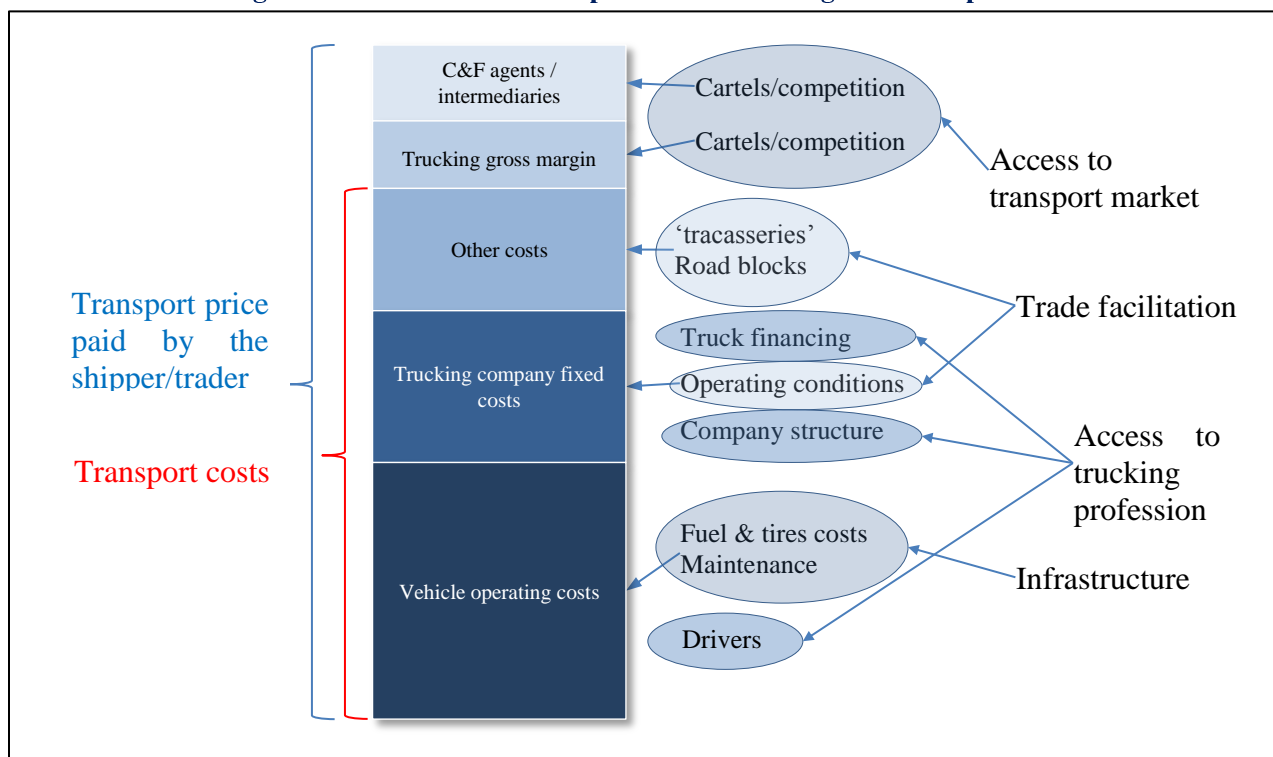
- **Inland Transport Prices and Costs**

2.18 **How can high inland transport costs be explained?** The trucking industry, at first sight, is a highly competitive industry and meets the basic requirement for perfect competition: many suppliers with none of them in an ostensibly dominant position, similar services (at least for the dry freight segment of the market), open information on prices, and no barriers to entry and exit for operators. While these characteristics would suggest that the industry is indeed competitive, prices should equal marginal costs. Teravaninthorn & Raballand (2009) find that the transport of freight between Sahelian countries and their ports, and thus the world market, is at prices that significantly exceed underlying costs, suggesting large profits. They also find that these high profits can be attributed to rent-seeking road-transport cartels benefiting from oligopolies that exist as a result of existing governance and institutional structures. They argue

that, unless governments take steps to remove the structural distortions in the trucking market, there is little point in investing in infrastructure improvements to reduce road-transport costs as the cartels will capture the benefits from lowered costs: prices will remain the same and cartel members will benefit from higher profits. This represents a fundamental constraint to the economic development of the region and for three of the poorest countries in the world in particular – landlocked Niger, Burkina Faso and Mali.

2.19 Among the components of the trucking cost structure, schematically illustrated in Figure 2.4, mark-ups are to a large extent related to the market structure which is substantially the result of the prevailing regulatory framework. Essentially, the lack of criteria for access to the profession and transparent mechanisms has given rise to the emergence of a few dominant operators that allocate freight to truckers at a large profit to themselves, but at barely break-even rates to the operators physically carrying the freight. This market structure has triggered the emergence of widely different business models depending on how they benefit from or cope with an imperfect system. Examples of different business models include: small informal operators that transport for their own account; those delivering goods within Abidjan; relatively efficient trucking companies with direct contracts with carrying and forwarding agents; and individual trucking companies that depend on several intermediaries.

Figure 2.4: Schematic decomposition of trucking costs and prices



- Vehicle operating costs are typically fuel, lubricants, tires, drivers' wages and routine maintenance;
- Trucking company fixed costs are typically headquarters costs, truck financing, and the costs associated with truck idle time, which in turn is itself linked to truck operating conditions;

- Other costs cover all payments and fees, whether formal or informal, linked to a truck shipment;
- The trucking gross margin is the difference between the price paid to the trucking operator and its costs;
- The cost of intermediaries corresponds to the difference between the price paid by the shipper—commonly used as a point of reference when price comparisons are made—and the actual price paid to the trucking operator that performs the trucking service. That difference corresponds to the margin captured by intermediaries.

2.20 **In addition to the multiplicity of business models, a specificity of the trucking industry in Côte d’Ivoire is that stevedoring companies in the port have granted themselves a monopoly for road deliveries in the Abidjan metropolitan area.** As a consequence of that monopoly, the largest trucking companies in Côte d’Ivoire are the port cargo handling companies, for which transport is an ancillary activity. This arrangement also leads to very high costs of transport within Abidjan.

2.21 **Cut-throat rates offered to small individual truckers by shippers that dominate the market force these truckers to resort to short-term survivalist models of behavior aimed at achieving higher profitability.** These strategies include overloading the truck beyond the axle load limit stipulated by law. Overloading trucks adversely affects the durability of trucks and damages the road network. Yet, in view of the short-term advantage, these truckers prefer to accept a load under these conditions rather than keeping the truck idle. In addition, overloading of trucks discourages containerization, as containers tend to occupy more space than the stripped cargo and two or more containers can be unpacked and loaded onto a single truck.⁶ Yet, containerization tends to reduce transshipment costs and creates economies of scale, including as a result of lower insurance rates (as containers are less subject to theft) and increased inventory turnover and cash flow. Overloading and lack of containerization may help profitability in the short term, but further depresses it in the long term. It also increases costs in the longer term, as truck maintenance costs increase as a result of over-loading.

2.22 **In addition to the market structure, a major problem affecting the profitability of the trucking industry is the slow rotation time.** Rotation time refers to the relatively small number of roundtrips from Abidjan to Ouagadougou undertaken by the average truck. This is partly a function of the long time it takes to transport cargo from the port to its destination (30 to 40 days) and the excess supply of trucks available for accepting shipments. The main factors leading to slow rotation are:

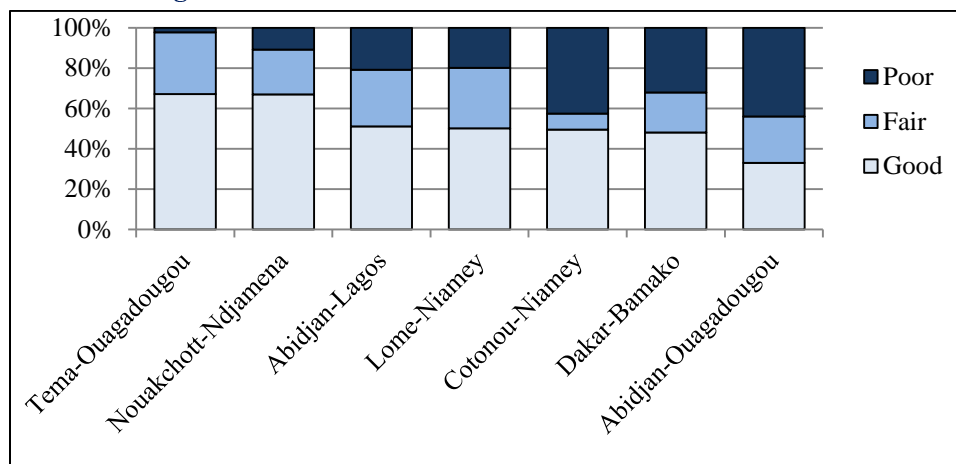
- **Long delays at the port in Abidjan:** This is due to delays in unloading ships, the transfer of cargo to trucks, and clearance procedures at the port. Available statistics point to an average of 13 days for containers to leave the port including related clearance procedures (notably, exclusivity rights of certain clearing agents; the allocation of two-

⁶ In 2011, one third of the port traffic was containerized in the port of Abidjan. This compares with a proportion of 50 percent for Cotonou. Furthermore, for transit trade, there is only a very small degree of containerization on the Abidjan-Ouagadougou corridor.

thirds of cargo to land-locked country truckers and one-third to coastal country truckers; and lengthy and cumbersome customs processes).

- **The poor state of the road infrastructure:** Available data point to conditions in the Abidjan-Ouagadougou corridor being substantially inferior to those in other competitor corridors (Figure 2.5).

Figure 2.5: Road Condition on West African Corridors

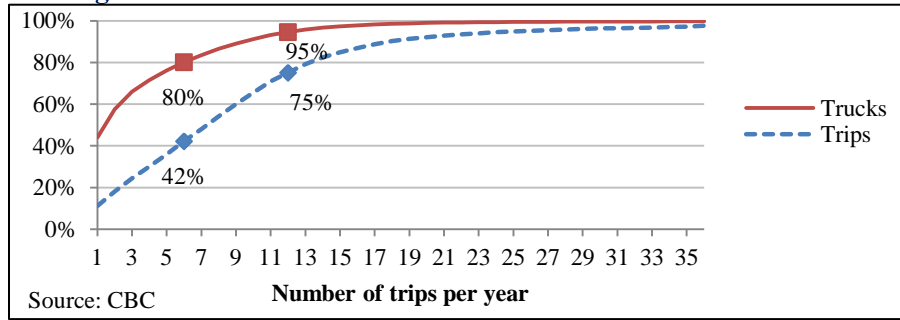


- **Roadblocks:** Roadblocks are created by law enforcement (police and other security forces), formally to enforce compliance with applicable rules for truckers and informally to collect rents. With overloading of trucks beyond the axle load limit a common occurrence, police argue for the need to enforce applicable rules through frequent roadblocks. However, available literature shows that roadblocks effectively serve as a means to extract bribes from truckers. Roadblocks create additional transport delays and increase rotation time.

2.23 **Extremely slow rotation times and their pernicious effect on the profitability of the trucking industry have been investigated in a number of studies looking at both transit trade as well as domestic transport.**⁷ Data from the Burkina Shippers' Council (CBC) show that truck utilization rates on regional corridors are extremely low. Out of the 15,956 trucks having used the corridors between Burkina Faso and its neighbors in 2012, almost half did only one trip, 80% did six trips or less and 95% did twelve trips or less (Figure 2.6). The trucks which did twelve trips or less represented 75% of all the trips recorded on the corridor. Conversely, only 196 trucks (1.2% of the total) were recorded as doing at least twenty trips per year. These results confirm that transporting goods between countries is only an occasional activity for a vast majority of truckers, who may also be active in domestic transport or have sources of revenue other than transport. As explained in Box 2.1, the number of rotations per year is an important factor determining transport services providers' capacity to finance trucks.

⁷ See notably 'Note de politique sectorielle pour la Côte d'Ivoire: Facilitation des transports et du transit en vue de stimuler la reprise économique en Côte d'Ivoire', World Bank 2010, and more recently 'Logistics Cost Study of Transport Corridors in Central and West Africa', SSATP 2013

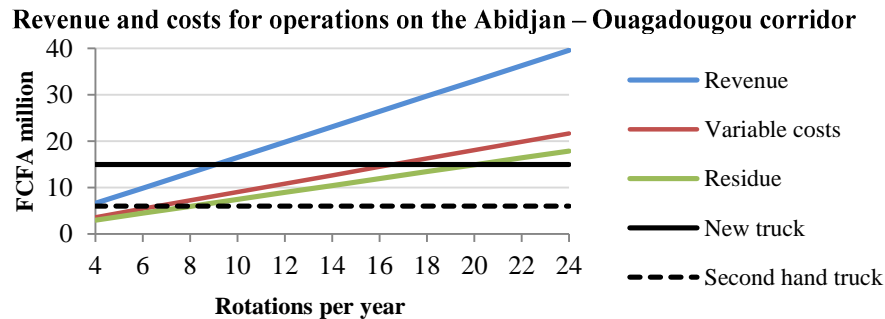
Figure 2.6: Truck utilization for Burkina Faso's external trade



Box 2.1: Rotations per Year and Truck Financing

Beyond transport time from Abidjan to Ouagadougou, assessing truck utilization rates with the number of roundtrips per year is essential to understand trucking companies' capacity to acquire better trucks.

Following Hartmann (2013), one can estimate the revenue available for truck financing as a function of the number of roundtrips per year. Vehicle operating (variable) costs, such as driver, fuel and tires, are estimated to represent 55% of the price charged to transport a 40' container between Abidjan and Ouagadougou (with an empty backhaul to return the container to the port). The balance is considered the amount available to: (i) cover company overhead (e.g. licenses, staff and offices), which are higher for large/formal operators than for small/informal ones; and (ii) finance the acquisition of trucks. A new truck, costing for instance FCFA 90 million, financed at 50% under a bank loan over 5 years and amortized over 7 years, requires around FCFA 15 million per year. As shown in Figure 2.7, it is only beyond twenty roundtrips per year that operations start to be compatible with the acquisition of new trucks. Even a second-hand truck, frequently costing FCFA 18 million for a 10-year old truck, requires FCFA 6 million per year to finance over three years, which is only possible with at least eight roundtrips per year. These thresholds can be considered lower-bound estimates, as the calculations do not include fixed costs.

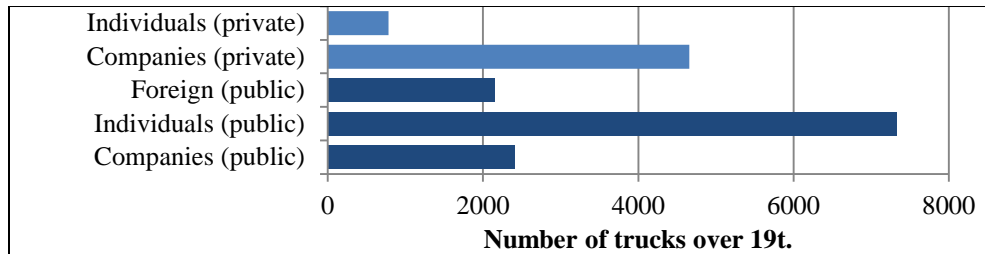


Source: Hartmann 2013.

2.24 **The evidence above suggests that, for most transporters, revenue from transport on the corridors only is far from sufficient to allow for the financing of better quality trucks.** Operating new trucks is only affordable for transport companies having regular contracts with large shippers or clearing and forwarding firms, and with transport containers between the port terminal and the dry port. Others are likely to be excluded from that segment and to focus on non-containerized freight, where overloading is seen as a quick-fix solution to improve revenue per trip.

2.25 **The total fleet for large trucks (19 tons and over) in Côte d'Ivoire represents over 17,000 trucks.**⁸ Vehicles registered under commercial transport represent 69%, but several companies registered under private (or own-account) transport are actually public transport companies. Individual operators dominate the commercial transport sector, with 62% of the fleet, while companies dominate the own-account transport sector, with 86% of the fleet (Figure 2.8).

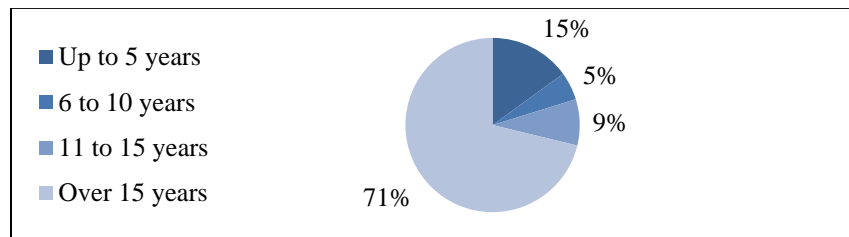
Figure 2.7: Ownership Structure of the Truck Fleet (19t. and over) in Côte d'Ivoire



Source: Hartmann 2013.

