

CASE STUDY 09

Private Sector Gains from Logistics Development: Walvis Bay and its Adjacent Corridors

Background

Improved transport and logistics infrastructure can lead to greater trade facilitation, allowing companies conducting cross-border trade to achieve economies of scale and become increasingly competitive in the global economy. While the development of roads, railways, seaports and airports are a longer-term undertaking, ensuring sufficient storage capacity for goods in transit; developing network linkages between sea- or airports and corridors; promoting management oversight and professionalism at ports; and increasing the operational efficiency of existing infrastructure assets may go a long way towards benefiting trade across all sectors.

The Southern African Development Community (SADC) estimates indicate that by 2030, traffic to and from landlocked SADC countries will have increased to 50 million tonnes, escalating to 148 million tonnes by 2040 – an annual growth of 8.2%. Port traffic is expected to expand from the current 92 million tonnes to 500 million tonnes by 2027.¹ Two important criteria for the selection of one port over another are:

- the depth of the port and quays, with a dedicated container terminal; and
- port volume throughput, or the rate at which a vessel is able to complete on- or offloading.

For these reasons, Durban remains the preferred port for many importers and exporters in the region. It is difficult for smaller ports to be truly competitive before a volume threshold is reached (about 150 000 to 200 000 twenty-foot equivalent units (TEUs) a year). However, the frequent congestion at the Port of Durban, caused in particular by the constricted road network from the port, has led traders to consider other ports in the region.

Western gateway to SADC?

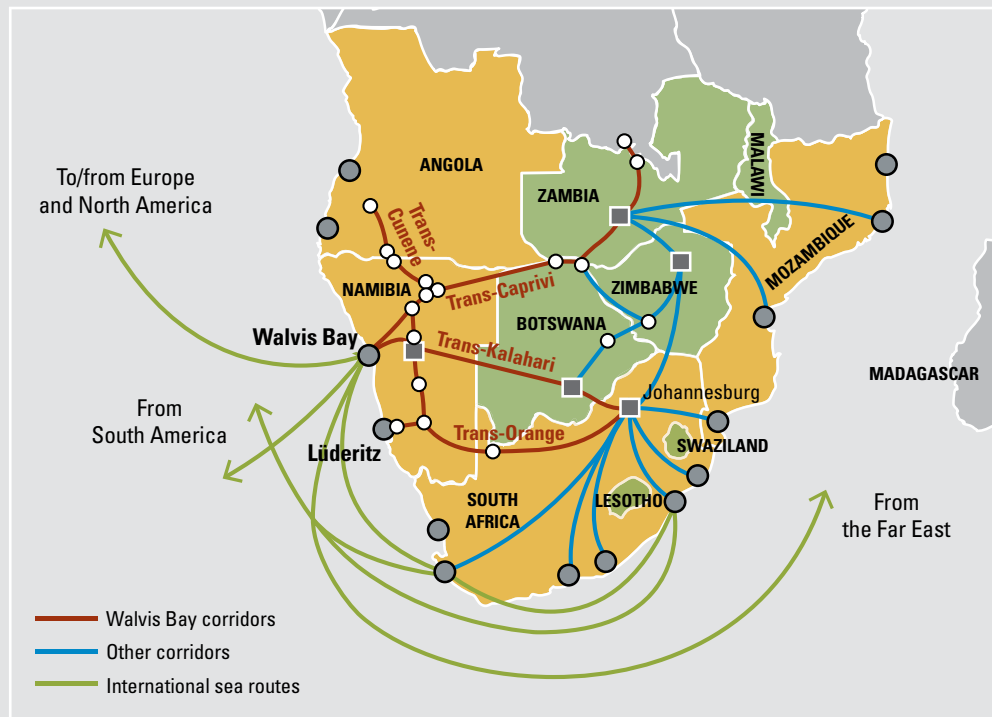
Walvis Bay in Namibia is a deep-water harbour offering larger ships access to docking facilities and presenting a western gateway to the adjacent road and rail links into Southern Africa. It is estimated that only 20% of the cargo offloaded at Walvis Bay is intended for the domestic (Namibian) market.² The transport corridors adjacent to the port are the Trans-Caprivi Corridor; the Trans-Kalahari Corridor; the Trans-Cunene Corridor; and the Trans-Oranje Corridor. The corridors (with the exception of the Trans-Caprivi to the Democratic Republic of the Congo (DRC)) involve only one border crossing before reaching the intended destination. With the well-documented non-tariff barriers faced in Southern African border crossings, this is an attractive alternative for trading companies and their freight handlers.

