

# FINDING PRACTICAL SOLUTIONS TO CROSS BORDER ROAD TRANSPORT CHALLENGES IN SADC: A REVIEW OF MAJOR CHALLENGES AND PROSPECTS

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## ABSTRACT

Cross border road transport in the Southern African Development Community (SADC) faces a plethora of challenges. To date finding high impact solutions has remained elusive. Finding lasting solutions to transport challenges will go a long way in improving Africa's competitiveness, facilitating intra-Africa trade and regional economic integration. This paper outlines key challenges facing cross border road transport and identifies practical solutions to the same. The paper is based on findings from a study entitled '*The Business Case for Corridor and Border Management Reform*' conducted by the Cross-Border Road Transport Agency (C-BRTA) in 2014. The study focused on the Maputo, North-South and Trans-Kalahari corridors and unpacked specific corridor challenges which were then quantified before outlining the recommended solutions. Qualitative, quantitative and participatory research methods were applied in identifying and assessing corridor challenges and determination of solutions. The major challenges in the sector range from inefficient regulatory systems to poor corridor management systems, variability in regulatory frameworks, inadequate infrastructure and delays which contribute to high cost of doing business in the region. These challenges can be overcome through introduction of accreditation systems to compliant transport operators and traders, corridor command centres, harmonising law enforcement, coordinated border management, single window systems and one stop border posts in the region. Over and above that, this paper outlines a roadmap toward implementation of the recommended solutions.

## 1 INTRODUCTION

Cross border road transport faces many challenges in the SADC region. The challenges partly emanate from the geographical landscape of the region, with 40% of member states in the hinterland not having direct coastal access to maritime transport and trade. Hansen and Jakab (2008:68) assert that "a landlocked country is a country enclosed or nearly enclosed by land, without direct coastal access to the sea". They further assert that "landlocked countries are not just cut off from sea resources but, much more importantly, they have no direct access to seaborne trade,

which continues to be essential for a successful participation in international commerce” (2008:68). This emphasises the significance of SADC’s geographical landscape in regard to the need for efficient cross border road transport in the region. The SADC region sits on major global trade networks connecting Asia, Latin America and North America. This positions the region to greater opportunities in regard to participating in global supply chains and being a key trade node, leveraging on the region’s comparative advantages. However, the opportunities require an efficient cross border land transport system to connect coastal countries to hinterland countries. Without an efficient cross border transport system SADC’s ambition to improve intra-regional trade, regional integration and trans-national development let alone desire to tap into global trade networks stand limited chance to succeed.

This paper is based on a study conducted by the C-BRTA in 2014 entitled the Business Case for Corridor and Border Management Reform, and articulates key challenges facing cross border road transport in SADC. The study established that transport challenges evolve as other dynamics such as demand and supply, policies and regulatory environments change. These challenges do not only emanate from inadequate infrastructure, but also from institutional, regulatory and political barriers.

To date finding high impact solutions has remained elusive. This paper attempts to identify practical solutions that can be deployed to address transport challenges in SADC given the region’s geographical landscape and political dynamics (that is, member states belonging to various Regional Economic Communities). By addressing transport challenges, the SADC region will be able to facilitate seamless movement of goods and people across border posts which are essential for the economic development of the region and for achieving the region’s economic and social aspirations.

## **2 BACKGROUND**

Improving regional connectivity is becoming increasingly important to promote intra-regional trade and economic development in SADC region. The region needs an efficient transport system that enables faster travel, facilitates movement and achieves the goal of ‘smooth movement of goods and people’.

However, cross-border transport still faces numerous barriers that impede the smooth and efficient movement of goods and people, such as the lack of opening of domestic routes for international transport, restrictions on foreign vehicles, lack of harmonization of technical standards and excessive immigration requirements for drivers. These barriers reduce the efficiency of transport operations and this has direct cost implications and impacts on the profit of transport operators.