2.26 **Overall, a market structure dominated by a few operators, non-transparent allocation of freight, slow rotation times and inefficient customs clearance procedures has given rise to a suboptimal low-productivity equilibrium in transport characterized by a large gap between prices and costs and little incentive for poorly compensated truckers to invest, which explains the co-existence of exorbitant prices and poor service.** In fact, with 71 percent of trucks in Côte d'Ivoire and Burkina Faso older than 15 years, the quality of service is low and the operating conditions of the majority of the trucks do not generate sufficient margins capable of financing a more modern fleet (Figure 2.9).

Figure 2.8: Age Profile of the Truck Fleet (19t. and over)



Source: Hartmann 2013.

2.27 Reversing that situation implies shifting away from current opaque practices for access to the transport market towards a situation in which transport operators are recognized based on their ability to provide quality transport services in a professional manner, in view of their compliance with a number of access criteria. If combined with measures to enhance the transparency of the allocation of cargo to transporters, a more competitive market structure will emerge that would lower costs and bring prices more in line with costs. Hence, the restructuring of the road transport sector requires addressing at least these two core issues:

- **Access to the profession of transport operator**, for which regional regulations have been developed which cover most aspects, but with no or limited actual adoption by

⁸ Data provided by SONATT (Côte d'Ivoire), extracted from the trucking licenses database in August 2013

member states. As a result of the revision of access criteria, some informal operators with limited capacity to comply will no longer be able to operate, creating space for professional operators to operate at greater efficiency and profitability.

- **Liberalization of access to the transport market, both domestic and international**, to introduce competition so as to facilitate greater efficiency. A pivotal element in achieving this objective is the establishment of a ‘bourse de fret’, which will provide significantly greater transparency in allocating freight. Furthermore, the breakdown of the monopoly of stevedoring companies in Abidjan is of importance in creating a more competitive and level playing field.

- **Gateway and inland terminal reform agenda**

2.28 **The gateway and inland terminals operational efficiency agenda comprises three dimensions.** One is associated with the physical movements of the goods, one is associated with the documentation processes through the border management agencies, and a third comprises a governance dimension which impacts the pricing of gateway and terminal logistics services.

2.29 **In the documentation process, the border management agencies play a critical role in international trade as they ensure the security of trade transactions, safeguarding government revenue and protecting citizens from inadequate goods.** However, in a context of low compliance with trade regulations, there is a tendency to over-emphasize the security role to the detriment of the trade facilitation role, as uniform approaches are applied to all transactions, which multiplies controls for both legitimate and fraudulent transactions without discrimination. This is compounded by low operational efficiency: logistics services depend on the inefficient production, circulation and use of information among traders, logistics services providers and regulatory agencies.

2.30 **Improving the documentation process requires therefore a two-pronged approach,** focusing on the one hand on the facilitation of legitimate trade transactions through the promotion of compliance and better risk management (notably with Authorized Economic Operators schemes and the provision of adequate training to border management agencies and clearing agents personnel) while ensuring adequate security, and on the other hand on operational efficiency through automation and provision of advance information that will allow the processing of documents prior to the arrival of goods at the gateway (in particular through Single Windows and connection of border management agencies).

- **Promotion of compliance**

2.31 **The main challenge of compliance and risk management is to attain a situation in which compliant operators are adequately rewarded.** At present, the generally low level of compliance of trade or transport operators in the West Africa region leads to a reluctance of control agencies to eliminate the multiple layers of control, which have accumulated over time, which in turn hinder the smooth movement of goods and vehicles and reduce incentives for operators to comply.

2.32 **With a view to achieving a higher level of compliance, countries in the region have embarked on the establishment of an Authorized Economic Operator regime.** A recently conducted feasibility study concluded that countries on the Abidjan-Lagos corridor are ready for such a program and a pilot is currently being prepared for Côte d’Ivoire, Ghana and Burkina Faso.⁹

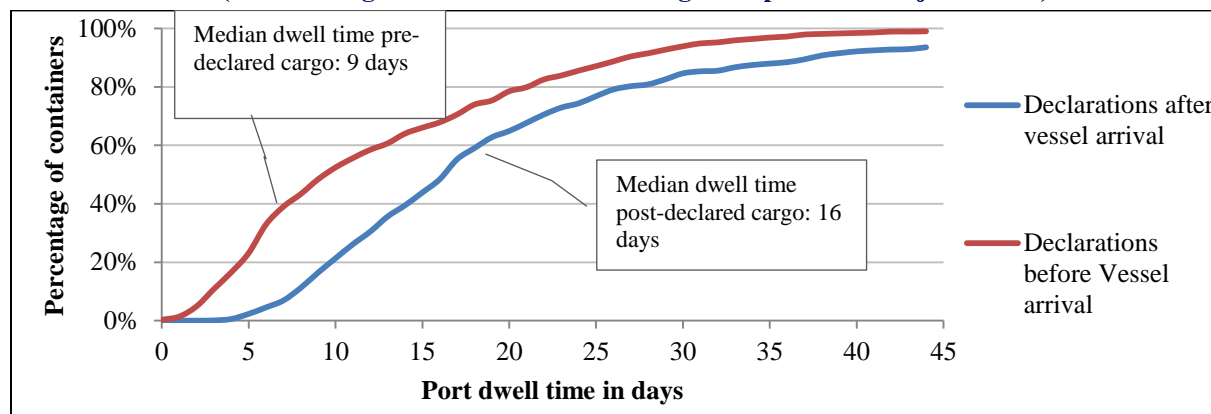
- **Addressing fragmentation of information**

2.33 **Lack of coordination of information in West Africa increases transaction costs and times.** Three locations are key in the supply chains along the corridors: the maritime gateway, the inland borders and at destination. Bridging the information gap across stakeholders will require identifying for each key location what information processed by each type of logistics operator or control agency is critical for the others and then ensuring timely availability and access:

- To increase the certainty regarding the documentation process, it is important to make information widely available on the formalities that traders and logistics service providers have to comply with. This is the purpose of systems such as Trade Information Portals (TIP). The development of TIPs is currently supported for the UEMOA region through the TFF funded UEMOA regional facilitation program.
- At the maritime gateway, advance preparation of the clearance/transit process (notably the advance submission of the ship’s manifest and the Customs declaration), reduces the duration of goods in the port. A combination of regulatory provisions for advance declaration and an enabling system such as Single Windows coordinating and organizing the exchange of information among parties are the two avenues for reducing port dwell time. Figure 2.10 shows the impact of advance declarations on port dwell time.

⁹In 2010, the World Bank, the governments of the Abidjan Lagos Corridor member countries, the ECOWAS Secretariat and the Private Investors for Africa (PIA)⁹, conducted a feasibility study for Authorized Economic Operator (AEO) in Nigeria, Benin, Togo, and Ghana to determine their readiness for such a program. The feasibility study covered the aspects of: political will, prerequisites, private public cooperation framework, legal basis, integrity, potential participants, compliance measurement and post clearance audit, relationship with the other government agencies, border operations, and truck transport under a grant from the Trade Facilitation Facility (TFF), which paves the way for other countries, notably Burkina Faso, to join the pilot when pre-requisites are met.

Figure 2.9: Impact of Customs Declaration registration date on Port dwell time (transit cargo to Burkina Faso through the port of Abidjan - 2012)



- Interconnection of Customs and other border management agencies across countries along the corridors, with the active involvement of the logistics services providers, is essential to establish an effective transit system that can reduce delays and reduce transport costs (and prices, provided the right market structure is in place, as discussed earlier).

2.34 **Regarding the physical clearing process, the critical issue concerns the interface between the port and land transport**, where the movement of trucks in urban areas is often delayed by congestion caused by loaded trucks waiting immediately outside the port due to limited storage capacity within the port, while in the opposite direction, the opaque allocation practices described above around inland transport impose long waiting times for trucks before obtaining a load, adding to the number of idle trucks in the port vicinity.

2.35 **Part of the problem is currently being solved with the creation in Abidjan of a short term parking yard for trucks due to enter the port to pick up or deliver goods.** However, this measure needs to be supplemented by additional parking space outside the metropolitan areas for longer term parking. This additional space should also include warehousing facilities (developed by the port authority, by private logistics service providers, or by public entities from the hinterland countries) expanding the limited capacity at the port.¹⁰

2.36 **The governance dimension of the gateway and inland terminals agenda has consequences for the pricing of the services.** Most logistics activities undertaken at the gateways or at inland terminals are of a monopolistic nature, with very few companies providing services. When a proper regulatory environment is in place, this does not create problems, but in absence of oversight or with limited oversight capabilities within the public regulatory agencies, this leaves the door open for market distortions. Countries usually address that risk by

¹⁰ The rationale for the development of additional warehousing capacity has been developed in the World Bank study ‘Why Does Cargo Spend Weeks in Sub-Sahara Africa Ports?’ One of the findings of the study was that long port dwell times are often linked to the storage strategies of the shippers preferring to take advantage of lower storage tariffs in ports rather than relying on third party or in-house facilities. In the case of Abidjan, where storage is constrained, developing additional capacity has both economic and operational relevance.

establishing a regulator for port activities, in which stakeholders have consultative or decision making status.

2.37 As summarized in Nathan (2013), and drawing from other sources, the primary inefficiencies along the Abidjan-Ouagadougou road transport corridor can be summarized as follows:

Gateway/Port Inefficiencies

- Lack of single window
- Low cargo storage costs at port encouraging lengthy dwell times
- Customs clearance is a mix of electronic and manual processes (physical submission of cargo invoices and packing lists)
- Lack of equipment for the GPS tracking system
- Lack of truck parking/staging facilities
- Monopoly on local Abidjan area deliveries from the port

Trucking Industry Inefficiencies

- Current incentives are to strip containers and overload trucks
- Powerful transporter unions where trucking freight rates are “black box” types of pricing, with predominant fixed costs and very limited variable costs
- Lack of market transparency in business practices
- Old and obsolete fleet operated by poorly qualified truckers
- Low annual mileage per truck due to long wait times for obtaining freight
- Unfair competition from nonprofessional truckers operating old vehicles leading to low freight rates that do not guarantee sufficient income for fleet renewal

Transport and Trade Facilitation Inefficiencies

- High port handling charges and shipping line charges
- Lack of professionalism of freight forwarders
- Unreliable Internet connection going down frequently delaying the clearing processes
- Trucks overloading increases load factors and reduces rates
- Too many checkpoints along Abidjan-Ouagadougou corridor, probably the highest number compared to other West Africa corridors assessed
- Informal payments and corruption

The proposed regional DPO supports a package of reforms, both regional and national, intended to address these inefficiencies.

3. ORGANIZATION OF THE SECTOR/CORRIDOR

3.1 The road transport sector along the Abidjan-Ouagadougou corridor is marked by a form of organization that hinders its development and that of the broader economy. Regulatory failures and the multiplicity of actors and institutions, both formal and informal, are the root cause of significant disorganization and distortion in the sector. Deteriorating transport infrastructure, particularly road infrastructure, is an additional contributing factor to

underperformance, itself a function of the suboptimal regulatory and institutional environment. Furthermore, the lack of appropriate incentives and access to finance for funding the renewal of rolling stock, solicitation of bribes and racketeering among law enforcement agencies through roadblocks and selective enforcement, and unnecessary and low-value-added services imposed by syndicates and other actors have further led to a vastly under-performing sector. In sum, the road haulage sector operates in an informal and precarious environment leading to considerable vulnerability among the various actors (CIRES, 2010). This vulnerability is further exacerbated by the planned reform program, which seeks to directly address many of these issues.

A. THE PRIMARY PLAYERS

3.2 **The sector is comprised of various actors/agents whose roles are rather formalized in a fairly well-established institutional sense, though not all are formal institutions or actors.** These actors can be categorized into two groups: first, those in charge of regulating and organizing the various activities of the sector (largely government ministries and state or quasi-state institutions); and second, those that are directly engaged in the provision of trucking services (road transport companies, drivers, freight forwarders, coxeurs, shippers and stevedores). This section describes these various actors.

- **Regulatory Actors**

3.3 **Without getting into specific details of the various government agencies involved and their individual responsibilities, suffice it to say that the government, as in most economies, is integrally involved in the regulation of the sector.** At the national level in both Côte d'Ivoire and Burkina Faso, this involves several state actors, including technical ministries (Ministry of Transport, Ministry of State, Ministry of Interior and Security). These technical ministries are responsible for regulation around issues such as: transport sector policy; international transport agreements, conventions and treaties; laws and regulations on road transport and road traffic, including issues such as axle load limits; infrastructure provision, including road maintenance and rehabilitation; vehicle standards and licensing; driver standards and licensing; etc.

3.4 **In addition to technical ministries, other government agencies are also involved in road transport,** particularly policing entities, military and security agencies, and health, forest and agricultural agencies. These entities are involved largely with enforcing regulations, enhancing road safety, ensuring public safety and furthering national health, environmental and security interests. In this respect, state institutions in Côte d'Ivoire and Burkina Faso, while admittedly having their own unique institutional characteristics and while there remains considerable room for improvement, do not deviate too far from the norm in terms of the role of official government ministries.

3.5 **Unfortunately, while the state institutional structure is broadly appropriate, application and implementation of many of these state functions deviates considerably from good practice.** This arises at both the level of the policy and regulatory environment, which suffers from issues of regulatory transparency, state capture, inappropriate influence peddling and corruption issues, and at the level of implementation and enforcement of existing regulations and control mechanisms, as there is widespread inequitable and irregular

enforcement, blatant rent seeking (corruption) within enforcement and oversight agencies, and frequent disregard of existing rules and regulations and broad non-compliance across the sector.

- **Quasi-State Actors**

Office Ivoirien des Chargeurs (OIC) – Côte d’Ivoire

3.6 **The Office Ivoirien des Chargeurs (OIC) is by definition a shippers’ council.** It is an organization that represents and defends the interests of importers, exporters, shippers, and the users of transport services in the context of the delivery of their goods. The Ivorian Shippers' Council (CIC) was created in 1969, and became the OIC in 1975. The overall vision of the OIC is to contribute to the competitiveness of transport services and to facilitate foreign trade in Côte d’Ivoire. To do this, it has a mission to provide: direct assistance to shippers; collection and analysis of relevant data and information on trade flows; negotiation of transport costs; facilitating and contributing to efficient traffic flows; the provision of supporting infrastructure for shippers; serving as an interface between government and private sector transport interests and transport services users.

3.7 **A decade or so ago, the allocation of freight to freight carriers was very formalized and the OIC played a key role.** The OIC, on behalf of shippers, provided to the Ministry of Transportation information on the tonnage of goods requiring transportation within or through Côte d’Ivoire. The Ministry then provided this information to carriers unions (syndicats) and these in turn were responsible for informing carriers and finding vehicles capable of transporting the goods. This was particularly the case for transit traffic that was subject to the 1/3, 2/3 rule, whereby 1/3 of the goods were to be transported on Ivorien trucks.

3.8 **This mode of operation is no longer in effect today,** largely because the Ivorien truck fleet is aging and incapable of hauling its 1/3 quota. Therefore, other ECOWAS carriers carry the bulk of the merchandise. Nonetheless, there continues to be substantial collaboration between the OIC and their counterpart shippers’ councils in other countries of the sub-region and with some syndicats.

3.9 **The OIC also provides parking areas** in cooperation with several town councils and manages a two hectare truck parking area outside the port at Vridi and a 1.5 hectares parking area at the Port of San Pedro. These spaces are designed to decongest roads around the port. These parking areas are of two types: areas under Customs control and oversight; and “free” parking areas. The parking areas under Customs control are provided at the port of Abidjan and San Pedro and at border crossings, and are primarily used for trucks containing goods in transit. These goods are exempt from customs duties and taxes and oversight must be provided to ensure goods are not off-loaded in Côte d’Ivoire. The “free” parking areas provide somewhat secure parking for trucks and rest areas for truck drivers near regional capitals and major areas of production and distribution. Vehicles parked in these car parks pay a fee of 2,500 CFA francs daily. Nonetheless, truckers complain of a lack of parking and rest facilities both around the port and along the corridor, including a lack of security.