1 Zingel J & P Curran, *Facilitating Climate Change Issues & Climate Finance for North-South Corridor Transport Projects*. December 2013, <http://www.trademarksa.org/sites/default/files/publications/2013-12-01%20Climate%20Change%20Issues%20and%20Finance%20for%20North-South%20Corridor%20Transport%20Projects.pdf>.

2 De Klerk E, Southern Africa: Namport Fast-Tracks N\$30-Billion SADC Gateway in *New Era* via AllAfrica.com, 10 July 2013, <http://allafrica.com/stories/201307100923.html>.

Box 1: Walvis Bay corridors

Figure 1: Walvis Bay corridors



Source: African Development Bank, Namibia Country Strategy Paper 2014–2018, February 2014, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/2014-2018_-_Namibia_Country_Strategy_Paper.pdf

Port of Walvis Bay

Namibia's largest commercial port links the country's multimodal transport corridors to neighbouring landlocked countries and international markets. The port receives about 3 000 vessels and handles 5 million tonnes of cargo each year. Its port infrastructure ranks among the best in Africa and offers competitive tariffs. It is also less congested than its main competitors in East and Southern Africa.

Trans-Caprivi Corridor

(Walvis Bay–Ndola–Lubumbashi Development Corridor)

This route can be accessed by road and rail, and is mainly used to transport exports and imports for Zambia, Zimbabwe, the DRC and Malawi. A rail line has been established from the Port of Walvis Bay to Grootfontein in Namibia, and funding is currently being explored to extend the railway.

Trans–Kalahari Corridor

This corridor is accessible via road and rail and is mainly used by Botswana and the northern provinces of South Africa, specifically Gauteng. While the road infrastructure has already been developed, the railway line that will bring coal mined in Botswana directly to the Port of Walvis Bay has yet to be constructed. Namibian and Botswana have signed a Memorandum of Understanding and are currently putting together a project team for its construction. Both Namibia's and Botswana's national rail operators are involved, and a private rail developer will construct and manage the railway for 25 years before handing it over to the national governments. No timeframe for completion has been announced yet.

Trans–Cunene Corridor

The route connects southern Angola through Tsumeb, largely for the transportation of goods and construction materials imported for the redevelopment of southern Angola.³ This corridor has already been established with an existing railway to the border of Angola.

Trans–Oranje Corridor (formerly the Southern Extension)

This corridor is the tarred road linking Walvis Bay and Lüderitz Bay with the Northern Cape in South Africa. There is also a railway line from the Port of Lüderitz running southwards to the Northern Cape via Upington. Construction on the 40 km railway extension between Aus and Lüderitz was completed with Chinese financial aid in 2010, providing a rail link from the Port of Lüderitz to the Corridor.⁴

Traffic at Walvis Bay and along the feeding transport corridors has grown significantly. Cargo volumes increased from 145 000 TEUs to 337 000 TEUs between 2005 and 2012. Namibia has registered an impressive increase in revenue, earning NAD⁵ 755 million in 2012 (\$89 million), exceeding the target of NAD 653 million (\$77 million). The increased trade is mainly in transit and trans-shipment, which constitute the bulk of container traffic at the port. Trans-shipment traffic has grown from 92 000 TEUs in 2006 to 218 000 TEUs in 2012.⁶ During the same time, some of the traditionally larger and more established SADC ports have

3 African Development Bank, *Namibia Country Strategy Paper 2014–2018*, February 2014, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/2014-2018_-_Namibia_Country_Strategy_Paper.pdf.

4 STC B.V., *Fact-finding Walvis Bay Corridor*, Report, 2012, <http://portandcorridor.org/wp-content/uploads/2013/03/Factfinding-Walvis-Bay-2012.pdf>.

5 NAD is the three-letter currency code for the Namibian dollar.

6 African Development Bank, *The New Port of Walvis Bay Container Terminal Project: The Republic of Namibia Project Appraisal Report*, July 2013, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Namibia%20-%20The%20New%20Port%20of%20Walvis%20Bay%20Container%20Terminal%20Project%20-%20Appraisal%20Report.pdf>.

seen a decline in cargo volumes. Statistics on cargo traffic at various African ports show a relatively high percentage growth in Namibia and Mozambique, with an associated decline at Cape Town, East London and Durban.