In the cross border industry, time is of essence and time spent transporting goods or people is time during which the fleet is not available for other tasks. This means that time saved in operations allows for more trips to be conducted with the same capital and equipment. It is therefore in the interest of the operator that the trucks are running for majority of the time. In addition, faster delivery of goods also enables business to thrive. However, regulatory authorities also have a role to play in regard to creating a conducive environment for business to operate.

## **2.1 International road transport agreements**

Cross border road transport in SADC operates within the broader framework of the SADC Protocol and bilateral transport agreements. Regional member states committed to regional connectivity by ratifying the Protocol in 1996, which requires member states to “facilitate the unimpeded flow of goods and passengers between and across their respective territories by promoting the development of a strong and competitive commercial road transport industry which provides effective transport services to consumers” (SADC Protocol: 1996:17). The Protocol has potential to have a significant beneficial effect for the countries involved should it be fully operationalised. It is therefore anticipated that in the long run cross border road transport will face increasingly decreasing barriers.

Of significance to note is that unimpeded flow of goods and passengers can be achieved where and when there is reduction in non-tariff barriers (NTBs), which are posing a long term threat to sustainability of the cross-border road transport industry as a whole.

This paper focuses on the challenges facing the sector and recommends solutions that can be implemented with a view to improve operations, reduce NTBs and lower operating costs. The intention is to articulate practical solutions that will lead to efficient, reliable, dependable, cost effective and productive cross border transport operations that will enable SADC to achieve the regional agenda on intra-Africa trade facilitation, regional integration and enhancing socio-economic development of the whole region.

## **2.2 SADC regional corridors**

There are many public and private sector stakeholders operating in SADC corridors. The stakeholders operate in a silo approach, each only seeking to advance delivery of own mandate. From the government side the most common stakeholders operating in corridors are regulatory and law enforcement authorities (at national, provincial, municipal levels) that include traffic, customs, immigration, police and security, port health, agriculture and veterinary authorities. From the private sector side they are mainly transport operators and operator associations like the Road Freight Association (RFA), Southern African Bus Operators Association (SABOA), clearing and forwarding agents and corridor monitoring groups. Most corridor stakeholders have very little trust and confidence in each other and operations are characterised by lack of coordination, cooperation and integration.

In the SADC region operating cross border road transport is one of the most difficult businesses. Navigating through corridors and border posts is very difficult, associated with many uncoordinated checkpoints and inspection points, document requirements, varying procedures and processes. Only a few border posts (that include Chirundu, Lebombo and Mamuno in the SADC region) have seen some notable improvements. Most border posts signify an environment that offers high opportunities for inefficiencies and high probability for the incubation of NTBs.

The Cross-Border Road Transport Agency (C-BRTA) is one of the regulatory authorities in this environment and key to the mandate of this Agency is the need to improve the unimpeded flow of freight and passenger movements across regional border posts. The second task is the liberalisation of market access in respect to

cross-border freight transport and the third is the introduction of regulated competition in respect of cross-border passenger transport. The fourth task, which is related to the first, is reduction of operational constraints for the cross-border road transport industry as a whole. The fifth task is enhancing and strengthening the capacity of the public sector in support of its strategic planning, enabling and monitoring functions and the sixth is the empowerment of the cross-border road transport industry to maximise business opportunities and to regulate themselves incrementally to improve safety, security, reliability, quality and efficiency of services. The landscape of the regional cross border environment has profound lessons for the C-BRTA. The Agency can only achieve its goals through cultivating strategic relationships and partnerships in order to manage its peers. It is only through their cooperation and concurrence, which can only be achieved through influence and cultivation of mutual benefits, that the C-BRTA can successfully execute its mandate.

### **3 STUDY DESIGN**

Extensive literature review was conducted with a view to identify and understand the objectives of international road transport agreements ratified by SADC member states. This was also done to understand the broader SADC legislative and regulatory environment. This paper is also based on findings from a study conducted by the C-BRTA in 2014, entitled the Business Case for Corridor and Border Management Reform.