Conseil Burkinabè des Chargeurs (CBC) – Burkina Faso

3.10 The CBC was established in 1978 to address challenges in transport related to the country's landlocked status by minimizing international transport costs and streamlining supply conditions. The CBC's tasks include: directly assisting shippers in their negotiations with transporters -- in this regard the CBC maintains offices at all regional ports through which they arrange transport for shipments destined for Burkina Faso; coordinate the interventions of the various players in the transport chain in transit countries and in Burkina Faso, in order to reduce the time and cost of transport; and make available to shippers and other economic operators, information on the organization, costs and conditions of goods transport. The various tasks entrusted to the CBC make it a strategic link in the goods transport chain, though its role as the primary broker between shippers and transporters is diminishing as other players increasingly enter this space. Besides the above mentioned tasks, the CBC also plays a role in representing the Government of Burkina Faso with certain institutions including the Academy of Science and Technology of the Sea, the Economic and Monetary Union of West Africa (UEMOA), the Union of African Shippers' Councils, etc.

Chamber of Commerce and Industry – Burkina Faso (CCI-BF)

3.11 **CCI-BF was founded in 1948 and is directly involved in the transport sector.** The CCI-BF plays the usual advisory role to public authorities in the fields of trade, industry and services, and represents the business community in various institutions and organizations such as the Economic and Social Council, the Privatization Commission, the International Chamber of Commerce, etc. However, somewhat atypically, the CCI-BF provides several services directly to transport operators in general and in particular to freight operators. It provides port, rail and road terminals with warehouses and related infrastructure. Its terminal space includes more than 78,000m², of which 52% is located in Burkina Faso and 65,000m² of parking space of which one third is located in the transit countries.

3.12 **Since 1980, CCI-BF has operated a 26 hectares terminal in Ouagadougou specialized in domestic and international freight traffic.** This terminal includes: three warehouses of 5,000m² of which one is Customs-bonded; a parking area of 28,800m²; offices of 2100m²; a 50 ton capacity weigh bridge; a further 10,000m² area for maneuvering and parking; a gas station concessioned to Shell and Total; and a 20 room hotel. Furthermore, the CCI-BF has built a 19 hectares dry port at Bobo-Dioulasso including: a Customs-bonded warehouse of approximately 2,275m² and bonded parking of 36,500m² for 268 trucks and an export warehouse of approximately 600m²; a container terminal area of about 18,500m²; a maintenance workshop; a "foreign transit" zone, which is a space for merchandise trucks and tankers; and an un-bonded warehouse of 2,457m² and an unbonded parking area of 8,000m² for 48 trucks; an administrative area consisting of offices, control stations, parking lots, a weighbridge and pathways; and a mixed use area including a police station, hotels, restaurants, cafes, banks, insurance offices, etc.).

Road Transport Training Center – Burkina Faso

3.13 This training center plays an important role in the transport sector in Burkina Faso. It is financially dependent on the CCI-BF, but is under the technical supervision of the Department of

Transport. It provides pre-service and ongoing training to State personnel as well as to the private sector in road transport related fields including: driver training; road transport business and entrepreneurial training; mechanics training; and driving instructor and inspector training.

- **Private Sector Actors**

Shippers (Chargeurs)

3.14 **The shipper is the essentially the client in need of transport services.** A shipper can be an individual, a producer of goods, a distributor, or a firm that specializes in organizing the transport of goods for other parties. The shipper is essentially the owner and possessor of all or part of a lot of goods transported by truck, and may be the actual importer or exporter, depending on the nature of the commercial contract. Shippers tend to deal with multiple carriers/transporters, many deal in significant quantities and require frequent access to transport services. They enter into contractual relationships with transporters based on the frequency of delivery, volume, price, quality of service, and the possible relevant penalties or compensation clauses. According to an official of the OIC, "the shipper is a legal or natural person who exports and imports goods."

3.15 **Shippers are not homogenous however,** and they vary in terms of volumes shipped and frequency of shipments: some are regular shippers that are registered with the OIC for example in Côte d'Ivoire, while others are occasional shippers and may not be registered by their respective shippers' councils. In recent years in Côte d'Ivoire shippers have created Economic Interest Groups (GIE) as a platform for exchange of expertise, to carry out certain common operations and activities, and to defend the social and economic interests of their members.

Freight Forwarders (Transitaires)

3.16 **The freight forwarder is a person or company authorized by the sender or recipient of goods to act on their behalf in managing the shipping/transport process and related transactions,** including successive transport operations. Freight forwarders essentially play an intermediation role in the business transaction routing system. They can be responsible for completing the Customs formalities for importers and exporters and they manage the links between separate individual carriers and thus ensure the continuity of transportation. In their warehouses, freight forwarders manage the entry, inventory tracking and exit of goods, and in their bonded facilities can provide storage for goods exempt from duties and taxes pending international shipping.

Stevedores (Acconiers)

3.17 **A stevedore is a company (or contractor) responsible for conducting dockside handling operations.** Those employed in loading and unloading ships, i.e., the individuals involved, are also frequently referred to as stevedores. Legally, the stevedore is responsible for the goods during loading, unloading and storage. In Côte d'Ivoire, a distinction is sometimes made between the dock-side handling (stevedores) and land-based handling (acconiers).

Transporters and Trucking Companies

3.18 Access to the transport profession is regulated in both Côte d'Ivoire and Burkina Faso. In order to enter the profession, one must register in advance, for example through SONATT in Côte d'Ivoire. This registration results in the issuance of a certificate of registration that is personal and non-transferable. It is available to: a) natural persons of Ivorien or Burkinabé nationality registering in their respective countries; and b) to legal entities regardless of the nationality of their members. In addition to registering as a transporter, the carrier must also seek authorization to transport, which is issued for each vehicle.

3.19 Registration as a carrier and an authorization to transport permit gives the carrier the right to practice and operate along the lines or routes assigned to each vehicle. Registration also allows the person or entity the ability to join various professional organizations (associations, trade unions, syndicats) and the access to infrastructure, equipment and funding from the organizations of which it is member. Any entity that, for a period of more than a year, is not in possession of an authorization to transport is determined to have ceased transport activity and can be removed from the register of transporters.

3.20 With respect its obligations, each registered carrier must: a) ensure the movement of goods in line with all safety and other transport regulations in force; b) have appropriate insurance to cover third-party liability; c) pay all transport related taxes and fees (license, VAT, etc.); d) declare employees to the relevant authorities (Inspectorate of Labour and Social Legislation, National Social Security Fund); and e) respect all provisions and measures related to the movement of traffic.

3.21 Transporters can be classified into two distinct groups: 1. those in good standing vis-à-vis all modern and professional legal requirements relating to their activities; and 2. informal transporters operating outside of current rules and regulations and/or not meeting required standards. Formal, professional transporters can be legally established formal companies, but can also be individuals that meet current standards and are operating formally as independent owner-operator entities. These are companies which generally meet legal and modern requirements, including access to the profession conditions and professional standards (employment conditions, division of labor, remuneration guidelines, sound financial and technical management, etc). These operations are in possession of a registration certificate and a transport authorization permit for each vehicle. Employees are engaged on a formal basis, often under contract. Under the terms of their employment contract, drivers cannot exceed 40 hours per week. Many of these formal enterprises have their own garage where vehicles can be parked and where technical and mechanical maintenance of their vehicles can be undertaken. Furthermore, technical and administrative management within these firms is typically supported by some training and based on employment is based on professional competence. Wages typically exceed minimum wage standards. However, some formal firms are family businesses who, even in these cases, operate professional and modern operations.

3.22 In contrast, informal transporters/truckers (the large majority of transporters in terms of numbers) are primarily owner-operator entities operating a single truck, or very few trucks, that are not registered, and whose vehicles are not authorized and are often non-compliant

with current vehicle standards and licensing requirements. Vehicles owned by informal operators tend to be old, in poor condition and are used infrequently or only during seasonal high demand periods. Many informal operators are only engaged in trucking on a part-time basis and do not rely solely on trucking for their livelihood. Nonetheless, there are some informal truckers who are engaged full-time in the transport industry and some maintain a fleet of several trucks, though they continue to operate informally and outside of the formal, regulated system.

Drivers

3.23 A driver is clearly an individual engaged as the operator of a truck/vehicle involved in road transport. He/she can be an employee of a transport company or an owner-operator of an individual truck(s). Formally a driver must be at least 21 years of age for vehicles carrying more than eight persons (in Côte d'Ivoire) excluding the driver, and 18 years of age for vehicles carrying up to eight people. Licensing is subject to the demonstration of specific professional capabilities and depends on the type of license applied for and the vehicle category for which it is to be applied. The driver is required to perform his/her duties in conformance with applicable laws, rules and regulations and must follow the instructions of police, security and defense forces when he/she encounters such agents.

Unions and Syndicats

■ Syndicats in Côte d'Ivoire

3.24 Unions (*syndicats*) in Côte d'Ivoire are organizations of carriers and/or drivers whose main formal objective is to defend the interests of its members. In practice however, syndicats provide a wide variety of services including: allocation of freight; parking and staging areas; protection and security services; etc. A syndicat can be easily formed by depositing at the Interior Ministry, the town hall, or in administrative districts where the headquarters of the union is established the syndicat's statutes and by-laws. Although no particular form is imposed, the statutes must identify the union's leadership and management. The statutes often contain fairly standard clauses, namely: the purpose of the syndicat; the headquarters location; internal organizational structure; the geographical operating area; operating rules; the conditions for amending the statutes; and the conditions of dissolution. Given the low threshold for creating a syndicate, with no minimum number of members required, and little monitoring or enforcement by the Ministry of Interior, there are over 250 syndicats in Côte d'Ivoire, some with very small membership bases and others with hundreds of members. Approximately 35% of truckers do not belong to a syndicat.

3.25 The modus operandi of syndicats and their management practices are very non-transparent. Some would appear to be created for the sole purpose of extracting rents from certain truckers and trucker groups, along the lines of protection rackets, while others appear to be meaningfully committed to providing value-added services to its members. As an example, one syndicate representative with a stated membership of 1,130 members welcomes the envisaged government attempts at modernising the sector. He deplored that many syndicats are principally hunting for freight and passengers and are not fulfilling their traditional role of primarily representing the interests of their members. Competition among syndicats has apparently increased and in the case of passenger traffic has resulted in a number of violent

incidents. Conflicts over passengers and market share often play out in the parking complexes (*les gares, terrains de stationnement*) that are usually managed by a number of syndicates, in that they control access to passengers (or freight for that matter) through a *tour de rôle* system. Managing these *gares* has also become a source of income for syndicates, as truckers pay a fee to enter and leave the parking areas.

■ Syndicats in Burkina Faso

3.26 **The road transport sector in Burkina is marked by the existence of several transport unions**, the best known of which are: the Organization of Road Transporters of Burkina Faso (*Organisation des Transporteurs Routiers du Burkina Faso -- OTRAF*) and the National Union of Road Transporters of Burkina (*Syndicat National des Transporteurs Routiers de Voyageurs du Burkina -- SNTRV-B*).

3.27 **OTRAF is a union of freight and passenger carriers** with branches in different regions of the country, with “commissions” covering different transport areas, i.e., oil, general cargo, passengers, etc., and it plays an influential role in the organization and functioning of the sector. OTRAF has representatives in the ports of Abidjan, Lomé, Cotonou, and Tema, which coexist with CBC offices and representation. OTRAF negotiates rates for freight carriers and arranges freight for its members if necessary. It receives and transmits to its members transport offers received from CBC and in this regard matches available loads with available member truckers following a “tour de rôle” system where this function is still practised, including to a limited extent at the Port of Abidjan.

3.28 **The SNTRV-B is a union of road passenger transport providers, which incorporates to some extent the transport of goods.** It aims to provide assistance in the harmonization of supply and demand for public transport vehicles and the establishment of fair prices for both the providers and users of passenger transport services. They are also working to have representatives in the various Burkina transit ports alongside OTRAF.

3.29 There are other trade union-based organizations that are also involved in the industry in Burkina Faso. However, most of these organizations are located solely within the national territory and many are of a local or provincial character.

Coxeurs

3.30 **In Côte d’Ivoire access to cargo used to be institutionally regulated.** In the past, the OIC would inform the Ministry of Transport of cargo needing to be transported. It was up to the Ministry to then inform the truckers’ trade unions of available cargo who in turn were responsible for informing carriers and finding vehicles capable of transporting the goods. This process has now been abolished and in theory, the market has been liberalized. Thus, shippers now have the right to negotiate directly with the carriers.

3.31 **In practice, access to cargo and loads usually pass through a coxeur.** The coxeur is the intermediary between the carrier, or where applicable the driver, and the merchant or shipper. Coxeurs have a contact network of several traders, loaders, drivers and carriers. Coxeurs can also

on occasion deal with customs procedures and can work with freight forwarders. Coxeurs charge a variable fee depending on the nature of the relationship with the customer and the quantity and quality of the goods transported. Usually, this commission is about 50,000 CFAF per loaded vehicle to Ouagadougou or Bamako. The contract between the coxeur and its customers is typically via tacit understanding and is rarely in writing. This activity is dominated in and around the Port of Abidjan by coxeurs of Burkinabé and Malian origin.

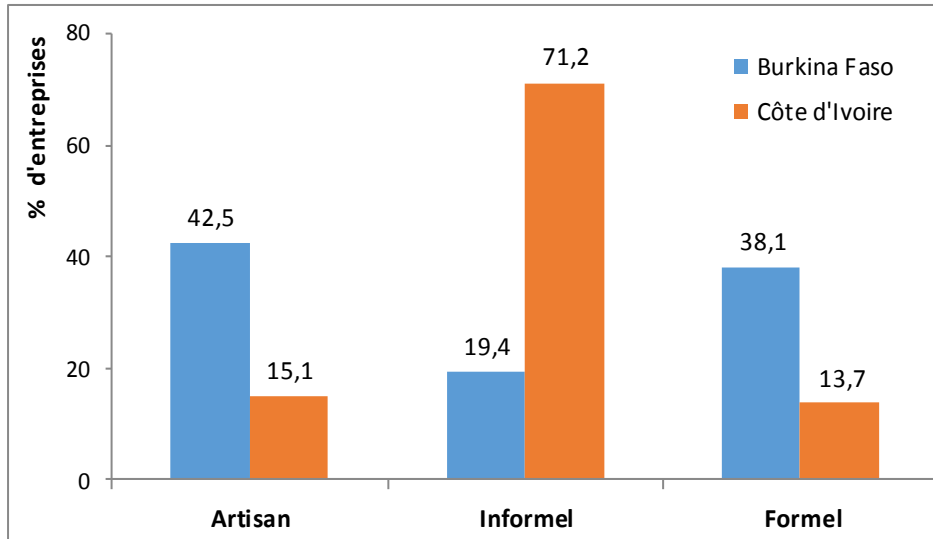
3.32 Coxeurs however, are not a homogeneous breed and practices vary widely. Indeed, some truckers whose vehicles are not currently available or have no vehicle also play this role of intermediary. This activity is also practiced by drivers, shopkeepers, and people of varying capacity and backgrounds, but with some connection and knowledge of the industry. At times practices of coxeurs can border on the coercive, predatory, and indeed illegal. For example, many Burkinabé drivers can be stranded at the port for weeks while they wait to unload their cargo at the port and await a return shipment. Frequently they run out of money and must borrow funds. Coxeurs will fill this gap, but then confiscate their “carte grise” without which they cannot depart and insist that they arrange their next load at often non-market prices. Others run protection rackets whereby waiting trucks will be vandalized unless protection money is paid or the services of particular coxeurs are used. In sum, practices vary widely and the use of coxeurs tends to drive a price wedge in-between shippers and transporters.

B. QUANTIFICATION AND CHARACTERISTICS OF TRUCKING OPERATORS

3.33 As can be noted from the discussion above, the road transport sector is characterized by considerable heterogeneity across companies. For example, trucking companies, are typically unincorporated personal businesses (87.2% in Côte d'Ivoire and 72.7% in Burkina Faso), while most freight forwarders are limited liability companies (63.2% in the Ivory Coast against 48.8% in Burkina Faso).

3.34 This heterogeneity exists across the two countries as well. The typology of carriers reveals that most “companies” (a “company” meaning an operation that is in the trucking business as its primary activity and typically operates more than one truck and engages more than one employee) operate in the informal sector in Côte d'Ivoire. Indeed, more than two out of three (71%) are informal, against only one in five (19%) in Burkina Faso (Figure 3.1). A company is considered formal if it has a taxpayer's account and keeps accounts of its business. An informal company refers to those companies who fall outside of state regulation, taxation and other state oversight. In addition to informal and formal companies, the analysis distinguishes “artisans” who are defined as truckers that usually have only one vehicle and act as both manager and driver.