Table 1: Annual volume and growth of cargo traffic in 2009

Cape Town	Cargo traffic, annual growth (%)	-3.59
	Cargo traffic, annual growth (volume)	-146,493.00
Beira	Cargo traffic, annual growth (%)	0.18
	Cargo traffic, annual growth (volume)	5,288.00
Durban	Cargo traffic, annual growth (%)	-9.51
	Cargo traffic, annual growth (volume)	-3,983,213.00
East London	Cargo traffic, annual growth (%)	-10.14
	Cargo traffic, annual growth (volume)	-185,929.00
Maputo	Cargo traffic, annual growth (%)	11.74
	Cargo traffic, annual growth (volume)	801,400.00
Nacala	Cargo traffic, annual growth (%)	2.90
	Cargo traffic, annual growth (volume)	21,943.00
Mombasa	Cargo traffic, annual growth (%)	16.58
	Cargo traffic, annual growth (volume)	2,647,271.00
Saldanha	Cargo traffic, annual growth (%)	22.76
	Cargo traffic, annual growth (volume)	9,942,297.00
Walvis Bay	Cargo traffic, annual growth (%)	6.52
	Cargo traffic, annual growth (volume)	256,383.00

Source: Knoema.com (Knoema Knowledge Platform) – using African Development Bank statistics <http://knoema.com/AFPS2013/african-port-statistics-2013>

The Namibian government believes that positioning the country as a logistics hub offers a great opportunity for economic benefits beyond the country's domestic means.⁷ There is consensus about expected economic growth in SADC countries. The Fourth National Development Plan (NDP-4) 2012/13–2016/2017 is specifically concerned with the export of extractives from the big players in the region. The NDP-4 is aimed at realising Namibia's Vision 2030, which sets out the country's development programmes and strategic objectives. Vision 2030 is premised on partnerships, through which it is expected that dynamic, efficient

⁷ Republic of Namibia, *Namibia's Fourth National Development Plan (NPD-4): 2012/13 to 2016/17*, Changing Gear Towards Vision 2030, May 2012, http://www.npc.gov.na/?wpfb_dl=37.

and sustainable development will be achieved.⁸ The upgrade of the Port of Walvis Bay is also part of the African Development Bank's (AfDB) Southern Africa Hub Port and Rail Programme, which is one of the 51 strategic projects under the Programme for Infrastructure Development in Africa (PIDA).⁹

Currently, Southern African logistics are dominated by South Africa; with approximately 80% of Namibia's imports coming from or through South Africa, and about 66% of Namibian exports going to South Africa.¹⁰

Box 2: Namibia's Fourth National Development Plan

The NDP-4 sets three overarching economic priorities:

- high and sustained economic growth;
- increased income equality; and
- employment creation.

To achieve these strategic goals, four economic sectors have been assigned priority status:

- logistics;
- tourism;
- manufacturing; and
- agriculture.

The desired outcomes from the NPD-4 that relate to the Port of Walvis Bay in particular are:

- By 2017, Namibia is expected to have well-functioning, high-quality transport infrastructure connected to major local and regional markets and linked to the Port of Walvis Bay, with 70% of the railway network to comply with SADC's axle load recommendation of 18.5 tonnes.
- By 2017, the volume in cargo handling and rail-transported cargo is expected to be double the 2012 volume, and Walvis Bay will have become the preferred West African coast port and logistics corridor for Southern and Central African logistics operations.

8 *Ibid.*

9 Co-managed by the African Development Bank, the African Union Commission and the New Plan for African Development (NEPAD) Planning and Coordinating Agency, PIDA is a continental strategic framework to transform Africa through the development of modern infrastructure. PIDA seeks to connect and integrate Africa through infrastructure superhighways.

10 South Africa, Department of International Relations and Co-operation, 'Minister Nkoana-Mashabane in Namibia on a working visit', Press Release, 5 April 2012, <http://www.dfa.gov.za/docs/2013/nami0405.html>.

The Namibian consumer market is very small with a population of just over 2 million people, but Namibia's position on the west coast provides an opportunity to service the import/export requirements of the many landlocked countries in Southern Africa. Namibia has signed bilateral agreements with Botswana, Zambia and Zimbabwe and has offered to construct dry port facilities for these countries for their traded cargo.

