

# Unlocking Catalytic Corridors for Africa's Economic Potential



Africa's trade corridors are integral to the success of the African Continental Free Trade Area (AfCFTA). These corridors, which consist of interconnected roads, railways, ports, and pipelines, are essential in fostering economic integration, boosting trade, and enhancing the continent's global competitiveness. Corridors are not just pathways for goods and services; they are the arteries of Africa's economic future. By improving infrastructure, reducing trade barriers, and promoting regional integration, Africa's corridors will unlock the continent's vast potential, driving economic growth, and fostering greater prosperity across the region. This article explores the economic impact of developing Africa's corridors, highlighting their potential to unlock economic, industrial, and trade opportunities across the continent. As Africa invests in these vital infrastructure projects, the continent stands on the brink of a new era of growth and prosperity.

## 1. Enhancing Intra-African Trade

Intra-African trade is currently low, accounting for only about 16-18% of the continent's total trade. The development of trade corridors is expected to significantly increase this percentage by reducing the costs and inefficiencies associated with cross-border trade. According to the African Development Bank (AfDB), efficient corridors could reduce trade costs by up to 40%, potentially increasing intra-African trade by over \$35 billion annually. This increase in trade volumes would stimulate economic growth, create jobs, and increase the continent's GDP by up to 3% in the medium term.

## 2. Facilitating Regional Value Chains

Regional value chains are critical for developing Africa's manufacturing sector, which currently accounts for less than 10% of the continent's GDP. By facilitating the movement of goods between different stages of production, corridors enhance the efficiency of these value chains, leading to an increase in industrial output. The establishment of regional value chains could lead to a 50% increase in intra-African trade in intermediate goods, fostering the growth of regional industries. The economic impact is substantial, with the potential to add \$150 billion to Africa's GDP by 2030 through the development of value-added manufacturing.

### **3. Supporting the Free Movement of People and Services**

The free movement of people and services is expected to boost the service sector, which already contributes over 50% to Africa's GDP. Efficient corridors reduce travel time and costs, making it easier for professionals and businesses to operate across borders. For example, streamlined border crossings along the North-South Corridor have reduced travel times by 20-30%, directly benefiting businesses and service providers. This increased mobility could lead to a \$25 billion annual increase in service trade, particularly in sectors like finance, logistics, and information technology, thereby enhancing economic integration.

### **4. Addressing Non-Tariff Barriers (NTBs)**

Non-tariff barriers, such as customs delays and border inefficiencies, are estimated to add up to 15% to the cost of goods traded across Africa. By improving infrastructure and border management systems, corridors can reduce these barriers, potentially increasing trade by 30%. The elimination or reduction of NTBs could save African economies billions of dollars annually—an estimated \$5 billion in savings from reduced delays alone. This would also lead to more competitive pricing for consumers and increased profitability for businesses, ultimately contributing to higher GDP growth.

### **5. Attracting Foreign Direct Investment (FDI)**

Africa's infrastructure deficit has been a significant barrier to attracting FDI. The development of trade corridors can change this dynamic by providing the necessary logistical backbone for large-scale investments. Over the past decade, FDI inflows into corridor projects have exceeded \$100 billion, particularly in energy, transport, and industrial zones. The AfDB estimates that the full realization of Africa's corridor projects could attract an additional \$60 billion in FDI annually by 2030, supporting industrialization and job creation. The multiplier effect of this investment could add 1-2% to Africa's annual GDP growth rate.

### **6. Enhancing Competitiveness on a Global Scale**

The ability to compete in global markets is crucial for the long-term success of AfCFTA. Efficient corridors reduce the cost of exporting goods, making African products more competitive internationally. For instance, improved corridors like the Central Africa Corridor have reduced logistics costs by 25-30%, directly impacting the competitiveness of African exports such as minerals, agricultural products, and manufactured goods. By increasing export volumes, Africa could see a 20% rise in global market share for its key exports, potentially adding over \$200 billion to its GDP by 2035.

### **Conclusion:**

The development of Africa's trade corridors is not just a logistical necessity but an economic imperative for the success of AfCFTA. By enhancing intra-African trade, facilitating regional value chains, supporting the movement of people and services, reducing non-tariff barriers, attracting FDI, and increasing global competitiveness, these corridors can significantly boost Africa's economic prospects. The cumulative impact of these improvements could increase Africa's GDP by over \$1 trillion by 2035, representing a transformative shift in the continent's economic landscape. As African countries continue to invest in and develop these critical infrastructure networks, the full potential of AfCFTA will be unlocked, heralding a new era of growth and prosperity across the continent.