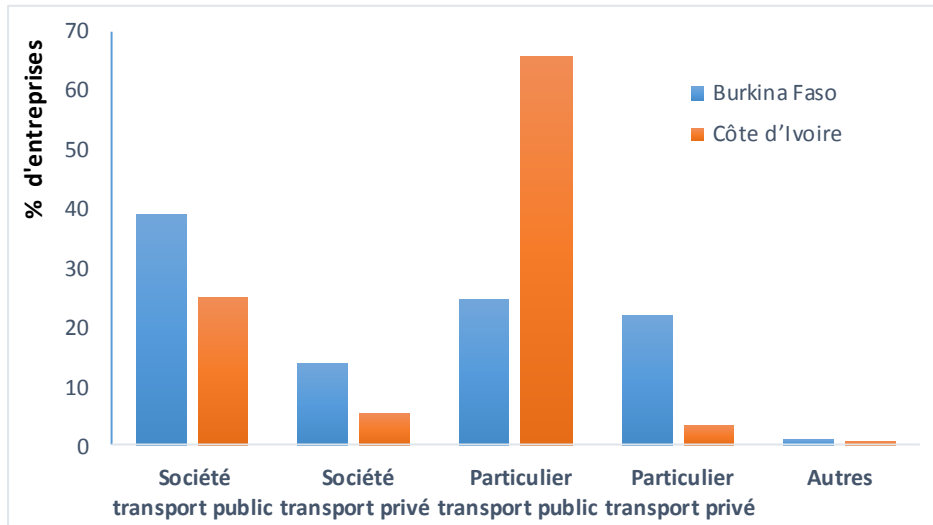
Figure 3.1: Type of Enterprises



Source: EITM-ENSEA, 2014.

3.35 Truckers can also be differentiated as to whether they primarily haul freight for others (public) or whether they haul freight principally on their own account (private). They can then be further disaggregated by whether they are officially registered as a trucking company or offer transport services without declaring as a transport company. Figure 3.2 provides the breakdown of trucking interests along these lines.

Figure 3.2: Distribution of transport companies (public vs private, registered vs unregistered)



Source: EITM-ENSEA, 2014.

3.36 Trucking is frequently not a full time activity, or is not the sole activity for many firms. About 20% of road transporters (19.1% in the Côte d'Ivoire and 17.4% in Burkina Faso) report being involved in other types of activities (see Table 3.1). In addition, in disaggregating the data according to the whether the company is also involved in the transport of its own goods,

we observe a higher proportion of carriers that diversify their activities. Indeed, more than four Ivorian carriers in ten (41.03%) and about three Burkinabe transporters in ten (27.5%) among those who transport their own goods are also involved in another activity. In Côte d'Ivoire, the average share generated by freight transport in the total turnover of the company is relatively lower than in Burkina Faso (34.62% against 46.12% respectively). Compared to Burkina Faso, the average revenue share generated by freight transport for these companies is relatively more important (44.44%). The main other activity in which companies are involved is general trading activities, which represents about 50% of total revenue.

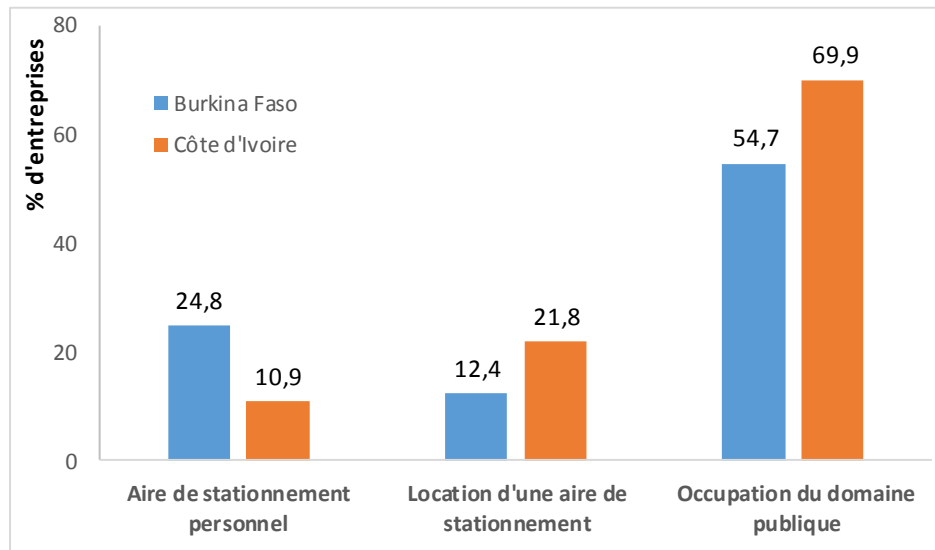
Table 3.1: Percentage of Companies having a secondary activity and the share of transport activities in total revenue.

	% involved in another activity		Percentage of transport activities in total revenue	
	<i>All transport companies</i>	<i>Companies that transport their own goods</i>	<i>All transport companies</i>	<i>Companies that transport their own goods</i>
Côte d'Ivoire	19,07	41,03	46,12	34,62
Burkina Faso	17,39	27,50	40,90	44,44

Source: EITM-ENSEA, 2014.

3.37 The assets of a business can be a key element in determining success. In the case of the transport sector, assets also provide some insight into the logistical capacity available to enterprises and a firm's ability to conduct business in a professional manner. This can be measured by the number of vehicles available to transport goods, but also by the availability of parking spaces and storage facilities. Most transport companies in Côte d'Ivoire and Burkina Faso do not have private parking areas. Indeed, more than half of them use public parking areas (70% in Ivory Coast and 55% in Burkina Faso). About one in five leases a parking lot (22% in Côte d'Ivoire and 12.4% in Burkina Faso). Only 11% of Ivorian carriers have their own parking space, while in Burkina Faso, the proportion was 25% (Figure 3.3).

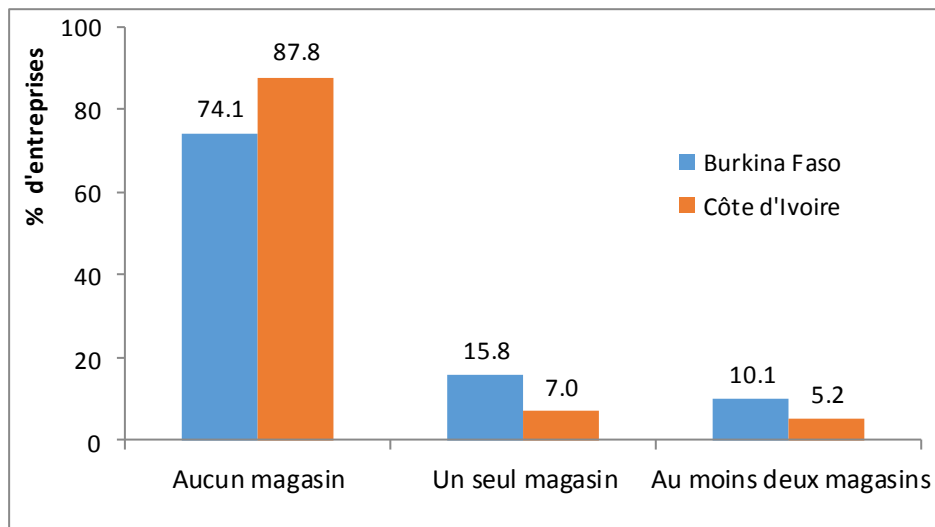
Figure 3.3: Distribution of Trucking Companies by Parking Facilities



Source: EITM-ENSEA, 2014

3.38 Many carriers do not own storage space for goods under their control. In fact, about eight out of ten carriers have no such facility. Burkinabe carriers have slightly more of such facilities and this may be related to their greater geographic isolation and the need to stockpile before transport, especially in serving the internal domestic market and other Sahelian countries (Figure 3.4).

Figure 3.4: Distribution of Trucking Companies by Warehouse Facilities



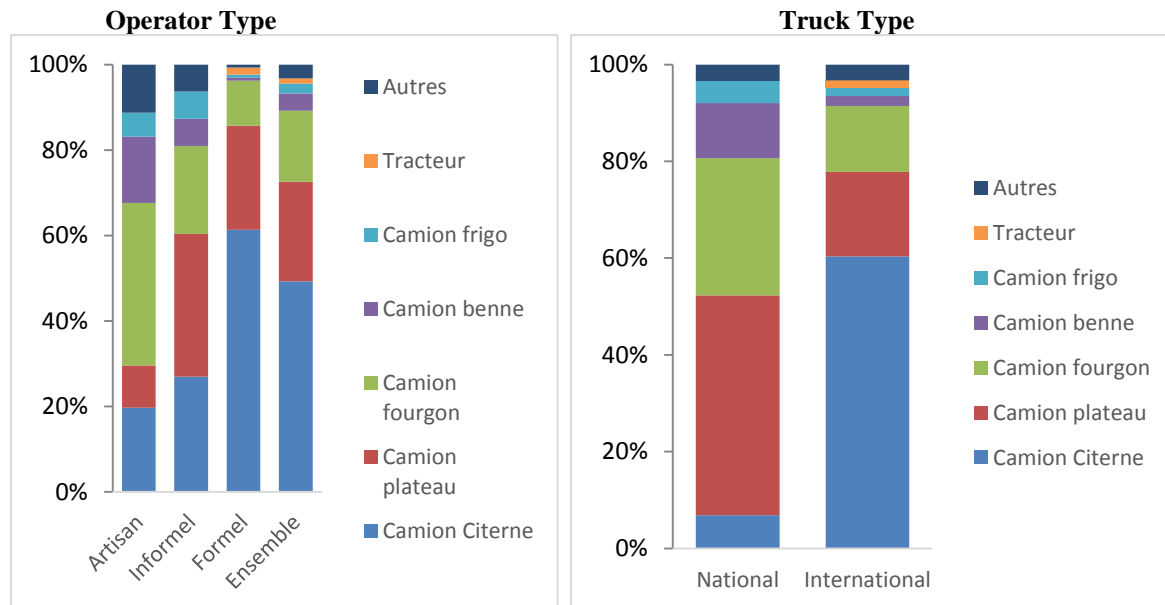
Source: EITM-ENSEA, 2014

C. QUANTIFICATION AND CHARACTERISTICS OF THE TRUCK FLEET

Vehicle Types

3.39 Several types of vehicles are used by carriers in Côte d'Ivoire and Burkina Faso. Tankers and flatbeds dominate the Burkinabe fleet (respectively 49.3% and 23.2% of the fleet), while the Ivorian fleet is dominated by semi-trailers/van trucks (49%) and dump trucks (20%) (Figures 3.5). Formal firms in Burkina Faso have a fleet dominated by tankers (61.3% of enterprises), while the informal and artisanal fleet includes more semi-trailers/van trucks (respectively 27.0% and 19.7 %) and flatbeds (33.3% and 23.6%, respectively) (Figure 3.5). This can be explained by the fact that tankers are used to transport oil and gas from producing countries and ports, including Côte d'Ivoire to Burkina Faso. Indeed, tankers are the dominant means of transport for companies engaged in international travel (60% of companies). Transporting hydrocarbons necessitates formal contracts that require vehicles in good condition. In addition, the transport of hydrocarbons is an ongoing activity with few fluctuations, while in other areas of freight, supply fluctuates considerably, sometimes causing periodic suspension of activities. Formal freight businesses have a tendency to get into the fuel transport business and thus require the use of tankers. National traffic meanwhile is mainly provided by flatbed trucks and semi-trailer/van trucks.

Figure 3.5: Distribution of Vehicle types by firm type and nature of cargo (domestic or international) in Burkina Faso

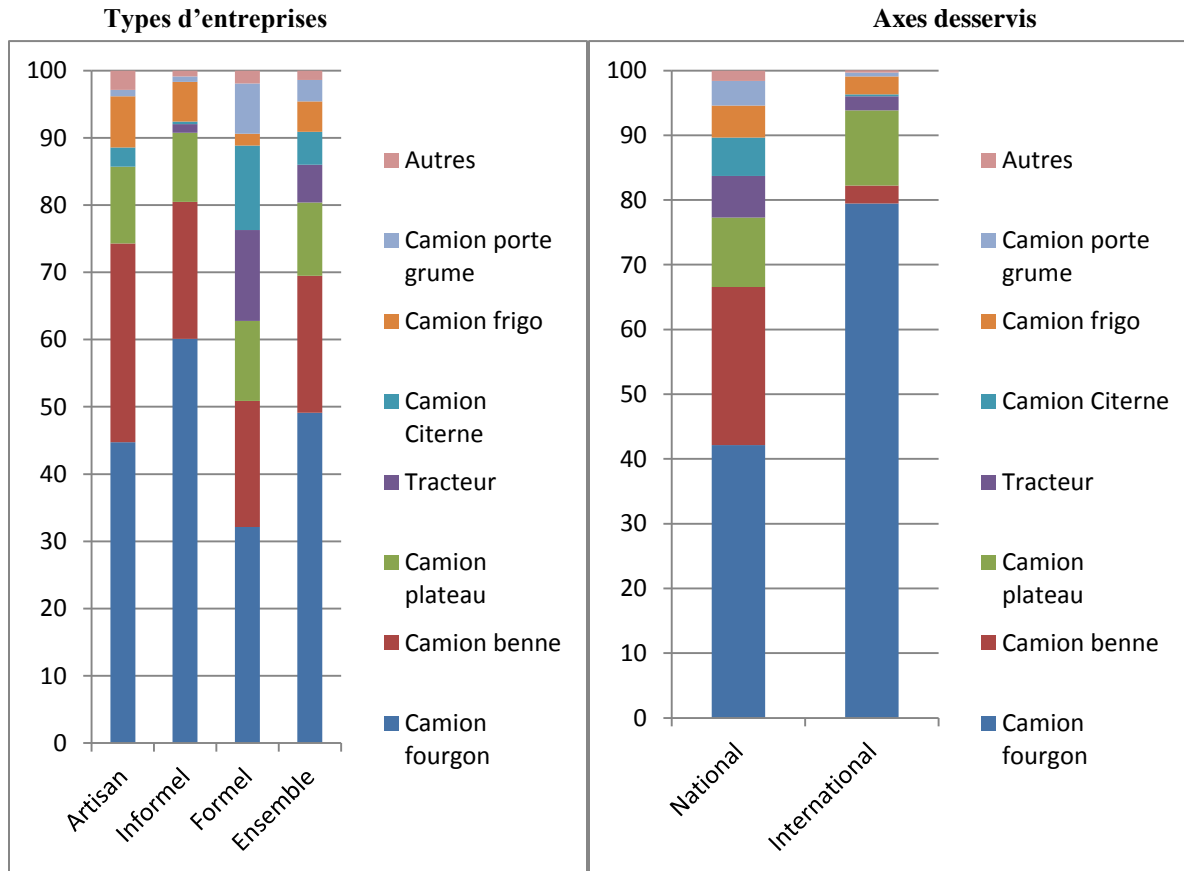


Source: EITM-ENSEA, 2014.

3.40 In Côte d'Ivoire, semi-trailers/vans (49%) are the most frequent followed dump trucks (20%). Semi-trailers/van trucks dominate international routes (79%) compared to domestic routes (42%). This can be explained by the fact that international transport is done over long distances and requires that the goods be better protected, i.e., covered and sealed. Large vans and semi-trailers meet these requirements. Also, flatbeds used for transporting goods packed in containers are also increasingly used by international carriers. In contrast, dump trucks used to transport bulk goods, such as sand, gravel, etc., are used by carriers that do not cross borders (24%) and rarely by international carriers (2%). The transport of hydrocarbons is done with tankers, but in the case of Côte d'Ivoire seems confined to domestic travel only as tankers represent only 0.3% of Côte d'Ivoire's international fleet compared to 6% for domestic carriers.

3.41 **Both public and private freight carriers generally use their own trucks.** However, they may occasionally use rental trucks or enter into lease agreements. In Côte d'Ivoire about 98% of trucks are owned while in Burkina Faso, the proportion is 89.4%. (see Table 3.2).

Figure 3.6: Distribution of Vehicle types by firm type and nature of cargo (domestic or international) in Côte d'Ivoire



Source: EITM-ENSEA, 2014

3.42 Analysis of the fleet in terms of age reveals an aging fleet, especially among informal enterprises and artisans. An aged fleet is common to freight carriers in West Africa, though it should be noted that the Ivorian fleet is older than that of Burkina Faso (Table 3.2). In Côte d'Ivoire trucks have an average age of 21 years with 89% being more than 10 years old. In Burkina Faso, the average age is about 13 years, with only half the fleet over 12 years old.

