

**Statement of**

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**At the Eleventh Conference of Ministers of Transport and Communications and First Forum on Transport in Africa (FTA)**

**24-25 November 1997**

**Cairo, Egypt**

Your Excellency, The Minister of Transport and Communications of the Arab Republic of Egypt

Honourable Ministers and Heads of Delegations,

Your Excellencies,

Ambassadors and Heads of Diplomatic Missions,

Distinguished Representatives of International Organizations,

Honourable Participants,

Ladies and Gentlemen,

It is my honor and privilege to welcome you all to the Eleventh Meeting of the Conference of African Ministers of Transport and Communications. First, I would like to thank the people and government of Egypt for having accepted to host this conference for the second time. Coincidentally, it was in this very historic city, that the third session of our conference was held in March 1979. Egypt's acceptance to host our meeting again is testimony to the strong commitment of the Government and people of Egypt to intra-regional cooperation, particularly in transport and communications.

Indeed, Egypt was the first country in Africa to establish a railway line, in 1853, and continues to display leadership in transportation and communications today. I would like to express our deepest appreciation to His Excellency, Suliman Mutawally, Minister of Transport and Communication of Egypt, for his personal involvement and for the tremendous efforts made in planning for and, so generously, hosting this conference.

**Mr. Chairman,**

**Your Excellencies,**

**Ladies and Gentlemen,**

The status of transport and communications in Africa has assumed greater importance than ever before. In a rapidly changing international environment characterized by globalization, and the challenges of economic integration and international trade, a sound transport and communication network is a sine qua non for active participation and integration. World trade is today characterized by vast loads of information and fast communication of this information to market actors, as well as rapidly falling costs of information and physical movement of goods to the market. The related broad challenge facing Africa is how to adjust its economy and infrastructure systems so as to respond to and integrate with the emerging world communication and trade systems.

The key themes and objectives of my statement are: (1) to emphasize the need for governments to step up the pace of structural reforms as the key to improvement in transport services and to their further development; and (2) to acknowledge that the directions of reform as well as their benefits are increasingly well understood and have been pioneered by a number of countries; they involve essentially opening up to competition and private sector participation in management and financing.

African transport and communications systems vary in degree of development and efficiency. Paved primary road facilities range from about 60 km in Chad to over 2,000 km per 1 million people in Tunisia, Algeria, Namibia and Botswana. The average paved roads-to-population ratio for Sub-Saharan Africa, including South Africa is under 500km, less than half North Africa's, which is over 1, 000 km per 1 million people. Within North Africa, the ratio ranges from a low of about 200 km in Morocco to over 2,400 km per 1 million people in Algeria.

Similarly, telephone service availability ranges from about one main line per 1,000 persons in the Democratic Republic of Congo and Chad to over 130 lines in Mauritius and Seychelles. North Africa averages over 45 lines per 1,000 persons (the highest, over 60 lines in Libya and Tunisia) compared to just over 10 lines for Sub-Saharan Africa.

Our transport and communication systems, on average, lag far behind systems in place on other continents. To give but a few examples, in terms of coverage, in Sub-Saharan Africa the density of rural roads is 34 km per square km compared to over 500 for India; telecommunication equipment availability averages 1.2 units per 100 inhabitants compared to 4 in Asia and 6 in Latin America. The official waiting lists of applications for new service are extremely long, and waiting for up to five or more years for a telephone line is not unusual. Lags in physical infrastructure are compounded by poor quality and high costs of services.

Freight rates by rail are on average about twice as high as those in Asia and one and a half times those in Latin America. Similarly, the cost of air transportation in Africa is four times higher than in the Far East, and a

container passing through ports costs \$220 in Abidjan, but only \$120 in Antwerp. Such high transportation costs have a huge impact on the competitiveness of African producers and hence on the value of trade and on individual countries trade patterns in Africa.

**Mr. Chairman,**

**Ladies and Gentlemen,**

The adoption of two United Nations Transport and Communications Decades in Africa (UNTACDA I and II) and the implementation of major related Programmes, including the Sub-Saharan, Transport Policy Programme (SSATP) were a response by African leaders to the need to increase the efficacy of the continent's transport and communications systems. The long term aims of UNTACDA are to establish an efficient and integrated transport and communication system as a basis for physical and market integration of Africa.