During the study, a number of research instruments were used. Desktop research and site visits were conducted with a view to identify and validate constraints faced by cross border road transport in the SADC region. Focused discussions were held with both private and public sector stakeholders and transport operators with a view to collect information on perceived barriers and challenges faced by cross border road transport and operating procedures of regulatory authorities.

Workshops were conducted with stakeholders from most of SADC member states, with representatives from both public and private sector authorities. During the workshops questionnaires were distributed to gather specific detailed information. The C-BRTA also holds Transport Operator Forums on quarterly basis with the three main operator categories namely freight, bus and taxi operators from which valuable information is gathered in regard to constraints faced by operators in regional corridors.

A comparative approach was also used, in which case benchmarking was conducted in regard to industry best practices with a view to identify interventions that would resolve challenges that are faced by the cross border industry in general, and transport operators in particular.

### **4 DISCUSSION**

Time and cost are the key performance indicators in cross border road transport business processes and operations. They also strongly influence the efficiency of cross border transportation and competitiveness of the SADC region. Hansen and

Jakab assert that “the success in export markets for developed and developing country firms alike depends more and more on the ability of those firms to offer and promote efficient, low-cost trade services and logistics” (2008:67). It is from this perspective that member states in SADC region should review trade and transport policies, institutional arrangements and regulatory tools with a view to create favourable operating environment that would facilitate transport movements in the region. A conducive operating environment would also culminate in accelerated intra-regional trade, economic development and regional integration.

#### **4.1 The key challenges facing cross border road transport**

Whilst significant investment has been made in the regional road network infrastructure, there is still evidence of operational deficiencies in regional corridors. To date, the greater part of the investment has been channeled towards hard infrastructure upgrade and expansion. Infrastructure and capacity constraints are real challenges in the region specifically in regard to network capacity and condition, truck stops along corridors and parking facilities in the border environment. However, not much investment has been directed towards institutional, regulatory and corridor management systems. Apart from a few border posts like Chirundu and Lebombo the majority of border posts are characterised by lack of cooperation and coordination.

Additionally, obsolete and inadequate information and communications equipment and weak telecommunication links further aggravate the situation and add to the hassles transport operators and traders have to face when conducting cross border business. It is evident that in order to resolve SADC transport challenges, a balanced approach that takes a systems view is required. Such a balanced approach would need to address both hard infrastructure and soft infrastructure challenges. The inadequate infrastructure across the SADC region easily leads to congestion at inspection facilities, weighbridges, toll gates and border posts. Should there be an incident on the corridor, the impact will even be worse.

The frequency and modus operandi of law enforcement in corridors, at border posts, checkpoints and roadblocks are a serious detriment to unimpeded flow of traffic in SADC and this causes extreme delays and high transport costs. In each SADC member state, there are many regulatory authorities operating on either side of the border. There are also many checkpoints where drivers are sometimes subjected to administrative procedures and sometimes harassment, corruption and extortions. Operations at checkpoints would normally involve traffic, police, regulatory authorities and customs officers. Whilst most of the checkpoints would be legal some would unfortunately be not. The extent of delays and costs at checkpoints would vary according to the type of vehicle, the type of goods transported, the nationality of the transporters and/ or driver.

Furthermore, any uncertainty in the process particularly in regard to document authenticity creates unpredictable circumstances and even further delays with increasing chances for impoundment of the vehicle. Typically, such unpredictable circumstances are the result of multiple and contradictory documentation requirements or lengthy inspection procedures by agencies. All this increases transactional costs and can even lead to the loss of business and opportunities.

While significant efforts have been made in the region to promote connectivity and improve transport infrastructure to support trade and economic growth, cross border transport operations are still affected by a large number of unresolved institutional constraints. This is exacerbated by the lack of trust and coordination among regulatory authorities. Unofficial payments are often an implicit requirement to resolve such barriers. The total time a vehicle takes to cross a border from one country into another will ultimately depend on the roles carried out by various border agencies in charge of control activities which are absolutely outside the control of transport operators. So no matter how well and how much operators may invest in the business with a view to improve efficiency they do not have ultimate control of the outcomes on the ground (transit time). More often than not, this scenario exposes transport operators to almost certain delays in every trip.