**Table 3.2: Structure of the Truck Fleet
(% of total fleet)**

	Côte d'Ivoire			Burkina Faso		
Droit de propriété sur le véhicule						
Propriété de l'entreprise	97,88			89,4		
Loué à un particulier	0,86			4,2		
Crédit/Bail	0,8			3,8		
Loués à une compagnie	0,46			2,1		
Autre	0			0,5		
Classes d'âge des véhicules de transport de marchandises						
[0 ; 5]	3,24			15,89		
[5 ; 10]	5			18,54		
[10 ; 15]	17,27			32,45		
[15 ; 20]	23,65			15,89		
[20 ; 25]	19,73			7,95		
[25 ; 30]	12,37			5,96		
[30 ; 35]	9,13			3,31		
[35 ; 60]	9,62			15,89		
Classes d'âge des véhicules selon le type de transporteurs de marchandises						
	Artisan	Informel	Formel	Artisan	Informel	Formel
[0 ; 5]	1,18	0,78	9,25	17,65	0,00	19,35
[5 ; 10]	3,53	4,83	5,82	8,82	16,67	22,58
[10 ; 15]	5,88	17,45	20,21	29,41	33,33	33,33
[15 ; 20]	24,71	21,03	29,11	17,65	16,67	15,05
[20 ; 25]	22,35	21,96	14,04	14,71	8,33	5,38
[25 ; 30]	11,76	14,17	8,56	8,82	12,50	3,23
[30 ; 60]	30,59	19,78	13,02	2,94	12,50	1,08

Source: EITM-ENSEA, 2014

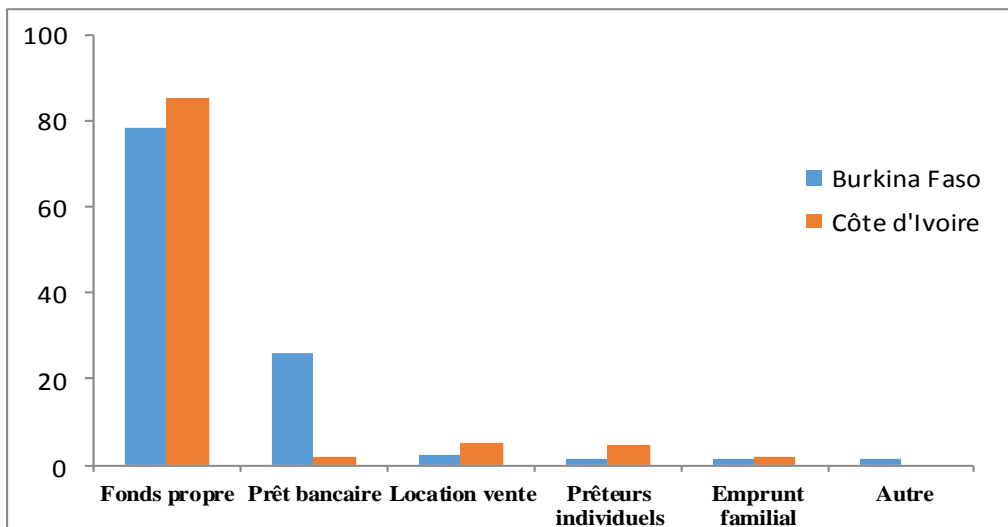
Strategies for Truck/Fleet Renewal

3.43 In Côte d'Ivoire, trucks used by the majority of carriers (80%) are either second-hand vehicles (75.6%) or rehabilitated purchased vehicles (4.4%). Only 41% of freight carriers are currently considering acquiring one or more trucks in the next 12 months. The acquisition of new vehicles by carriers would reduce the frequency of breakdowns, avoid delays in the delivery of goods, contribute to improving the quality of road transport services, and increasingly protect the environment.

3.44 In Burkina Faso, truckers have benefited from tax relief on taxes on imported vehicles. These measures, have allowed for some fleet renewal and this is evident in the age of the fleet. The purchase of new vehicles and the purchase of second-hand vehicles (used) are the two main vehicle acquisition modes in Burkina Faso. The majority (65.3%) of the vehicle fleet in Burkina Faso are second-hand vehicles and over 85% of all freight transport companies employ used vehicles. New vehicles represent 30% of vehicles in the fleet and are held by 10.7% of companies.

3.45 **Access to financing is an essential element in fleet renewal and is a concern for any operators in both the formal and informal sectors.** Financing can be a constraint at both the start of a trucking venture and in the ongoing operation of the business. Access to finance for most private sector actors is generally based on financial and banking institutions that require collateral. Unfortunately, this is not always within reach of small and medium enterprises, and appears to be a particular constraint to trucking enterprises. Most carriers are forced to finance their vehicle purchases with own-equity, resort to informal loans, or obtain assistance from their family. In Côte d'Ivoire, the primary modes of financing truck purchases are: first self-financing (85.5%), followed by rent-to-own (5%), informal loans (4.5%), family loans (2%), and bank loans (2%). In Burkina Faso vehicle purchases are funded in whole or in part by self-financing (78%) and bank loans (26%) (Figure 3.7). These differences between the two countries may reflect the efforts of the Burkinabé government and the programs it implemented to encourage fleet renewal.

Table 3.3: Vehicle Financing Modalities



Source: EITM-ENSEA, 2014

3.46 Limited access to the banking system can perhaps be explained by the nature of freight carriers. Indeed, road transport freight companies in Côte d'Ivoire and Burkina Faso tend to be micro-enterprises (with less than 5 trucks) and very few keep regular accounts and pay taxes. This reflects the high level of informality among freight carriers and hinders access to the formal banking system. These carriers, like most small entrepreneurs in Africa, are rarely able to meet the requirements of financial institutions. They are considered high risk and the formal financial sector lacks information about their repayment capacity and their ability to provide and guarantee collateral is limited.

4. REFORM PROGRAM

4.1 **In support of their national development plans, the Governments of Côte d'Ivoire and Burkina Faso have prepared a comprehensive program of reform for the transport sector.** The program focuses on a number of reforms, such as the reform of drivers' and vehicle licenses, the professionalization of the trucking industry and the adoption of more stringent

criteria for access to the profession. The common vision of the two countries for modernization of their transport sectors is spelled out in the joint Letter of Development Policy, which accompanies the Bank's program document. The LDP presents the medium-term reform strategy of the two countries for modernization of their transport sectors and of operations along the Abidjan-Ouagadougou, taking into account both transport and customs-related aspects.

- **Burkina Faso's Transport Reform Program**

4.2 **The transport sector is a major component of Burkina Faso's development strategy.** Noting that high transport costs remain a major impediment to Burkina's competitiveness and growth, their Strategy for Accelerated Growth and Sustainable Development (SCADD) emphasizes the necessity of improving the transport and logistics sectors in order to achieve the country's long-term development goals. In addition to investment in better infrastructure, the SCADD explicitly mentions the need to introduce measures enabling the emergence of professional and efficient transport companies. Complementing the SCADD, a revised Transport Strategy for the period 2011-2025 was adopted by the Government in December 2011 to guide the development of policies enabling profitable investment in the sector and maximizing its contribution to growth and competitiveness.¹¹ This document provides a diagnostic of the constraints affecting transport in Burkina Faso, including:

- Obsolete or incomplete nature of legal texts regulating access to the road transport profession and defining the nature of various transport sub-sectors;
- High costs and long delays on the corridors linking Burkina to the coast and at maritime gateways, compared to other corridors in Sub-Saharan Africa;
- Freight transport services characterized by a high number of small, unprofessional operators with a dilapidated fleet, poor management practices, and low profitability and investments;
- Inefficient practices, such as the stripping of containers at the ports and the queuing system (*tour de rôle*) for trucks, which contribute to the survival of inefficient operators and negatively impact the profitability of the sector;
- High cost of container warranties and the short time allocated to transporters to return them, which creates pressures for container stripping.

¹¹ *Actualisation de la Stratégie de Développement du Secteur des Transports au Burkina Faso – Rapport Final*, Juillet 2011 (available at: http://www.sips.gov.bf/img_tmp_fichiers/MIDT-PS-3.pdf).

Table 4.1: Strategic Priorities of the Burkinabe Government for International Road Transport

Axis	Issue	Measures planned
Policy		
International transit	Inadequate regulatory and institutional framework for transit, with responsibilities diluted between several actors; Negative impact of practices such as freight repartition and “tour de role” on the quantity, quality and price of transport services; Obstacles along corridors, such as multiple controls and harassment	Improvement of the institutional framework for regional corridors and coordination within and between countries; Liberalization of national and regional freight markets and promotion of competition, with accompanying measures to mitigate the negative impact for inefficient operators; Implementation of regional standards to limit checkpoints, introduction of system for tracking of cargo along corridors; Interconnection of customs management systems with neighboring countries; Joint borders post; Cargo tracking system along key regional corridors
Management of road infrastructure	Increasing cost of road works and systematic overloading of trucks	Modernization and decentralization of the institutional framework for road management and maintenance; Measures to reduce overloading “upstream” (reducing incentives to overload through improved competitiveness of road freight and promotion of containerization through a guarantee fund) and “downstream” (implementation of axle-load regulations and improved controls);
Transport services fees	Low proportion of freight transported with containers; High cost of maintenance and warranty for containers.	Promote containerization Reduce maintenance and warranty fees for containers
Trucking industry	Easy access to transport profession and no clear conditions limiting responsibilities	Professionalization of trucking industry
Road safety	Increasing road safety issues, many accidents	Support new transport fleet acquisition. Speed limit for passengers cars Regulate license renewals for passengers transport with technical control and limited age of vehicles.
Infrastructure		
Road network	Limited density and poor quality, especially of the secondary and tertiary road network	Increase of the size and density of the primary, secondary and tertiary road network; Rehabilitate the network, modernize the main transport axes; Highway Ouagadougou-Yamoussoukro
Rail infrastructure	Poor condition of railway linking Burkina to Côte d’Ivoire and insufficient wagons for fret carriage	Rehabilitation of the Abidjan-Ouagadougou-Kaya line; construction of rail link Ouagadougou-Niamey

- **Côte d’Ivoire’s Transport Reform Program**

4.3 **The Ivoirian authorities have established an ambitious reform and modernization plan for the transport sector.** The Ministry of Transport recently presented its strategy to improve transport in Côte d’Ivoire and facilitate exchanges along the Abidjan-Ouagadougou corridor.¹² As outlined in 4.2 below, an important part of this strategy concerns policy reforms

¹² *Politique de Facilitation des Transports sur le Corridor Abidjan-Ouagadougou*, Ministry of Transport of the Republic of Côte d’Ivoire, October 2013.

to modernize the road transport sector. The program focuses on a number of reforms, such as the reform of drivers' and vehicle licenses and the professionalization of the trucking industry, by adopting revised criteria for access to the profession. Fleet renewal schemes will provide incentives for accepting and implementing the reforms.

Table 4.2: Priorities of the Ivoirian Government for the Modernization of the Transport Sector

Axis	Issue	Measures planned
Policy		
Regulation of the road transport sector	Limited control over the sector; long delays for procedures; absence of reliable statistics	Establishment at the Ministry of Transport of a single management system for road transport activities and service delivery to users, connected to monitoring systems (e.g. geo-tracking of freight, cameras and radars, axle load control) and to registries of drivers, companies and vehicles.
Trucking profession	Insufficient professionalism of truckers and high informality	Professionalization of truckers by strengthening the training framework and the criteria to access the profession
Trucking sector	Difficult and opaque access of transporters to freight	Modernization of regulations governing road freight allocation
Trucking sector	Non-implementation of axle load limit regulations	Support to transporters to comply with regional regulations on axle load limits
Vehicle fleet	Old vehicle fleet for passenger transport and freight, creating environmental, economic and safety hazards	Fleet renewal through the establishment of credit lines by commercial banks and dedicated fund; vehicle scrappage program
Trade facilitation	Limited information on trade facilitation bottlenecks	Establishment of a database for the Regional Transport Observatory and collection of volume/time/cost data at the port, on roads, rail, and at border posts; capacity building of public/private actors and awareness campaigns on trade facilitation
Driving skills and road safety	Poor driving skills, exam fraud, high number of accidents and prevalence of risky driving practices	Reform of driving license system, strengthening of driving schools; Improvement of road signals, awareness campaigns on road safety, establishment of alcohol and drug testing, etc.
Infrastructure		
Port infrastructure	Poor quality and congestion of the existing facilities at the port of Abidjan	Construction of a new road freight station, bridges and circulation lanes at the port; establishment of parking spaces for trucks outside the port
Road infrastructure	Absence of modern equipment for road transport	Construction of freight and passenger transport stations in Abidjan and other cities inland; construction of rest stations for truckers along the Ivoirian part of the Abidjan-Ouagadougou corridor
Rail infrastructure	Poor state of the infrastructure and limited network	Rehabilitation of the Abidjan-Ouagadougou-Kaya line; construction of a Western line (San Pedro-Man); development of an urban transport railway system in Abidjan

4.4 The Bank's Regional Trade Facilitation and Competitiveness Development Policy Credit (RTFCC) is designed to support the reform efforts of the Burkinabe and Ivoirian Governments. This innovative Development Policy Operation (DPO) addresses previously unsolved issues affecting trade and transport by offering a common framework for coordinating reforms in the two countries.

4.5 **The objective is to reduce trade and transport transaction costs in order to promote development of the private sector and improve the business environment in the two countries**, with the aim of facilitating their integration with the global economy. Given the importance of trade for the poor, both to create income opportunities and to reduce the cost of living, this operation is fully consistent with the Bank’s twin goals of ending extreme poverty and promoting shared prosperity. By lowering the currently high transport costs, facilitating trade and promoting regional integration, the reforms supported by this program are expected to have broad-based welfare gains in both countries, benefiting producers of exported products (including farmers), consumers of imported goods and firms using imported inputs, among others.

Table 4.3: Policy Reform Matrix

Area	Prior Actions under RTFCC 1	Triggers for RTFCC 2
Pillar A - Professionalizing and formalizing the trucking industry		
<i>A1 - Business enabling environment promoting professionalization and formalization of the trucking industry</i>	Adoption of legal and regulatory framework to redefine the criteria for access to the profession of commercial and own-account road freight transport operator (with a well-defined, time-limited transition period) following best international practices (e.g. UNECE Resolution No. 4 on facilitation of international road transport) [BF; CI]	Adoption of a regulatory framework (decrees and/or ministerial order) mutually elaborated between the two countries defining (a) the training curricula for road transport company managers and truck drivers, following best international practices (UN Conventions, IRU); and (b) the criteria and certification mechanism for the creation of private institutions providing training and issuing certificates of professional competence for the trucking industry [BF, CI]
<i>A2 - Professional organization representing the trucking industry</i>	Approval by Transport Ministry of the bylaws and rules of procedures for an independent umbrella professional association representing the trucking industry, in line with best international practices [CI]	
<i>A3 - Implementation of axle load regulations</i>	Adoption of an interministerial order defining the respective responsibilities of the Ministries of Transport and Infrastructure regarding regulation and enforcement of axle load controls [CI]	Application of Article 11.a of WAEMU Regulation 14 on truck axle load standards and controls [BF, CI]
Pillar B - Modernizing the organization of the trucking market		
<i>B1 - Efficiency of road transport operations through better contractual relations between trucking companies and shippers</i>		Introduction in Burkina Faso of a virtual freight exchange that (a) is accessible only by compliant transporters, (b) is voluntary for both shippers and transporters and (c) allows a competitive matching of transport services supply and demand [BF]
	Revision and implementation by the Ministry of Transport of the regulatory framework (decree and/or ministerial orders) organizing the issuance of consignment notes (OHADA template) in Côte d’Ivoire [CI]	Transition to electronic inter-State consignment notes and mutual recognition by BF and CI [Joint]
	Ministers of Foreign Affairs of both countries sign MoU giving mandate to a joint	Signature by the two countries of the revised bilateral road transport agreement [Joint]