Governance and state support

The Walvis Bay Port is operated and managed by the state-owned Namibian Ports Authority (Namport). Namport reports to the Minister of Works and Transport and the State-Owned Enterprises (SOEs) Governance Council, which control operations and port policies and regulations. While the Namibian government does not prescribe Namport's work programme, as an SOE its strategic priorities have to be aligned with the government's NDP-4 and Vision 2030.

Namport reportedly has an excellent relationship with the Namibian government, with open-door engagement with all government ministries and agencies. Namport's line ministry, in particular, provides strong support to the SOE and its infrastructural developments. For example, the Namibian government has underwritten Namport's loan from the AfDB to fund the container terminal expansion. Furthermore, the Namibian government has created a number of platforms to allow Namport to engage with other governments in order to gain expertise and learn best practice in logistics-hub operations.

In 2011, Namport commissioned a study to assess the overall competitiveness of Walvis Bay relative to competing ports in the Southern Africa region: the ports of Luanda and Lobito in Angola and of Durban and Cape Town in South Africa. The study found that the Angolan ports would continue to face congestion for the foreseeable future, while South African ports catered mainly for domestic and transit cargo. Walvis Bay is being oriented towards the trans-shipment of cargo, as well as to transit trade in the SADC region.¹¹

Interviews at Namport showed that the port authority strives to engage directly with its customers and tailor services to their needs. This includes increasing flexibility on tariffs and levies, providing discounts on large volumes, expediting the on- and offloading process for time-sensitive goods, and providing extra storage facilities where trans-shipment cannot immediately be made. Namport's efficiency and close client relations are a result of the relatively small size of its ports. It is aware of the need for serious infrastructural expansion in the medium and long term to keep up with the rise in cargo traffic volumes. It will be important to maintain this efficiency and customer focus once the upgrades and expansions are completed.

¹¹ Trans-shipment refers to changing the container in which the cargo lands at the port, whereas in transit the container stays intact until its final destination.

Table 2: How Namibia rates: criteria for logistics success

Criteria	Namibia	Classification against criteria
Strategic location	Strategic position on the coast of south-west Africa with connections to global shipping routes giving access to the SADC countries	Excellent, but some risk as there are competitors
Political stability	Since independence from South Africa in 1990, the political situation has been stable with an elected government The recently published NDP-4 sets logistics and infrastructure as important priorities	Good, provided intentions become actions
Human capital	There is a lack of logistics training, education and qualified staff There is a lack of understanding of the concept of international service standards and a reluctance to conform to them	Poor, education can be improved but time is needed Attitude is a major stumbling block
Infrastructure	The port of Walvis Bay has a good strategic location, but the present container capacity (250 000TEUs) is a limitation. This has been recognised and there are plans to enlarge to up to 1 million TEUs, but recent congestion (2011/12) suggests that the supporting road infrastructure may become a limiting factor. There is a rail network, but it is a narrow gauge and is considered expensive and unreliable. Freight use and sea/rail intermodality tends to be very limited. The small size of the population together with the vast geography of the country makes investment in and maintenance of transport infrastructure very difficult	Fair, there is potential but major investment and time will be required
Administrative processes	While the Walvis Bay Corridor Group states that the turnaround times for offloading vary from 12 to 15 hours for bulk vessels, depending on the tonnage and shipment, and between 18 and 20 hours for break-bulk vessels, logistics stakeholders report customs issues and delays. Operators and users claim that 'border control paperwork is cumbersome and it happens often that goods (including fresh foodstuff) are held at the border too long because of the submission of paperwork and charges that are applied at the borders (eg, by Botswana and Zambia) Bureaucracy, duplication and silo-ism are observed without awareness of the upstream or downstream processes that surround them	Mixed (fair to poor) – the optimism of the corridor groups is commendable, but the general attitudinal problems, especially in parastatals, will have to be addressed and changed

Criteria	Namibia	Classification against criteria
Regulations for attracting foreign direct investment	There is a history of attracting inward investment from countries such as China, the US and Germany, but results have not always lived up to expectations	Average, the scope is there but whether it can be capitalised on fully remains to be seen
Anchor companies	Several logistics service providers such as Transworld Cargo and DHL are established locally	Average, there is scope but it will only be developed if companies feel that the other criteria are met