**Your Excellencies,**

**Ladies and Gentlemen,**

This meeting comes at a crucial time, three years before the expiry UNTACDA II and on the eve of the third millennium. We have come to Cairo today to take stock of what we have accomplished in this important sector and to examine the policy options available for further progress. Not to do so would risk Africa's potential advantages of emerging global opportunities. Africa must adapt itself to the changing world or risk being marginalized.

**Mr. Chairman,**

**Your Excellencies,**

**Ladies and Gentlemen,**

Key constraints facing Africa's infrastructure including transport and communication, relate to the overall objective of sectoral efficiency and ability to intermediate economic growth and development. The most pressing challenges are: carrying out broad macroeconomic and sectoral reforms which impact sectoral performance; privatizing and mobilizing adequate resources for service expansion and maintenance; ensuring long-term sustainability; establishing adequate legal and regulatory frameworks; establishing an adequate technological base; carrying out structural reforms to improve the management of public sector entities operating in the sector; and promoting inter-country cooperation in setting up shared institutions and shared facilities in a regional framework. These constraints and challenges were also highlighted in the recent mid-term evaluations of UNTACDA II, particularly in respect of the roads sub-sector.

**Mr. Chairman,**

**Your Excellencies,**

**Ladies and Gentlemen,**

I would like to draw your attention to steps you may wish to consider in addressing the sectoral challenges I have just outlined. My first remark is on commitment to reform in general. Africa has proved itself capable of undertaking economic and political reforms necessary for sustainable development.

A number of African governments have in the recent past taken significant steps to respond to challenges and obstacles to development. They have established mechanisms to harness the continent's vast natural resources and to mobilize human and financial resources for development. They are strengthening regional and sub-regional cooperation and integration, and would like to take advantage of the trend towards economic globalization by instituting appropriate policies.

However, while the reform movement has taken hold at the level of macroeconomic policies, the pace of sectoral reforms has been lagging and in many countries continued poor performance in transport and communications stifles growth and employment. This is the key theme of my statement: governments need to embrace reform and to step up its pace.

**Mr. Chairman,**

**Ladies and Gentlemen,**

Railways have been most affected by the delay in structural reform. Since African states gained independence, little major upgrading work has been undertaken with the exception of the realignment and extension of the line in Cameroon and the building of the trans-Gabon railway. In order to improve rail transport, priority will have to be focused on modernization to upgrade what are essentially antiquated networks that stand in the way of unification, standardization, coordination and inter-linking. Otherwise the laudable goal of creating an integrated pan-African railway network, from East to West and North to South as a powerful tool to support the proposed African common market will remain a dream.

Indeed, railway traffic in the past five years has stagnated or declined, and measures for enhancing operational efficiency without sufficient investment have shown scant improvement, and locomotive availability has remained generally low at around 50 per cent.

Attracting private sector resources and know-how is the biggest challenge and the most durable solution to many of the sector's problem. In Africa, private finance is of least significance in transport infrastructure compared to other regions. The private sector funded projects worth \$339 million between 1982-94 compared to, say, Latin America, where the comparable figure is \$10.5 billion over the same period. The slow privatization progress is demonstrated by the fact that to date, only one major private sector initiative, the Cote d'Ivoire - Burkina Faso rail re-unification project, is of significance. Strong political will and urgent reform of outdated and inadequate legal and

regulatory frameworks are needed for privatization and foreign investment to advance.

Another major constraint is the low level of local private capital for effective partnership with foreign investors. Effective local investor participation would allay the fears of foreigners. The development of Africa's capital markets would increase the number of local investors prepared to participate in the sectors, particularly in telecommunications. I am pleased to note that progress has been made in developing Africa's capital markets; in 1996, thirteen countries had stock exchanges with capitalization over \$200 million, and programmes are being put in place by ECA and its partners to build on this progress. The key stimulus to local capital markets will be the privatization of public infrastructure enterprises.

More imaginative resource mobilization strategies centering on diversification of funding sources need to be employed. South Africa's transport system offers lessons in innovative road investment financing by offering two modalities that involve private financing. The first is known as "BOT" (Build, Operate, Transfer), the second is "FROM" (Finance, Rehabilitate, Operate and Maintain). Both are based on using private capital to finance the design, construction and maintenance of roads for a given period during which the private investor establishes a toll on the road to generate resources to recover his costs and realize a reasonable return on the initial sum invested. It is a system worth observing and emulating.