Area	Prior Actions under RTFCC 1	Triggers for RTFCC 2
	technical committee to negotiate the revision of the 1999 bilateral road transport agreement in the framework of the Friendship and Cooperation Treaty (TAC), including issues related to trade and transport facilitation and the liberalization of freight allocation [Joint]	
<i>B2 - Efficiency of road transport operations through a more efficient truck fleet</i>		Establishment by the Ministry of Transport of a mechanism to support fleet renewal for compliant transporters, including (a) provisions to lower the cost of vehicles (notably tax and customs duty exemptions); (b) provisions to facilitate access to credit; and (c) accompanying measures [BF;CI] Revision of the technical inspection system and regulations for trucks to eliminate substandard vehicles [BF; CI]
<i>Pillar C - Enhancing the competitiveness of maritime and inland gateways</i>		
<i>C1 - Port and terminals operational efficiency and prices</i>	Adoption of an <i>arrêté</i> (order) by the Ministry of Transport liberalizing the activity of container delivery in the Abidjan metropolitan area and setting objective and open eligibility criteria for transporters [CI]	Adoption of a ministerial order reactivating the <i>Commission on Competitiveness of Ivoirian Ports</i> [CI] Revision of tariff structure and practices of container terminals in Burkina Faso to promote containerization [BF]
<i>Pillar D – Improving customs clearance</i>		
<i>D1 - Availability of information on trade procedures and regulations</i>	Adoption by the Ministries of Commerce and Finance of an interministerial <i>arrêté</i> (order) for the preparation and maintenance of a Trade Information Web Portal (TIW) [BF, CI]	Establishment of TIW in line with Article 1 of the WTO’s Trade Facilitation Agreement, based on the WAEMU template and best international practices (e.g. WCO, WB) [BF, CI]
<i>D2 – Customs clearance procedures and reward of compliance</i>	Establishment by the customs administration of an automated and operational database on traders’ risk profiles [BF; CI]	Strengthening by the customs administration of (a) risk management through the interface of the traders’ risk profiles database with the customs management system), and (b) post-clearance audits (PCA) through the adoption of a PCA strategy and manual of procedures [BF, CI] Adoption and implementation of a legal and regulatory framework defining the criteria and functioning of an Authorized Economic Operator (AEO) scheme [CI]
<i>D3 – Professional standards for customs and logistics service providers</i>	Adoption of the Customs Code of Ethic and Good Governance [CI]	Transposition of the revised WAEMU regulation governing the profession of customs brokers [BF, CI] Improvement by the customs administration of transparency and anticorruption through the adoption of (a) an internal control strategy and audit plan, and (b) an annual plan for the control of customs brokers [BF, CI]

Area	Prior Actions under RTFCC 1	Triggers for RTFCC 2
<i>Pillar E – Facilitating transit</i>		
<i>E1 - Border crossing procedures</i>	Signature by the two customs administrations of the interconnection agreement concluding the study phase of the project and defining technical specifications, budget and implementation timeline [Joint]	Interconnection by the two customs administrations of their information systems [Joint]
<i>E2 – Transit regime</i>	Signature by the Burkinabe and Ivorian Chambers of Commerce of an addendum to the February 2014 Agreement on the single payment of the ISRT transit guarantee enabling its effective application [Joint] Adoption by the Minister of Finance of a ministerial order requesting Burkinabe customs to stop collecting the ISRT transit guarantee on goods in transit on top of the one collected in CI [BF]	

4.6 **While there are clear economic benefits emanating from reforms areas supported by the proposed operation, several of the measures will also likely have significant poverty and social impacts on vulnerable segments of the population.** The reforms supported by the RTFCC series are designed to facilitate transport and trade, and are thus expected to generate significantly positive economic, employment and welfare effects at the national level in the two countries. To the extent that these reforms will reduce the costs of importing and exporting goods, they should also have a positive impact on poverty reduction. These benefits should be particularly important for Burkina Faso, where lower transport prices and enhanced efficiency of logistics services for the movement of food staples will improve food security by preventing the loss of crops during transport, while helping to strengthen the competitiveness of traditional exports such as cattle from landlocked countries in the Sahel. This will benefit in particular women, many of whom are involved in small businesses and have much to gain from lower transport prices and better access to markets. However, given that the trucking industry in West Africa is comprised largely of an over-supply of small independent and largely informal truckers who operate on relatively thin profit margins, the impact of trucking sector reforms will be considerable for those operators who may not be able or willing to comply with a stricter regulatory framework for access to the profession.

4.7 The assessment of the poverty and social impact will, therefore, attempt to ascertain the extent to which different actors in the trucking business are affected and what coping mechanisms and mitigation measures may be employed. This PSIA, in the subsequent sections, essentially assesses the impact of this broad road transport sector reform program.

5. MACRO IMPACT OF THE PROPOSED REFORM PROGRAM

A. BROAD REGIONAL IMPACT OF ROAD TRANSPORT REFORM IN WEST AFRICA

5.1 **This section draws on a study commissioned by USAID, in association with the World Bank, and undertaken by Nathan Associates Inc.**¹³ That report was prepared as an initial analysis of the impact of regional road transport reform in the lead up to the consideration and design of a regional road transport development policy operation. The report summarized the situation of the West African trucking industry and designed and computed a model for calculating the impact of reform on the industry and the regional economy.

5.2 **Two scenarios were explored** in order to define the benefits and costs of a package of reforms, including axle load controls, elimination of quotas, queuing and the ban on freight transport in one country by truckers from another country, subsidies for truck fleet modernization, and major reductions in en route checkpoints and border transit times. The first scenario assumed that the shares of transit traffic would remain the same between coastal and landlocked trucking fleets, while the second scenario examined shifts in those shares to lower cost operators. Both scenarios assumed that axle load controls reduce overloading of transit trucks by 97 percent.

5.3 **The net benefit to the regional economy from these reforms was estimated at US\$400–US\$500 million per year**, one-third of which would be attributable to axle load controls and the rest to other reforms. Governments could be expected to save US\$200-US\$300 million in road maintenance, while the trucking industry (and especially the number of informal operators) would shrink as a result of productivity increases and less waiting time in queues at ports and border posts.

5.4 **Under these scenarios, transport costs per ton-km are expected to decrease by 20 percent and transport prices by 19 percent.** This would create the conditions necessary for an increase in the value of transit trade by about 8 percent. The regional trucking industry would gain about US\$60 million in net revenue, while shippers, producers, and consumers in landlocked countries could gain US\$200 million in net economic benefits.

5.5 **Among individual stakeholders and industry participants, the major losers identified would be informal sector truckers**, who would be expected to lose 16,000 jobs, although many would gain by shifting to the formal sector. According to the model, 150,000 to 650,000 trade-related jobs would be created, substantially more and an order of magnitude larger than the jobs that would be lost in the trucking industry.

5.6 **The study cautioned that there could be resistance to lower prices for transport by some stakeholders.** This could create a critical problem since lower prices are needed to trigger additional trade growth. If transport prices are not allowed to fall under the influence of market pressures, there would be much less influence on trade, although a continuation of past relative

¹³ Nathan Associates Inc., “Impact of Road Transport Industry Liberalization in West Africa”, May 2012.

modest growth is likely, even with restraints on competition. This scenario would have less benefit for the region and policies should be targeted to avoid it.

5.7 Finally the report noted that there may be a need for a campaign to educate stakeholders about the broader benefits of the reforms related to achieving additional growth and its benefits. In sum, it was recommended that trucking industry reforms be initiated in West Africa as the benefits are clearly much larger than the costs. These reforms should include mechanisms to mitigate the impact on informal sector truckers, such as compensating those bearing the greatest loss and providing job retraining.

5.8 The regional DPO has taken these findings and recommendations into account and this PSIA provides greater detail on the potential negative impact on vulnerable groups and potential compensatory measures.

B. DETAILED MACRO IMPACT IN CÔTE D'IVOIRE AND BURKINA FASO

5.9 The above brief summary of the macroeconomic impact of the planned reforms clearly notes the significant benefits to the economies of the region that can be gained through thoughtful road transport reform. The following discussion and tables highlight the macroeconomic impact of the reforms on Côte d'Ivoire and Burkina Faso specifically. It should be noted that the impacts, both positive and negative, are magnified in Burkina Faso as compared to Côte d'Ivoire given the dichotomy in impacts between land-locked countries and coastal countries. Land-locked countries stand to benefit much more at the macroeconomic level from the provision and availability of more efficient, more effective, more reliable, and lower cost transport services. Nonetheless, given the nature of existing road transport conventions and institutions, individual truckers and industry players in land-locked countries currently benefiting from a somewhat protected domestic road transport industry also stand to potentially lose more at the individual level. In sum, the reforms imply a more meaningful change for Burkina Faso than for Côte d'Ivoire with resultant more positive macro impacts in Burkina Faso, but also accompanied by more adjustment and dislocation at the micro/industry level.

5.10 The following presentation of the estimated impacts illustrate this well and begins at the level of the trucking/transport industry and then extends to the broader macroeconomic impacts.

5.11 The package of reforms supported under the Regional DPO are expected to have the following direct impact on business practices, which will lead to the expected outcomes noted and presented in the tables and discussion below:

- Reduction of waiting times in queues to get loads in favor of direct contracting or contracting through cargo brokers;
- Restriction of transit transport to operators, drivers and vehicles with modern, professional certification;
- Provision of either direct subsidies or reduced import tariffs for modern truck purchases and/or subsidized loans for truck purchases;
- Reduction of waiting times at borders and checkpoints;
- Reduction of informal payments by truckers;

- Increases in cabotage trucking by transit operators from corridor countries.

5.12 In addition, there will be indirect effects that are expected to result in:

- An increase in the proportion of formal trucking operators (to 80 percent of transit trucks);
- An increase in the proportion of larger trucks (as transit operators trade up with new purchases);
- A related decrease in the percent of overloaded vehicles;
- An increase in the annual mileage for trucks engaged in transit of 20,000 km per year due to reduced wait times at checkpoints and borders;
- An increase in load factors by 10 percent for transit trucks due to cabotage operations.

5.13 The impacts detailed below are centered primarily on transit trade as the original intention of the Regional DPO was to improve transit trade and road transport efficiency along the Abidjan-Ouagadougou corridor. However, it should be recognized that the supported reforms will also increase efficiency and reduce trucking prices for domestic trucking. While the reforms are focused largely on the regional aspects of road transport reform, the supported reforms will have a direct impact on domestic road transport as well, including a demonstration effect on domestic truckers as the number of modern formal sector transit trucking operators increases.

Table 5.1: Changes in the Structure of the Transit Trucking Industry, Scenarios 1 and 2¹⁴

Impact	Scenario	Côte d'Ivoire	Burkina Faso
Change in number of trucks in active transit fleet	1	-70	-900
	2	600	-1,400
Percent formal operators after reform	1	80%	80%
	2	80%	80%
Change in employment due to increased efficiency	1	-300	-2,900
	2	-1,100	-1,800
Change in employment due to increased demand	1	100	500
	2	1,500	-1,100
Net change in trucking employment	1	-200	-2,400
	2	400	-2,900

Source: Nathan (2012)

5.14 The number of trucks in the total transit trucking fleets is expected to decline with reforms under both scenarios by about 800 to 1,000 vehicles, or some 11 to 14 percent of the 7,100 transit vehicle fleet. This will lead to a decrease in direct trucking industry employment of around 2,500 jobs, a loss which is more than compensated for by much larger job increases in other sectors arising from increased trade as discussed further below. There is a

¹⁴ Scenario 1 assumes no change in the current shares of landlocked country and coastal country haulage along the corridor. Scenario 2 incorporates expected changes in the shares of haulage by coastal and landlocked countries to favor countries with the lowest transport costs.

significant difference in impact between countries with land-locked Burkina Faso being more negatively affected than coastal Côte d’Ivoire.

5.15 With a decrease in the number of trucks and an increase in demand as trade volumes increase in response to lower transport costs and prices, mileage per truck and truck profitability metrics will increase. Table 5.2 estimates average mileage increases per truck in both countries.

Table 5.2: Estimated Average Annual Km for Transit Trucks with and without Reforms

Country	Formal Sector		Informal Sector	
	Without Reform	With Reform	Without Reform	With Reform
Côte d’Ivoire	87,000	110,000	74,000	97,000
Burkina Faso	45,000	69,000	38,000	62,000

Source: Nathan (2012).

5.16 Net transport revenue after costs for transit truck operators calculated by the model for the two countries is estimated to increase by about US\$15 to US\$60 million with a significant shift toward Côte d’Ivoire under scenario 2, though both countries are net beneficiaries of the reforms. This net effect includes the combined effects of increased productivity, lower unit operating costs and increased revenue from increased demand and cabotage operations. This is a conservative estimate of total benefits to truckers.

Table 5.3: Changes in Operating Costs and Revenue for Transit Trucking

Impact	Scenario	Côte d’Ivoire	Burkina Faso
Change in transit operating costs (US\$ million)	1	-	-18.1
	2	83.8	-71.6
Change in informal payments (US\$ million)	1	-2.5	-6.9
	2	-2.0	-7.2
Change in transit revenue	1	-4.3	-7.7
	2	116.4	-65.3
Net benefit for transit truckers	1	-1.8	17.3
	2	34.6	13.5

Source: Nathan (2012).

5.17 Estimated cost savings to truckers following reform implementation should be significant and should increase profitability in the industry, as illustrated in Table 5.4. An important takeaway from this is that from a poverty perspective, while the number of truckers may decline as noted above, those remaining in the industry will be more profitable and will benefit from higher incomes. As such, the reforms should have a significant impact on lowering poverty levels among the significant number of operators remaining in the industry. Cost savings in the neighborhood of 20 percent are envisaged and when combined with increased demand and increased utilization rates should lead to significantly increased profits and incomes for truckers and their families.

Table 5.4: Estimated Transport Cost Savings per ton-km for Transit Truckers

Impact		Côte d'Ivoire	Burkina Faso
Average Unit operating costs (US\$/ton-km)	Before reform	0.060	0.076
	After reform	0.051	0.058
Savings in unit operating costs	Amount (US\$/to-km)	0.009	0.018
	Percent	15	24

Source: Nathan (2012).

5.18 **Average transport prices should also fall as estimated in Table 5.5.** Shippers should benefit from increased efficiency in the transport industry as reflected in price decreases of approximately 20 percent. These price savings will also be accompanied more intangible and more difficult to quantify benefits such as improved reliability and predictability, faster delivery periods, reduced damage to goods, etc. These additional benefits could be at least as significant to shippers and consumer of transport services as the price reductions.

Table 5.5: Estimated Transport Price Savings per ton-km for Transit Truckers

Impact		Côte d'Ivoire	Burkina Faso
Average Unit transport prices (US\$/ton-km)	Before reform	0.092	0.091
	After reform	0.073	0.072
Savings in unit transport prices	Amount (US\$/to-km)	0.019	0.019
	Percent	20	21

Source: Nathan (2012)

5.19 **In addition to direct impacts on truckers and shippers, there will be impacts on government expenditures.** Table 5.6 summarizes these impacts and it should be noted that the model estimated impacts on governments only from the expenditure side. There will be additional benefits in the form of increased import and export duties and losses or gains related to licensing fees, etc., but these are not included in the estimates. Additional expenditures are related to compensatory measures to accommodate the reforms, such as subsidies to facilitate truck purchases and financing costs. These could clearly vary depending on program parameters, but are estimated here based on the expected level of fleet renewal and modernization. Savings to governments are directly related to lower road maintenance costs stemming from reduced axle loads. Expenditures on compensatory measures will be one-time expenses while savings will be ongoing, as explained in footnote 11.

Table 5.6: Estimated Impacts on Government Expenditures (US\$ million)¹⁵

Impact	Scenario	Côte d'Ivoire	Burkina Faso
Subsidies for vehicle purchases and interest (potential accompanying measures)	1	3.4	19.7
	2	9.0	14.9
Savings in road maintenance and repair	Low est.	12.4	59.0
	High est.	16.8	88.5
Low estimate of net impact on expenditures	1	-9.0	-39.3
	2	-3.4	-44.1
High estimate of net impact on expenditures	1	-13.4	-68.8
	2	-7.8	-73.6

Source: Nathan (2012).

5.20 Of course, the impact of road transport reform go far beyond the direct impact on truckers, shippers and governments. Approximately US\$42 million annually in economic benefits is provided to regional consumers, with shippers and producers receiving some \$34 million in direct benefits annually. Burkina Faso, being landlocked, benefits the most as it enjoys additional trade and producer and consumer price savings from improved transit trade. Total benefits across both countries are on the order of US\$140 million to US\$174 million when net benefits to the trucking and government sectors are included.

Table 5.7: Estimated Benefits to Shippers, Producers and Consumers per year (US\$ million)

Impact	Côte d'Ivoire	Burkina Faso
Net Economic benefits for shippers	0.3	8.7
Net economic benefits for consumers	0.5	41.6
Net economic benefits for producers	0.1	25.1
Low estimate of net economic benefits for economy ^a	8.1	132.0
High estimate of economic benefit for economy ^a	12.5	161.5

^a Includes net economic benefits for the trucking industry and the government

Source: Nathan (2012).