The regulatory framework in the SADC region is fragmented. Each member state has its own regulatory mechanism. The regulatory mechanisms determine market access, operating requirements and rules and regulations that must be adhered to by transport operators. The fragmentation culminates in variability in regulatory requirements that transport operators must comply with and operating procedures, as they traverse regional corridors. This leads to unnecessary complexities and requirements on transport operators which in most cases culminate in delays and unnecessary costs. To boot, the regulatory framework is excessively focused on compliance and control at the expense of facilitating transport movements. This also leads to decreased capacity by regulatory authorities to deploy fit-for-purpose regulatory tools that would eliminate delays and reduce the cost of conducting cross border business in the region.

Funding remains one of the biggest challenges to the successful implementation of cross border road transport programmes. Like any international programme or project cross border programmes require huge investment. In most cases the programmes are funded by individual countries at country level. Not many SADC countries have budgets available for such programmes. This leads to either non-implementation of necessary programmes or unequal development of programmes across the region. Moreover, most regulatory authorities in the region adopted the user-pay-principle whereby tariffs paid for cross border permits by operators are the source of operating expenditure for such entities. Sooner or later the funding raised through permit tariffs would be inadequate and to continue raising the tariffs will not be in the interest of cross border business. Thus, funding has remained one of the biggest challenges facing the industry.

Cross border road transport operators are sometimes subjected to double insurance in the region, depending on origin and destination. The Southern African Customs Union (SACU) member states use the fuel levy system for vehicle insurance whilst most Common Market for Eastern and Southern Africa (COMESA) and Eastern Africa Community (EAC) countries use the yellow card system. Operators from the SACU region are required to buy third party insurance when they leave the SACU region, on entering the yellow card countries. This is an unnecessary burden that operators are subjected to and need to be resolved as it unnecessarily delays and increase the cost of doing business.

Transport operators also face other challenges in SADC and these include:

- Difficulties with obtaining cross border road transport permits;
- When permits are issued, they are issued for a specific duration which requires them to constantly re-apply or renew;
- Difficulties with visas for professional drivers and crew of vehicles;
- Different standards on permissible vehicle weights and dimensions in the region;
- Lack of commonly recognized driving license, vehicle registration and inspection certificates. In this regard the use of national languages and characters in driving license, registration plates and inspection certificates is also common causing delays in corridors;
- Road network usage tariffs;
- Compulsory access fees payable at border posts; and
- Empty return trips. In this regard many foreign trucks return empty due to lack of local network of customers and market protection.

The impact of all these challenges on cross border road transport movement, transactional costs and eventually on the volume of trade and the competitiveness of the SADC region cannot be overestimated. In recent years there has been accelerated effort towards finding lasting solutions that addresses the administrative, institutional, infrastructure, and regulatory burdens in the cross border industry. However, minimal progress has been achieved.

#### **4.2 Interventions to the challenges**

The basic rationale behind the need for a practical approach towards addressing cross border road transport challenges is to create a synergy of interests from all stakeholders, a better understanding of the stakes and costs and of the need to build trust and ultimately a sense of ownership on the part of both government and private sector stakeholders. It is envisaged that a practical approach would be much easier to implement. The assumption would be that all member states and stakeholders want to achieve unimpeded flow of cross border road transport mainly in terms of reduced NTBs, timeliness, reliability and cost-effectiveness.

Based on the findings from this study, most transport challenges are common across SADC member states and they require that an efficient and innovative approach be adopted in a regionally coordinated and co-operative framework. Member states also need to accept and implement the relevant international road transport agreements and declarations in full, particularly with reference to the SADC Protocol and bilateral road transport agreements.