Mr. Chairman,

Ladies and Gentlemen,

Governments and their partners have recognized the need to tackle the long-standing challenge of road maintenance. They have developed a coherent set of policies based on increased accountability to users and steady funding under road funds mechanisms. While marked improvements have been brought to road conditions in many countries, there is still a long way to go and maintenance remains a major problem and adds to freight costs by causing increased breakage of goods and downtime for vehicles.

It is estimated that about a third of capital investment in Africa's roads has been eroded because of poor maintenance, and it will require expenditures of US 1.5 billion a year over the next decade to restore the network. The World Bank estimates that every dollar of road maintenance short causes an increase of three dollars in vehicle operating costs.

While governments redefine their role and set transport and roads infrastructure on an independent financial footing, they will have to address the mounting challenge of road safety and pollution. They will also have to ensure that transport policies and programmes contribute properly to the overarching objective of poverty reduction by targeting the transport problems of the poor through improving physical access to jobs, reducing barriers to informal sector supply, eliminating gender bias, enabling greater use of non-motorized transport, supporting cost effective labour intensive methods of construction and maintenance, and developing community participation.

Honourable Minister,

Ladies and Gentlemen,

Consolidation of services and increased private sector competition with public carriers should be pursued, especially in the aviation industry. Air transport in Africa almost borders on the scandalous. Characterized by high costs, little maintenance and commercially non-viable aeronautic and airport activities, the sub-sector cries out for urgent reform. The performance record of national airlines is poor; most incur large and persistent deficits and have become an unacceptable fiscal burden.

The Yamoussoukro Declaration relating to air and airport safety, maintenance, cooperation and liberalization of air traffic rights has yet to be satisfactorily implemented. The good news is that whereas privatization was anathema only a few years ago, its necessity has been acknowledged, in a number of instances, e.g. Kenya Airways and Zambia Airways have been privatized.

Mr. Chairman,

Your Excellencies,

Ladies and Gentlemen,

Management reforms must be pursued where immediate across-the-board privatization for public sector entities in the transport and communication sector is not feasible. In many countries for instance, where rail operations run at a deficit and are a charge on the public kitty, a number of reforms are underway. These include increased managerial autonomy and sub-contracting of more services to the private sector. Cameroon, Gabon and Senegal, have, for instance, sub-contracted part or all track maintenance to the private sector. This trend should be reinforced.

Privatizing port operations and introducing management reforms would uplift ports performance, which is critical to growth and competitiveness exports in the global markets. The lack of competitiveness of African ports has long stood out in contrast to those of Europe and the Far East. Senegal and Cote d'Ivoire have taken the most significant steps to inject competitiveness in their port operations by curbing freight allocation powers of shippers council (Senegal) and abolishing freight reservation to national shipping lines for certain commodities (Côte d'Ivoire).

Like in other sub-sectors, greater rationality of port operations and maritime transport in general would add value to services. African countries are lagging in the critical area of transport logistics and facilitation. Cumbersome administrative procedures and regulations are a source of rents and delays and add to the burden of high transport costs especially for landlocked countries. They are an obstacle to the modernization of transport operations and their integration in logistic chains.

Mr. Chairman,

Honourable Ministers,

Ladies and Gentlemen,

In no area is the impact of globalization more felt than in telecommunications. Telecommunications coverage in Africa remains the lowest in the world and the continent is heavily dominated by single state-run post and telecommunications monopolies, although the number of countries for which this is true has been steadily falling. Morocco's privatization plans are advanced.

In general, international and long-distance telecommunications in Africa are characterized by poor quality service and high tariffs, further adding to the continent's isolation. Communication among African countries poses an acute problem. Often, calls are routed through extra-African locations, adding to cost. Technological as well as private sector financial solutions to this problem are available and African countries should apply them and avoid being left out of this fast changing and exciting area of telecommunications. They must muster the will and set up appropriate policy, legal and regulatory framework to allow the sector to attract foreign private investment and flourish. A number of African countries are showing it can be done. Only this month, Senegal floated shares in the privatized National Telecommunications Company. Morocco's privatization plans are advanced.