5.21 High transport/logistics costs paid by importers and exporters and the unreliability of the transport/logistics system depress trade. This includes transport tariffs paid by importers and exporters and high logistics costs paid by both importers and exporters. Increased competition and efficiency in the road transport industry due to reform and liberalization will decrease transport tariffs, increase reliability and predictability, decrease logistics costs and, ultimately, expand trade. More reliable transport service and lower tariffs will also facilitate the integration of local companies into global supply chains. Trade gains are obtained by combining trade creation and trade substitution effects. Since transport inefficiencies are more important for imports, they would be most affected initially and the analysis focuses on the projected impact on imports. Nevertheless, improvement of corridor efficiency would affect exports as well as imports. Increased import volumes would benefit local consumers (including local companies relying on foreign inputs) by increasing their consumer surplus, but it may also create a loss for

¹⁵ Subsidy costs (first impact noted in the table) are a one-time expense, while savings in road maintenance and repair are ongoing projected annual savings. Nonetheless, savings in first year more than cover the cost associated with an accompanying measure related to purchase and interest subsidies to allow for trucker transition over the reform period.

some local manufacturers, whose products could be replaced by cheaper imports. However, increased export volume would benefit local producers by opening market opportunities. Overall, trade creation effects are expected to be much larger than trade substitution effects.

5.22 The increases in trade to landlocked Burkina Faso forecast in this model amount to US\$380 million annually, see Table 5.8. These are related primarily to responses to price changes which result in an increase in demand for imports and an increase in supply of exports. This is a conservative estimate since it does not take into account the general improvement in logistics service which will result from these reforms. The improved logistics systems may be an equally effective catalyst for increased trade as the lower costs. Gains from more efficient and cost-effective road transport could be expected in Côte d'Ivoire as well, but since the model focuses on the impact of improved transit transport, these are not estimated for Côte d'Ivoire.

Table 5.8: Estimated Increases in the Annual Value of Trade Induced by Transport Reforms (US\$ million)

Impact	Côte d'Ivoire	Burkina Faso
Change in value of trade	--	380

Source: Nathan (2012).

5.23 Table 5.9 presents the net employment effect of the proposed reforms – between 60,000 and 220,000 new jobs in Burkina Faso and an ambiguous outcome in Côte d'Ivoire. The model calculates two types of indirect impact on employment: (1) the indirect effects of direct employment changes in the trucking industry, and (2) the indirect effects on employment related to the increase in trade.

5.24 The trade effects are an order of magnitude larger than the trucking employment effects. Trade increases have a variety of employment impacts. For imports of consumer goods there are retail jobs, delivery and distribution jobs and import service jobs and their multipliers. For intermediate goods and exports there are distribution and logistics jobs, processing and related services with their multipliers. Research has been undertaken in West Africa in this area,¹⁶ and the resulting multipliers were used to calculate low and high estimates of the impacts as shown in Table 5.9. What is clear from this table is that even by these low estimates trade impacts on employment more than compensate for losses in trucking-related industries.

Table 5.9: Indirect Employment Impact for Trucking and Trade Changes due to Reforms

Impact	Scenario	Côte d'Ivoire	Burkina Faso
Direct and indirect employment changes for trucking industry ^a	1	-400	-4,100
	2	700	-5,000
Low estimate of employment impact from increased trade	1 & 2	--	60,000
High estimate of employment impact from increased trade	1 & 2	--	220,000

a A multiplier of 1.5 was estimated for trucking industry employment, which means that each ten jobs in the trucking industry generates another five jobs in other related sectors, as income earned in trucking is spent in the local economy, and the trucking industry buys materials and services for its operations.

¹⁶ As examples see Bromley 2011, which includes multipliers for both income and employment derived from analysis of production and supply chains for selected products in West Africa.

Summary of Macro level Impacts

5.25 **The results presented above clearly illustrate a significantly positive macro level impact** that will increase economic activity, hence growth, reduce transport costs and prices, hence reducing factor costs, increase imports and exports, and result in increases in consumer and producer surplus. The macro effect on poverty should thus be unambiguously positive and large.

5.26 **Nonetheless, the analysis also indicates that there are a variety of impacts on different stakeholders and that these individual impacts differ between the two countries.** It is clear from the model that the biggest winners among the stakeholders are:

- Shippers, consumers, and producers in landlocked Burkina Faso;
- Government road maintenance agencies;
- Formal sector truckers in all countries;
- Informal sector truckers who can afford to modernize their fleets.

Smaller but positive gains are expected for:

- Shippers, consumers, and producers in coastal Côte d'Ivoire;
- Truckers in both countries since the sector as a whole will have increased transit earnings following reforms.

The main losers appear to be informal sector truckers who cannot afford to modernize their fleets or who do not want to join the formal sector. This is the subject of the following section.

6. POTENTIAL IMPACT ON INDIVIDUAL INDUSTRY PARTICIPANTS

6.1 **As the previous discussion has highlighted, the road transport sector in West Africa, including in Côte d'Ivoire and Burkina Faso, suffers from a lack of competitiveness** emanating from high costs and resultant high transport prices. Transport costs directly and indirectly affect price structures across other economic sectors and contribute to a lack of internal and external economic competitiveness. In response, the ministries of transport in Côte d'Ivoire and Burkina Faso have undertaken a series of reforms in the transport sector, which are being supported through the Bank's regional budget support operation. The reforms are focused on six main areas: 1. professionalization and modernization of the transport sector; 2. fleet renewal; 3. improving corridor management and control; 4. improving port efficiency and reducing the cost of port transit; 5. promoting containerization; and 6. improving road conditions and reducing the cost of maintaining the infrastructure.

6.2 **These reforms, while expected to have large positive economy-wide impacts, will have differential impact on specific actors within the goods transport industries in both countries.** It is important to understand these impacts in order to properly formulate and

sequence reforms, but also to consider, design and implement accompanying measures in order to mitigate potentially adverse effects on transport actors.

6.3 As with any significant reform program, it may not be, and indeed is generally not possible, to insulate all players from any and all negative impacts. In the end, there will be winners and losers as is inherent in processes involving economic progress and structural transformation. The purpose of the exercise undertaken and reported on in this section is to identify those groups that may be most vulnerable to the changes brought about by the reform program, to understand the scope and scale of the impact on these groups, to obtain their perceptions on the reforms and potential impacts, and to suggest measures that could reduce or mitigate to some extent the negative consequences identified.

6.4 It is in this context that broad discussions were held with industry stakeholders to identify potential impacts and suggested accompanying measures. The results of these discussions and interviews are presented below and represent the views and perceptions of industry participants. They largely confirm the more quantitative approach presented in the previous section, but provide a perhaps more nuanced and personal perspective on the reforms and potential impacts. For the most part, industry participants were positive and supported the reforms, recognizing the necessity of the reforms though noting that for some groups adjustment will be more difficult.

6.5 The discussion is presented by reform area¹⁷ and industry participant groupings.

Reform Area #1: Business environment that promotes professionalization of the freight transport industry

6.6 Reforms in this area, including revision of legislation and regulation concerning access to the industry—trucker certification, licensing, professional standards, technical requirements—will have an impact on jobs and livelihoods after the planned transition phase. While some existing small informal truckers can potentially be absorbed into more formal firms as employees or contract operators, and while others may organize into cooperative type structures or *groupement d'intérêts économiques* (GIE's) to continue operating, some will be unable to meet new standards and over time will exit the industry. Those most vulnerable in this regard tend to be older, illiterate informal truckers and coxeurs unwilling or unable to find employment elsewhere in a more professional and modernized transport industry.

6.7 Stakeholders affected positively will include bigger, modern and more commercialized operators. Smaller truckers (including many informal truckers) with the capacity to modernize, professionalize and possibly expand their operations will also benefit from the reform. This positive impact will extend to current and future employees of these more modern and professional trucking companies. Increased demand for services, higher profits and greater

¹⁷ The reform areas do not align exactly in their presentation with those presented in the DPO matrix of reforms as the PSIA work proceeded concurrently with the preparation of the DPO and changes in the DPO program document were ongoing. For purposes of the PSIA the reform groupings were maintained as originally conceived. Nonetheless, the reforms analyzed are consistent across the PSIA and the DPO, though their presentation and groupings may differ somewhat in how they are presented.

utilization of trucking assets should lead to increased returns and increased incomes among these groups.

6.8 Stakeholders affected negatively will include primarily informal truckers as well as individual and small operators that are unable to modernize, including their employees, in both Burkina Faso and Côte d’Ivoire. Many of these informal, small and individual operators provide services with dilapidated and poorly maintained trucking fleets and will be unable to operate once the reforms take full effect. The reforms will likely result in loss of jobs for some or the inability of individual operators to continue in the trucking business.

6.9 Interviews and focus group discussions identified those most vulnerable among the vulnerable groups as being the older, illiterate, informal truckers who are nearing “retirement” and are unwilling to contemplate modernization and professionalization. Some of these felt they could continue to serve local informal markets and continue to struggle for a period in the midst of a reforming and modernizing industry.

6.10 Within an increasingly professionalized business environment, trucking should become a more profitable and sustainable venture for trucking companies and individual operators. In the current environment and under current practices, the over-supply of trucking services (including from informal truckers) has driven prices down, making it difficult for truckers to remain profitable. While some informal truckers may be unable or unwilling to operate in the new environment, many of these have been finding it difficult to operate profitably in the current environment and many were, often unknowingly, operating at a loss. As such, for many leaving the industry this may, in a kind of perverse sense, represent a positive step from an income, livelihood and poverty status.

Formal Truckers

6.11 The impact on formal truckers is expected to be by and large positive. In both Côte d’Ivoire and Burkina Faso, big operators welcome the move towards increased professionalization of the business environment as the current environment constrains the profitability of transport businesses along the AOC corridor. In Côte D’Ivoire, some concern was expressed among some big operators regarding the loss of previous contracts that have already been entered into with shippers given the impending implementation of the freight exchange system. However, it was recognized that this system will likely benefit all truckers, including large operators, but especially those who have difficulty gaining access to freight to transport.

Informal and Artisanal Truckers

6.11 Small and artisanal truckers, in individual interviews and focus group discussions, expressed a strong willingness to professionalize and to be part of the modern transport sector. In Burkina Faso, a number of small operators noted that they were unable to gain access to freight due to the proliferation of informal intermediaries, including coxeurs. Provided that these smaller operators can make good on their willingness to modernize and are able to adhere to the requirements of a professionalized transport industry, they perceive the freight exchange system as enabling them to access more freight and to remain profitable.

6.12 **Nonetheless, the requirements for professionalization could be cumbersome for some informal truckers**, especially artisanal truckers that often tend to have just single trucks, and for whom trucking is an additional or secondary trade (although there may be some for whom the trucking business is their sole trade). In the absence of other activities they can transition to, this reform area will likely have a negative impact on them.

6.13 **The possibility that informal/artisanal truckers could be hired by expanding larger operators is a strong possibility.** This was recognized and welcomed by some small truckers and confirmed by larger operators. Wages as an employee in a larger and more professional operation would likely exceed income earned as a small informal operator and this transition would thus be positive from a poverty perspective.

Potential Mitigation Measures

6.14 **Phasing and sequencing of reforms:** First, given that a number of those unable to transition to a more modern and professional environment tend to be older operators, it may be useful to phase in some requirements or provide “grandfather” clauses to permit a logical phasing-out period and to permit natural attrition to take its course. Second, some adjustment will be required even among those willing and able to modernize. Appropriate timing and sequencing of reforms could facilitate and allow for a more gradual, less disruptive and more inclusive adjustment period.

6.15 **Re-group into groupement d'intérêts économiques (GIE):** Small and artisanal operators can organize themselves into cooperatives to attain economies of scale -- potentially enabling them to share costs and assets as a means to attain a degree of professionalization. Several small operators expressed an interest in this avenue and some were planning such efforts.

6.16 **Partnership with big operators:** Small, informal, and artisanal operators could potentially partner with big, formal operators, including through the sale of their trucks. Supporting measures may be necessary to organize and bring them together with potentially interested big operators, but this was noted as a possibility.

6.17 **Transition to other activities:** If unable to professionalize, small/informal operators can transition to other activities based on their existing skill levels or asset endowment. For example, some have indicated the possibility of transitioning to passenger transport, which is less cumbersome in terms of investment requirements relative to the trucking business. Others could transition to trade in merchandise related to the trucking business such as sale of truck tires, vehicle oil and lubricants, etc.

6.18 **Supporting policy measures:** As part of the reform process, operators intending to transition to other activities could benefit from supporting policy measures such as access to finance as well as training opportunities to transition to other activities. Training opportunities were noted as being very important, in particular for the small operators considering the fact that almost all the chauffeurs are illiterate.

6.19 **Scrappage schemes:** Measures to facilitate the removal of old, unreliable, unsafe, costly and polluting trucks, including the payment of scrappage fees, could enable not only the transformation and compliance of truckers wanting to professionalize and modernize, but also could facilitate the movement of those truckers incapable or unwilling to modernize into other activities. As truck numbers are expected to fall, at least initially, appropriately designed mechanisms that provide incentives to scrap old trucks could be useful in modernizing the road transport sector and also in providing resources for those wanting to transition to other activities. Participation in scrappage schemes could also help identify those truckers leaving the sector and thus facilitate their access to and participation in other programs, such as re-training programs, that could further accommodate their transition.

Coxeurs

6.20 **Should the freight exchange system become operational and fully fulfill its function, coxeurs would be expected in all likelihood to be largely out of business.** Given the informal nature of their activity in the freight transport business, it is difficult to ascertain how many are engaged in intermediating between shippers and transporters. However, it is evident that they are significant in number and that they play an important, though at times distortionary and predatory, role in the absence of a professionalized system of freight transport and modern freight allocation mechanisms.

6.21 **The majority of coxeurs have little education, many are functionally illiterate, with seemingly limited possibility to transition to other activities.** Therefore, the likely negative impact on those who solely rely on this activity will be significant. Nonetheless there was some ambiguity here, as several coxeurs interviewed in both Côte d'Ivoire and Burkina Faso indicated interest in and the possibility of converting/transitioning to other activities, such as agriculture or trade-related activities. Many appeared well-versed in transport industry operations and expressed an interest in occupying other roles within the transport industry. Several indicated the possibility of playing a complementary role to the freight exchange system since they already have a roster of clients with whom they work – or otherwise have some contractual relationships. They believe that they can work as representatives of shippers to bring business to trucking companies.

6.22 **Despite improved freight allocation measures and the existence of a freight exchange, virtual or otherwise, there was a general impression across industry participants that the services of coxeurs, or similar intermediaries will be required, even if only to assist in helping truckers and transporters initially navigate the new environment.** While this need may dissipate over time, it seems reasonable to assume that the need for coxeur-like services will continue over the foreseeable future though at reduced levels.

6.23 **Many positive suggestions by industry participants seemed to indicate that coxeurs could remain engaged in a fully professionalized freight transport business.** However, further consultation with all actors, including coxeurs, were noted as necessary to ensure provision of required training, say in operation and functioning of the virtual freight exchange, as well as public sensitization.

Potential Mitigation Measures:

6.24 Transition to other activities: Facilitation support may enable them to mitigate negative impacts in both the medium- to long-term. Some coxeurs interviewed in both Côte d'Ivoire and Burkina Faso indicated the possibility of transitioning to other activities such as agriculture or trade-related activities. Facilitation support may enable them to mitigate negative impacts in both the medium- to long-term.

6.25 Participation in the transport business: Some coxeurs have indicated a willingness to participate in the professionalized freight transport system since they are familiar with the business. However, they would need to gain access to financing as well as further training to adhere to the new standards of the business.

6.26 Continued provision of brokerage services: Suggestions were made to make a concerted effort to identify those coxeurs who would like to remain engaged in a professionalized trucking business and provide them with a fixed commission as well as training so that they could complement the freight exchange system. Whereas the freight exchange system is envisaged to function virtually, some truckers believe that the coxeurs could play a facilitation role of verification on site.

Reform Area #2: Modernizing/Renewing fleets

6.27 By the time a potential RDPO-3 comes into effect, the institutional framework for technical inspection of commercial trucks will have been adopted in both Burkina Faso and Côte d'Ivoire. This implies an expectation that truckers will have modernized their fleets and consequences and sanctions for non-compliant vehicles.

6.28 Stakeholders expected to be affected positively include those bigger operators with the means or ease of access to financing to renew their trucking fleets. In particular, Ivorian operators¹⁸ that stand to benefit from potential accompanying measures to facilitate their access to finance¹⁹ as well as operators in Burkina Faso, who stand to benefit from their government's policy of support for fleet renewal through tax incentives and exemptions from customs duties on trucks.²⁰ Smaller, currently informal operators who have the capacity and desire to professionalize and modernize through the purchase of a new truck(s) could also benefit. Smaller operators wanting to renew their fleet will be highly dependent on accompanying measures to facilitate the purchase or leasing of new vehicles.