To boot, member states in the region need to acknowledge the fact that globalisation is happening and is here to stay. As such, they should reconsider and enhance transport and trade policies in light of current and future demands emanating from potential increases in the flow of goods and people in the region. This further calls for enhanced and efficient cooperation among regional countries in order to deal with the discussed transport challenges effectively. Some of the recommended solutions that would address the transport challenges are identified hereunder.

- Improving cross border regulatory systems, procedures and controls with a view to facilitate cross border road transport movement;

- Harmonising cross border transport regulatory requirements with a view to creating a competitive business environment;
- In light of varying mandates, regulatory authorities should implement common operating procedures and work in coordination with a view to reduce institutional duplication of work;
- Implementing efficient management systems at border posts like single window systems, coordinated border management and one stop border post across the region;
- Expanding cross border road transport bilateral agreements to include regulatory reform requirements and regulatory programmes such as accreditation schemes and performance based standards;
- Accreditation of cross border road transport operators at regional level with a view to reducing regulatory burden on operators;
- Implementation of paperless electronic customs system allowing for pre-submission of information;
- Pre-clearance of freight by customs. This reduces time lost at the border as the vehicles can be timed to arrive once the required documentation is ready;
- Focusing energy on programmes that have direct impact on reducing delays and associated cross border transport costs;
- Establishing a well-functioning and easy-to-operate interface between business and government with a view to improve the operational issues in the day-to-day movement of goods and people along corridors;
- Enhancing transparency and reliability of communication systems, information and decisions communicated to transport operators;
- Conducting joint inspections at checkpoints in the corridors and border posts in the region;
- Sharing of transport operator profiles among regulatory authorities with a view to identify risky operators. In this regard the less risky operators would be subjected to less inspection frequency;
- Ensure transparency of customs laws and procedures and undertake measures for the elimination of bureaucratic formalities and opportunities for corruption;
- Taking coordinated steps towards gradual liberalisation of international road transport markets;
- Revision of regulatory authorities' mandates with a view to capacitate them to deal with emerging transport challenges;
- Establishing border crossing facilitation joint website or information system in order to publish information on corridor and border crossing procedures and conditions;
- Establishing a corridor command centre focusing on corridor conditions and dissemination of information to stakeholders;
- Hosting regular corridor facilitation meetings among transport, customs and other representatives of the member states;
- Electronic payment of customs duties;
- Implementing special procedures for trusted traders in which case the freight from companies in this group can be released based on documentation only;
- Priority lanes at border posts for priority vehicles and passengers;
- Risk-based physical examination of passengers and luggage;
- Use of the conventional seal for containerized cargo;



- Mutual recognition of current insurance schemes across the region through some form of guarantees;
- Official agreements on joint inspections in corridors and border posts;
- Delegation of functions among regulatory authorities;
- Creating an enabling funding mechanism for public entities using innovative funding methods like Public-Private Partnerships (PPPs);
- Strengthening investment in regional road network maintenance; and
- Harmonising and simplifying customs procedures.

Into the bargain, probably the future of effective and efficient corridor management in as far as facilitating cross border transport movements and balancing regulatory control and trade facilitation is concerned lies in trade value chain risk based accreditation systems. In the main the key focus of the accreditation systems will be on accrediting traders and transport operators based on their compliance profile. Considerations should also be directed to the development of rail transport so as to divert pressure from the road transport system. By doing so, this would reduce traffic volumes on the road network thereby contributing positively to reduction in consequential challenges emanating from high traffic volumes on the road network. Lastly, the review of bilateral and multilateral agreements on cross border road transport should be pursued with a view to creating the right legal environment to enable the cross border industry to be able to decisively address cross border road transport challenges facing the SADC region.