Source: Savage CJ, *Becoming a regional gateway by developing logistics hubs: A blessing or a curse?*, Namibian-German Centre for Logistics, Namibia, 2013, <http://dspace.polytechnic.edu.na/bitstream/10628/366/3/Savage.%20Becoming%20a%20regional%20gateway%20by%20developing%20logistics%20hubs.pdf>

Infrastructural upgrades

Namport is currently undertaking two major infrastructural upgrades at the Port of Walvis Bay. The limited storage infrastructure at the port is being addressed through the construction of a new container terminal. This development, which is already underway, is a 36-month project scheduled to be completed in 2017. It involves extensive land reclamation on the southern end of the port, which will allow for the deployment of more modern cranes and cargo-lifting equipment, thereby increasing the port's cargo capacity.

The current port is 105 hectares, while the SADC Gateway Port (still at conception phase) is envisioned at 10 times this size (or 1 330 hectares, with the new container terminal adding 40 hectares). The SADC Gateway Port project (also called the North Port) will extend the existing harbour to the north of Walvis Bay between Bird Island and Kuisebmond. The new Gateway port will provide 10 km of quay walls; jetties with 30 large berths; a world-class ship and rig repair yard; an oil and gas supply base; an undercover dry bulk terminal accommodating more than 100 million tonnes; a car import terminal; and a passenger terminal. The SADC Gateway Port is also expected to feature a liquid bulk terminal for very large crude carriers, dry ports and backup storage areas, break bulk terminals, small boat marinas and a new high-capacity rail, road, pipeline and conveyor link.

Funding

The development of the Walvis Bay container terminal to accommodate an additional capacity of 650 000 TEUs is being funded by contributions from Namport, the Namibian government and the AfDB. The project (including logistics initiatives and capacity building) is estimated to cost a total of NAD 3,419 million (\$311.67 million), with 87.6% financed by

the AfDB through an AfDB sovereign guarantee loan of NAD 2,982 million (\$271.83 million) and a middle-income country technical assistance grant of NAD 14 million (\$1.28 million). The remaining 12.4% of the total project estimate, or NAD 423 million (\$38.55 million), will be financed by Namport. This amount includes a grant from the Namibian government of NAD 250 million (\$22.79 million), or 7.3%.

Funding for the SADC Gateway project has yet to be secured, as the project is still at the conception stage. However, the decision to approach the development in phases means that the burden of securing total funding is far less onerous. The Namibian government has already agreed to fund the first phase (the tanker jetty), which means that the project can begin without being held back by a lack of funding for subsequent phases.

With its small domestic market, Namibia obviously views its SADC neighbours as the major drivers behind the development of this mega-project. Construction plans were brought forward because of the construction of the new fuel tanker berth facility and the Trans-Kalahari railway line initiative for the export of coal from Botswana. Costs for this new port are estimated at about NAD 1,5 billion (\$0.13 billion), and through this project Namibia is positioning itself as a key import and export hub for the country's eastern neighbours: landlocked Botswana, the DRC, Malawi, Zambia and Zimbabwe.

Transport corridors

Namport's strategy centres on adopting a 'hub and spoke' distribution model for trans-shipment serving the southern, central and western African coastline, and acting as a gateway for transit traffic for the landlocked SADC countries. The infrastructural upgrades and expansion occurring at the Port of Walvis Bay are being supplemented with the maintenance and development of four transport corridors that link the Namibian ports of Walvis Bay and Lüderitz to strategic points throughout Southern Africa by road and rail. These corridors, collectively referred to as the Walvis Bay Corridor Group (WBCG), have the potential to provide the shortest possible route for SADC to markets in Europe and the Americas and become a logistics hub as a result of the country's geographical location.

Given the success of the WBCG as a public-private partnership (PPP), Namport wants to pursue a similar arrangement to attract project financing. However, the role of the private sector in the WBCG has been minimal in terms of financing, with financial contributions only being made in the form of membership fees and user-pay levies. This revenue has been used to fund trade facilitation activities rather than infrastructural development. The feasibility of a PPP model for the SADC Gateway has been questioned; instead, it is expected that this will be funded by the Namibian government and development financial institutions, as was the case for the container terminal expansion.