For this success trend to continue, African countries must take the political step needed to work together to upgrade the level and quality of telecommunications services, possibly sharing equipment and facilities. They need to be able to evaluate how the proposed technologies allow each country to evaluate sector objectives and strategic national development goals and security concerns. Additionally, the countries need to implement necessary changes to the national laws to facilitate new partnerships and new ways of carrying out telecommunications business, understand and participate in international regulatory systems, such as space spectrum allocation, and design national regulatory systems.

Last year, the ECA Conference of Ministers adopted the African Information Society Initiative and charged ECA with forging partnerships to help member states address most of the issues raised above. The African Information Society Initiative sees the role of government as providing the vision and an enabling environment for the development of national information and communications infrastructure, and to ensure that all sectors of society can benefit from it.

Regional markets must be expanded. Privatization in Africa is hampered by concern over the small sizes of markets, affordability and payment risks, as well as political and economic stability. Their associated risks tend to be inversely related to the size of the market. I am happy to say that the Southern African Development Community (SADC) -- galvanized by the Chairmanship of President Mandela -- has already embarked on major institutional reforms to sharpen its role and provide the structure for cooperation among its members, as well as between its members and the rest of the continent and the world. This trend, manifested also in the West African Economic and Monetary Union (UEMOA) and the Arab Maghreb Union (UMA), needs to extend to the other regional groupings in the interest

of sectors like transport and communications.

Mr. Chairman,

Ladies and Gentlemen,

We have painted a canvass of the African transport and communications sector. The challenges have been identified and possible ways to address them have been suggested. I ought to add that these suggestions are consistent with the recommendations of the mid-term review of UNCTADA II.

Mr. Chairman,

Ladies and Gentlemen,

What role is, or will, ECA play in helping Member States advance towards their goals in the transport and communications sector? In the way forward with ECA assistance to Member States, the key words are reform and partnership. ECA, through a set of reforms, has repositioned itself to meet the challenge of assisting Africa realize her expectations. In the new strategy, Focus, Selectivity and Leverage are central to our operations, enabling concentration of resources on critical issues and activities in the programme of assistance to Member States. This approach, implemented in the framework of networking and strategic partnership, defines the environment in which activities in support of Member States' sectoral objectives will be carried out by ECA.

In transport, ECA activities for the next two years will focus on building management capacities for infrastructure development; improving regional transport linkages and facilitation of traffic; and building traffic data systems.

In telecommunications, in the context of The African Information Society Initiative, ECA has already built a strong partnership of public multilateral and bilateral organizations and private sector interests. The overall objective is to strengthen African capacities to negotiate for and utilize new information and communication technologies, with emphasis on interconnectivity, in their countries. The focus is fibre optic, wireless and satellite communication.

Partnership activities will promote policy content and policy awareness, an enabling regulatory environment, training and capacity building, development of national infrastructure plans, African information content, community and rural access to information and commercial sector application of telematics.

Mr. Chairman,

Ladies and Gentlemen,

To realize our goals, we will squarely have to face the challenges enumerated and adopt appropriate strategies. Above all we must recognize the primacy of structural reforms. Efforts must be directed towards greater cooperation in the sector among all partners if the goal of tandem

development of transport and communications is to be realized. There has to be proper harmonization and coordination between countries and programmes in the sector, and finally, the change momentum must not be allowed to slacken.

Mr. Chairman,

Honourable Ministers,

Ladies and Gentlemen,

In light of the challenges I have outlined and policy suggestions I have made, and no doubt other issues and options that I may have missed, what do we hope to achieve with this Conference?

We hope this event will provide a forum for constructive and action-oriented dialogue between government policy makers, transport and telecommunication operators, service users and investors. The result of this dialogue promises to be a rich one and will be published and disseminated widely for policy and business decisions.

It is our fervent hope that the Conference will facilitate adoption of sound development policies, strategies and programmes. We at ECA have a clear role to play in building the necessary partnerships. Partnerships between Governments and the private sector -- facilitated by the inter-governmental machinery and multilateral agencies -- is key to the development of transport and telecommunications.

I wish you all a fruitful conference, and thank you for your kind attention.

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