6.29 Stakeholders affected negatively will include small and individual truckers that are not able to renew their fleets, despite anticipated policy incentives and supporting measures. There may be a myriad of reasons for an inability to purchase or lease new trucks, but this could include: demanding collateral requirements; inappropriate amortization periods; high cost of new trucks; perceived limited management capacity; and a lack of professionalization among some

¹⁸ Currently, the Ivorian fleet is decimated to such an extent that CI cannot even meet the minimum requirements of one-third of transit traffic to which it is entitled under bilateral agreements with BF.

¹⁹ A law was voted in 2012 that exempted buyers of trucks in CI from 18% tax on new trucks, which resulted in an upsurge of new truck imports (PEA study).

²⁰ Toward the end of 2013, the government of Burkina Faso facilitated fleet renewal for 400 new trucks and 200 oil trucks through tax incentives (PEA study).

small truckers and their inability to adequately present loan proposals or be considered for loans/leases.

6.30 Focus group discussions as well as individual informant interviews with a wide cross-section of truckers (both small and large operators) indicate a strong willingness to take advantage of potential fleet renewal accompanying measures – in particular access to financing schemes. If the supporting policy and accompanying measures are well coordinated between the relevant authorities in both countries, the expectation among the trucking community is that there will be a lot of positive benefits for the truckers, banks, insurance companies, drivers, trainees, and other industry actors, including coxeurs (provided they are given a role as described above).

6.31 However, all actors have indicated the need to enforce all the reform areas to ensure that there remain no disincentives for fleet renewal. Should the planned reform measures not be fully implemented or adequately enforced, and should this permit the continued operation of non-complying trucks, continued over-loading and an otherwise continuation of the status quo, all recognize that the benefits would be seriously diminished.

6.32 A number of small as well as large operators indicated that they were not aware of any supporting policy and accompanying measures that could enable and facilitate fleet renewal. Others remarked during focus group discussions that despite a strong willingness by a majority of small operators to modernize their fleets, many were suspicious of potential supporting measures given past experience in dealing with unaccommodating policies from the banks themselves. This suggests the need for proper awareness campaigns backed by a targeted communication strategy.

Potential Mitigation Measures

6.33 It was suggested that organizing small operators together into cooperatives (GIE) could enable them to achieve greater influence and access with the banking and financial community.

6.34 Accompanying measures, particularly measures to facilitate access to finance, will have to be appropriately structured so as to facilitate access from across the spectrum of truckers and companies, from large to small and from formal to informal. This will have to include a careful determination of collateral requirements, interest charges, amortization periods, down payment requirements, etc. In a more modern, more professional and more technically demanding environment, the inability to access vehicles that can comply and remain compliant with increasingly demanding standards will pose a serious barrier to entry and/or ongoing participation in the industry.

6.35 As noted previously, well-designed scrappage schemes could meaningfully contribute to both fleet renewal efforts and in the provision of financial resources to those truckers leaving the industry.

Reform Area #3: Reduce roadblocks and improve control operations on the corridor

6.36 There are 31 mobile and fixed checkpoints between Abidjan and Ouagadougou (UEMOA/West Africa Trade Hub 2013). In both Côte d’Ivoire and Burkina Faso, the reduction of roadblocks and improved control operations on the transport corridor will likely have net positive impacts as noted in previous sections.

6.37 **Stakeholders affected positively will include** highly compliant operators, typically large operators and shippers, who will benefit from streamlined and faster service and quicker turn-around times.

6.38 **Stakeholders affected negatively** will clearly be currently non-compliant operators who do not wish to or are not capable of becoming compliant. This would typically, though not exclusively, be small individual operators who may otherwise benefit from lax enforcement of transport sector legal and regulatory controls.

6.39 **It was noted in the focus group discussions that the excessive number of roadblocks and inefficient control operations cause traffic delays and expose truck operators to extortion.** In addition to the direct costs incurred in paying bribes, this time lost on the roadblocks renders the Abidjan-Ouagadougou transport corridor highly costly, resulting in the diversion of traffic to nearby countries – including Togo, Ghana, and Dakar. Indeed, Togo has eliminated almost all roadblocks entirely and is quickly becoming recognized as a more efficient and less costly corridor as a result.

6.40 **The reduction of roadblocks and more efficient and effective control operations will also likely lead to increased traffic and merchandise trade.** This should, in turn, provide more business opportunities for truck operators, the Port Autonome d’Abidjan;²¹ as well as for direct and indirectly related employment opportunities.

Potential Mitigation Measures

6.41 **When fully implemented, the benefits will be largely positive for all compliant operators.** Mitigation measures for operators negatively impacted should typically include helping them to achieve professionalization as have been previously noted.

Reform Area #4: Improve Port Operational efficiency and reduce gateway and terminal prices

6.42 **The AOC is characterized by high cargo handling prices and port charges in Abidjan.** In addition, the monopolistic nature of the freight delivery business in the Abidjan metropolitan area, coupled with an oligopolistic organization of handling companies, results in high terminal prices. As indicated by previous studies, the de facto monopoly in freight allocation in the Abidjan metropolitan area may stem from the poor quality, insecure and

²¹ According to some transport syndicates in Côte d’Ivoire, this would potentially mean the return of importers from Mali and Burkina Faso who attempt to circumvent the problems associated with cumbersome system of roadblocks and control systems.

unreliable nature of available transport services and the risk of losing containers, i.e., from the desire of the terminal operator to deal only with known and trusted transporters. As a result, curbing the monopoly for local deliveries in the Abidjan metropolitan area will impact those truckers, handlers, shippers and their employees that currently benefit from this monopoly.

6.43 This reform area is expected to have an overall net positive benefit to most actors in the trucking business, in particular among all compliant operators who will benefit from increased business opportunities. It is estimated that some 650,000 containers will become available annually for delivery in the Abidjan metropolitan area.

6.44 In addition, the reduction in the port prices will likely incentivize importers from Mali and Burkina Faso to frequent the AOC corridor in lieu of alternative routes (in particular, from Dakar), thereby creating more business opportunities for all actors involved in transport services along this corridor. To enhance this likely positive effect and accommodate the resulting influx of traffic, a coordinated streamlining of customs and port authority procedures would be necessary to avoid delays and traffic congestion.

6.45 A more competitive trucking business in the Abidjan metropolitan area will likely create more opportunities for all stakeholders in the medium- to long-term, although the curbing of monopolies may initially cause some negative impact on those shippers, handlers, truckers, and their employees currently benefiting from monopoly power. In addition, potential negative effects will be offset by gains for those currently not permitted access and should also result in significant welfare gains, to both consumers and producers, overall.

6.46 Stakeholders affected positively will be large operators and shippers that will benefit from a reduction in gateway and terminal prices. In addition, all compliant operators will benefit from increased business opportunities as the monopoly is more or less dismantled.

6.47 Stakeholders that will be affected negatively, as noted, will be those shippers, handlers, truckers, and their employees currently benefiting from monopoly power.

Potential Mitigation Measures

6.48 Mitigation measures for operators affected negatively by this reform area are largely in line with supporting measure outlined in other reform areas, namely supporting them to professionalize or participate in related activities.

Reform Area #5: Promote Containerization

6.49 A number of current jobs in the port of Abidjan are dependent on the inefficient practice of unloading containers and re-packing their contents into trucks. It is estimated that of the 55,000 containers imported into Ouagadougou, only 22 % come through Côte d'Ivoire and only 10-20% are containerized.

6.50 Containerization will require truck operators to adapt their trucking fleets to be able to accommodate containers. This may be difficult for some small operators that may not

have access to financial resources with which to modify their fleets (these issues are similar to those related to fleet renewal in reform area #2). While large operators in Côte d'Ivoire seem to be ready to transport containerized cargo to Burkina Faso, some small operators indicate that this reform area may have a negative impact given their inability to modify their fleets.

6.51 The most significant negative impact will be among dockers who are engaged in the unloading, stripping, and re-packing containers. Although it is difficult to ascertain how many would be directly affected, these dockers are likely to be relatively low-skilled, illiterate and hence have limited capacity to be absorbed into other trades.

6.52 Stakeholders affected positively will include: 1. shippers and large trucking operators who will benefit from more efficient inland logistics; and 2. smaller operators who could also benefit from improved efficiency, particularly from faster turn-around times, fewer delays in loading and unloading, as well as from improved access to shipments.

6.53 Stakeholders affected negatively will largely be those individuals engaged in stripping and re-packing of transit containers at the ports in Côte d'Ivoire as this practice will to a large extent be significantly reduced, though probably not entirely eliminated. In addition, small operators unable to upgrade or modify their fleets so that they can transport containerized freight could also be negatively affected.

Potential Mitigation Measures

6.54 Provide training for transition to other activities: Given that when fully professionalized, the industry is likely to create job opportunities in industries related to the trucking business itself as transport services respond to increased demand, some specialized training could be provided to dockers/stevedores to allow for a transition into other activities. However, training need not be limited to industries related to the trucking business and it could include training in other trade-related activities, or basic skills upgrading, among others.

Reform Area #6: Improve road conditions and reduce infrastructure maintenance costs through enforcement of axle load regulations

6.55 As noted, there is a general problem of overloading in the Abidjan-Ouagadougou corridor, which incurs high road maintenance and vehicle operating costs. By reducing these costs, this reform will have large positive net economic benefits over the medium- and long-term. However, the enforcement of the reform areas may have immediate impact across all operators, both small and large.

6.56 Ex-ante one would expect that axle-load controls may affect smaller operators more than larger operators as they may have a greater incentive to overload their fleet in order to maximize revenue per trip. However, reaction to the policy reform measures was mixed among all trucker groups as some, both small and large operators, would prefer not to overload while others feel the practice is necessary. There is some fear that axle load enforcement may lead to greater opportunities for corruption and rent seeking, a burden that may fall more heavily on

small, informal, and already less-compliant operators, i.e., those less able to overcome such obstacles.

6.57 **As mentioned earlier, overloading is largely a function of the need to maximize revenues per trip rather than over a period of time**, which can be achieved through frequent trips by newer and more efficient trucks, and is thus related to issues of fleet renewal.

6.58 **Stakeholders affected positively** will include all complaint operators, both large and small, who will benefit from improved road infrastructure, leading to a reduction in maintenance costs, faster trip times, and potentially an increase in average mileage per truck.

6.59 **Stakeholders affected negatively**, at least over the short-term, will be truckers who decide to continue to practice over-loading, particularly single-truck and small operators along with their employees.

Potential Mitigation Measures

6.60 **Re-group into groupement d'intérêts économiques (GIE):** As in other areas, small and artisanal operators could organize themselves into cooperatives to attain economies of scale - - potentially enabling them to share costs to achieve a greater degree of professionalization in order to be able to access financing for fleet renewal upon which this reform area depends.

6.61 **Supporting policy measures:** As part of the reform process, operators intending to comply with the reform areas could benefit from supporting policy measures such as access to finance as well as training opportunities. Training opportunities could also be twinned with proper communication strategies – as the specific reform areas are not yet well known by some actors.

REFERENCES

- Arnold, John, John Mathenge, Nora Dihel and Nicholas Strychacz. (2011). “The Role of Clearing and Forwarding Agents in Reforming the EAC Logistics Sector.” *Africa Trade Policy Note* No. 17. Washington DC: The World Bank.
- Arvis, Jean-Francois. (2011a). “Chapter 17: Transit Regimes.” in McLinden et al. (eds) *Border Management Modernization*. Washington DC: The World Bank.
- Arvis, Jean-Francois, Robin Carruthers, Graham Smith and Christopher Willoughby. (2011b). *Connecting Landlocked Developing Countries to Markets: Trade Corridors in the 21st Century*. Washington DC: The World Bank.
- Bromley, D. W. (2011). Exports, Employment and Income in West Africa. West Africa Trade Hub Technical Report No. 39. USAID.
- Burkina Faso. *Strategy for Accelerated Growth and Sustainable Development (SCADD)*.
- Cantens, Thomas, Robert Ireland and Gaël Raballand (eds). (2013). *Reform by Numbers: Measurement Applied to Customs and Tax Administration in Developing Countries*. Washington DC: The World Bank.
- CIRES. (2010). *Faisabilité socio-conomique du ticket syndical de solidarité (TSS)*. Report.
- Debie, Jean. 2012. *The West African port system: global insertion and regional particularities*. EchoGéo, No 20.
- EITM-ENSEA. (2014). Industrie du Transport routier de Marchandises en Côte d’Ivoire at au Burkina Faso. ENSAE. Report prepared for the World Bank.
- Fitzmaurice, Mike and Olivier Hartmann. (2013). *Border Crossing Monitoring along the Northern Corridor*. SSATP Working Paper No. 96. Washington DC: The World Bank.
- Hartmann, Olivier. (2013). *Corridor Transport Observatory Guidelines*. SSATP Working Paper No. 98. Washington, DC: The World Bank.
- Lin, Justin. (2012). “From Flying Geese to Leading Dragons: New Opportunities and Strategies for Structural Transformation in Developing Countries.” *Global Policy*. 3: 397-409.
- Likeng, Minette Liborn Li, Thomas Cantens and Samson Bilangna. (2009). *Gazing into the mirror: Operational Internal Control in Cameroon Customs*. SSATP Discussion Paper No. 8. Washington DC: The World Bank.
- Likeng, Minette Liborn Li, Marcellin Djeuwa and Samson Bilangna. (2011). *Gazing into the mirror: Performance Contracts in Cameroon Customs*. SSATP Good Practice Paper No. 1. Washington DC: The World Bank.

- McLinden, Gerard, Enrique Fanta, David Widdowson and Tom Doyle (eds.). (2011). *Border Management Modernization*. Washington DC: The World Bank.
- Ministry of Transport of the Republic of Côte d'Ivoire. (October 2013). *Politique de Facilitation des Transports sur le Corridor Abidjan-Ouagadougou*.
- Nathan. (2013). *Logistics Cost Study of Transport Corridors in Central and West Africa*. Report prepared for the World Bank.
- Nathan. (2012). *Impact of Road Transport industry Liberalization in West Africa*. Final report prepared for the USAID under the Worldwide Trade Capacity Building (TCBoost) project.
- Nathan. (2011). *Authorized Economic Operator Program, Abidjan-Lagos Corridor*. Report prepared for the World Bank.
- Nathan. (2010). *Customs Modernization handbook: Authorized Economic Operator Programs*. Handbook prepared for the USAID.
- Olievschi, Vasile Nicolae. (2013). *Rail Transport: Framework for Improving Railway Sector Performance in Sub-Saharan Africa*. SSATP Working Paper No. 94.
- Pinard, Michael Ian. (2011). *Emerging Good Practice in Overload Control in Eastern and Southern Africa*. SSATP Discussion Paper No. 12. Washington DC: The World Bank.
- Pinard, Michael Ian. (2010). *Guidelines on Vehicle Overload Control in Eastern and Southern Africa*. SSATP Working Paper No. 90. Washington DC: The World Bank.
- Raballand, G. and Teravaninthorn, S. (2009). *Transport Prices and Costs in Africa: A Review of the International Corridors*, Washington DC: The World Bank (Directions in Development, Infrastructure, 46181)
- Rodrigue, Jean-Paul Claude Comtois and Brian Slack. (2013). *The Geography of Transport Systems* (3rd edition). Routledge
- Siva, Ramesh. Developing a National Single Window: Implementation Issues and Considerations. Chapter 8 in McLinden et al. (eds) *Border Management Modernization*. Washington DC: The World Bank.
- Teravaninthorn, Supee and Gaël Raballand. (2009). *Transport Prices and Costs in Africa – A Review of the Main International Corridors*. Washington DC: The World Bank.
- UEMOA / West Africa Trade Hub. (2013). *Abidjan-Ouagadougou Corridor Road Governance Report* (May 2013).
- West Africa Trade Hub. (2010). *Implementation of Axleweight Rules in UEMOA Member States - Lessons Learned from Transit Traffic in Ghana*.

World Bank. (2014a). *A Political Economy Analysis of Transport Reforms: The Abidjan-Ouagadougou Corridor*. Washington DC: The World Bank.

World Bank. (2014b). *Trade and Transport Corridor Management Toolkit*. Washington DC: The World Bank.

World Bank. (2014c). *Doing Business Report*. Washington DC: The World Bank.

World Bank. (2013a). *Quantitative Analysis of Road Transport Agreements (QuARTA)*. Washington DC: The World Bank.

World Bank. (2012). *Developing a Trade Information Portal*. Washington DC: The World Bank.

World Bank. (2011b). *La Facilitation des Transports et du Transit en Vue de Stimuler la Reprise Economique en Côte d'Ivoire*. Unpublished Background Paper.