## **5 FINDINGS AND RESULTS**

### **5.1 Findings from the Study**

The following findings were established from this study:

- The geographical landscape of the SADC region requires efficient cross border road transport if regional aspirations on trade and regional integration are to be achieved;
- Cross border road transport plays a vital role in regard to facilitating regional trade, regional integration and economic development;
- There are significant challenges faced by cross border road transport operators in regional corridors;
- There are many stakeholders operating in SADC corridors and they mostly operate in silos, with minimum cooperation;
- Although the SADC region is implementing several programmes and initiatives, they are mostly implemented at country level;
- To date minimal progress has been achieved towards reducing cross border road transport challenges;
- Challenges faced by the cross border road transport operators are detrimental to industry efficiency and productivity. Thus, more still needs to be done with a view to resolve the challenges;
- NTBs lead to increased transport delays in regional corridors and also increase the cost of doing business;
- Variations in regulatory requirements across member states increases delays and transportation costs; and
- SADC faces both hard and soft infrastructure investment challenges.

## **6 CONCLUSIONS**

The study established that there are many challenges that are faced by the cross border road transport industry. The major challenges that were identified are:

- Inadequate hard infrastructure and soft infrastructure emanating from limited investment;
- Many institutional constraints and limited institutional capacity to address challenges in the cross border sector emanating from limited mandate and inefficient operating models;
- Regulatory fragmentation in the SADC region;
- Lack of harmonisation;
- Delays emanating from operational inefficiencies which reduces fleet productive time, trips, and potential revenue generation;
- High transport costs; and
- Limited funding for programmes in the cross border environment.

The study established that there are many possible solutions that may be implemented to resolve transport challenges faced by the cross border road transport industry. The study identified the following as practical, short term and priority solutions:

- Capacity building by regulatory authorities;
- Improving cross border regulatory systems;
- Establishing a well-functioning and easy-to-operate interface between business and government;
- Enhancing transparency and reliability of communication systems;
- Conducting joint inspections;
- Sharing of transport operator profiles among regulatory authorities;
- Set up a border crossing facilitation joint website or information system;
- Hold regular cross border facilitation meetings;
- Expand bilateral agreements to include regulatory reform requirements;
- Accreditation of cross border road transport operators at regional level;
- Pre-clearance of freight by customs;
- Establishing priority lanes at border posts;
- Use of the conventional seal for containerized cargo;
- Mutual recognition of current insurance schemes across the region;
- Official agreements on joint inspections in corridors and border posts;
- Delegation of functions among regulatory authorities; and
- Creating an enabling funding mechanism for regulatory authorities.

## **7 RECOMMENDATIONS**

The cross border road transport industry is a very complex environment with too many stakeholders with varying mandate objectives and interests. Government is mainly interested in safety, security and ensuring compliance with regulatory requirements while the business sector is more focused on productivity and capital efficiency. These divergent needs requires that a fine balance be established with a view to ensuring that the interest of the different stakeholders are taken on-board if

meaningful support is to be attained towards addressing cross border road transport challenges in the region.

By the same token, priorities of these stakeholders at national and regional levels vary. Thus, it is recommended that:

- Alignment of priority objectives of the cross border road transport industry be agreed upon by all key stakeholders at national and regional level;
- Priority programmes be identified and agreed upon for implementation at regional level;
- The mandate of regional technical working groups be expanded to implementation of regional programmes;
- A common pool of funding be established by member states to facilitate implementation of regional programmes;
- Regulatory authorities be capacitated; and
- Political support be adequately provided to regulatory authorities and regional technical working groups.

In conclusion, SADC stands great potential in regard to realising improvement in intra-regional trade, regional integration, socio-economic development and improving the region's competitiveness. The region has a substantial population (market size), more-or-less the equivalent of the population sizes of economic powerhouses like the United States of America. This means that with an enabling cross border transport system, that is efficient, reliable, dependable, cost effective and productive, SADC can equally reach developmental heights reached by these economic blocs. This study established that for this to be achieved, it is imperative that cross border road transport challenges are overcome, and some of the suggested solutions in this paper are implemented towards the same. It would be very important that prior to embarking on implementing these solutions, thorough environmental assessment be conducted with a view to enhance effectiveness of the solutions.

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