Box 3: Case study of the Walvis Bay Corridor Group

A case study of the WBCG was undertaken during the first phase of the GIZ ProSPECT/SAIIA study in 2011–2012.¹² The WBCG was established in 2000 as a PPP of transport and logistics stakeholders. Its objective is to engage in business development aimed at increasing cargo for the Port of Walvis Bay and the corridors linked to it. In addition, the entity plans to facilitate corridor and infrastructure development. The partnership allows for the pooling of resources, expertise and authorities from both the government and commercial operators, creating an integrated transport and logistics solution for customers.

The private sector is mainly represented by sectoral associations, not individual businesses, although companies participate directly in various forums. The establishment of the WBCG itself is a reaction to the fragmented stakeholder landscape. The group is a co-ordination and strategy mechanism that brings a wide range of stakeholders together so that their interests may converge and be directed towards facilitating trade growth and infrastructure improvement.

Because of the group's constitution as a PPP, it is able to leverage the public sector for advice and action on issues such as customs, transport regulation and infrastructure development, while the private sector's involvement can focus on business development such as marketing and making practical operational proposals for logistics solutions. The WBCG also promotes integration and improved communication through participation in forums such as the National Steering Committee on Trade Facilitation in Namibia, and the Customs to Business initiatives.¹³

Conclusion

Namport's improvements in efficiency and competitiveness at the Port of Walvis Bay are extremely promising in positioning Namibia as a strong alternative to logistics management in Southern Africa. The extent to which this momentum can be continued as the Port of Walvis Bay grows in size and activity remains to be seen. However, the current expansion of the container terminal and planned phase-driven creation of the SADC Gateway Port is a clear indication of Namport's awareness of the need to improve its physical infrastructure to keep up with increasing cargo volumes. Furthermore, Namport management, aided by the marketing activities of the WBCG, is committed to attracting new business from abroad and securing the co-operation of its SADC neighbours.

12 SAIAs The Trade Beat, 'PPP – Walvis Bay Corridor Group, SADC Business Case Studies', <http://www.thetradebeat.com/sadc-business-case-studies/ppp-walvis-bay-corridor-group>.

13 *Ibid.*

Namibia's efforts to upgrade its port infrastructure are opportunely linked to the AfDB's priorities in terms of improving all key port infrastructures in the SADC region through PIDA. It is hoped that the funding leveraged through the AfDB's support will also provide the necessary momentum to the project so that the process does not become mired in bureaucratic delays. The extent of the project upgrade should not be underestimated – as noted, it involves a port upgrade, the construction of an additional port and upgrades to the existing feeder road and rail infrastructure.

The establishment of the WBCG as a PPP has proven to be an extremely successful means of drawing together the various stakeholders required to make trade facilitation, NTB elimination, and regional integration achievable goals. The Namibian government's inclusion of and interest in the private sector is somewhat unique in the region and has allowed Namibia to work with business in positioning itself as the logistics hub for Southern Africa by taking advantage of the private sector's wealth of expertise and experience. Most importantly, more than simply including the private sector in stakeholder engagement, the Namibian government seems willing to take its advice and to realise what an important role the private sector plays in business development. This is in contrast with many other SADC countries that tend to view the private sector as a source of revenue collection rather than a meaningful development partner. If the PPP can be leveraged to secure private sector funding for Namport's future infrastructure projects – and with the application of expertise where the private sector has comparative advantage – the PPP model will prove to be very successful. No doubt, when applied carefully and thoughtfully, any partnership model often takes longer than a simple procurement; however, the upfront planning can lead to the avoidance of delays mid-implementation.

The Port of Walvis Bay is very small when compared with the traditional ports of choice in SADC, and it may be too early to establish whether Namibia will be able to change its position as an alternative logistics hub to the primary one. However, the current indicators seem favourable. Of particular importance is the national priority that the Namibian government has given to these infrastructural projects. This sense of national priority seems to be shared by a wide group of government ministries, SOEs, the private sector, and even ordinary Namibian citizens. Namport management motivates employees by fostering the idea that they are providing a national service to Namibian citizens by aiding in economic development and job creation, and the term 'logistics hub' has become the new catchphrase nationwide. The extent to which this development priority is shared by the public and private sectors is reminiscent of the developmental state atmosphere created by the 'Tiger economies' of South-East Asia, and is a fairly unique phenomenon in Southern Africa.