These corridors include:

### 1. Northern Corridor (East Africa)

- **Countries Involved:** Kenya, Uganda, Rwanda, Burundi, Democratic Republic of Congo (DRC), and South Sudan.
- **Key Features:** Connects the port of Mombasa in Kenya to landlocked countries in East Africa. It is a vital trade route for the East African Community (EAC), and includes roads, railways, and an oil pipeline.
- **Significance:** This corridor is crucial for the import and export activities of the landlocked countries and plays a key role in the region's economic integration.

### 2. Central Corridor (East Africa)

- **Countries Involved:** Tanzania, Uganda, Rwanda, Burundi, and the Democratic Republic of Congo (DRC).
- **Key Features:** Links the port of Dar es Salaam in Tanzania to the Great Lakes region. It includes road, rail, and pipeline infrastructure.
- **Significance:** It serves as an alternative to the Northern Corridor, reducing congestion and providing access to global markets for landlocked countries in the region.

### 3. Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) Corridor (East Africa)

- **Countries Involved:** Kenya, South Sudan, Ethiopia.
- **Key Features:** This corridor includes a new port at Lamu, roads, railways, an oil pipeline, and airports. It aims to connect the landlocked countries of South Sudan and Ethiopia to the Indian Ocean.
- **Significance:** LAPSSET is one of the most ambitious infrastructure projects in Africa, expected to boost trade and development in a region that has been historically underserved.

### 4. Maputo Development Corridor (Southern Africa)

- **Countries Involved:** South Africa, Mozambique, Swaziland.
- **Key Features:** Links the industrial heartland of South Africa (Gauteng Province) to the port of Maputo in

Mozambique through road, rail, and energy infrastructure.

- **Significance:** This corridor is a successful example of public-private partnerships in infrastructure development and has significantly boosted economic activity in the region.

#### 5. North-South Corridor (Southern and East Africa)

- **Countries Involved:** Tanzania, Democratic Republic of Congo (DRC), Zambia, Zimbabwe, Botswana, Malawi, Mozambique, South Africa.
- **Key Features:** Extends from the port of Dar es Salaam in Tanzania to the South African port of Durban, traversing multiple countries. It includes road, rail, and port infrastructure.
- **Significance:** This corridor is critical for regional integration and trade, particularly for the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

#### 6. Dakar-Bamako Corridor (West Africa)

- **Countries Involved:** Senegal, Mali.
- **Key Features:** Connects the port of Dakar in Senegal to Bamako, the capital of landlocked Mali, via road and rail infrastructure.
- **Significance:** The corridor is crucial for Mali's access to international markets and serves as a key trade route in West Africa.

#### 7. West African Growth Ring Corridor

- **Countries Involved:** Côte d'Ivoire, Burkina Faso, Ghana, Togo.
- **Key Features:** Links major economic hubs in West Africa through roads and railways, facilitating trade and movement between coastal and landlocked countries.
- **Significance:** It is pivotal for economic integration in West Africa, particularly in enhancing the movement of goods and people across borders.

#### 8. Central Africa Corridor (Trans-Caprivi Corridor)

- **Countries Involved:** Namibia, Zambia, Democratic Republic of Congo (DRC).
- **Key Features:** Links the port of Walvis Bay in Namibia to Zambia and the DRC through road and rail infrastructure.
- **Significance:** This corridor provides an important trade route for landlocked Zambia and the mineral-rich regions of the DRC, connecting them to global markets.

#### 9. Abidjan-Lagos Corridor (West Africa)

- **Countries Involved:** Côte d'Ivoire, Ghana, Togo, Benin, Nigeria.
- **Key Features:** This coastal corridor connects the major West African cities of Abidjan, Accra, Lomé, Cotonou, and Lagos through road infrastructure.
- **Significance:** It is one of the busiest trade routes in West Africa

and is critical for the economic integration of the region.

#### **10. Trans-Saharan Highway (North and West Africa)**

- **Countries Involved:** Algeria, Niger, Nigeria.
- **Key Features:** Connects Algiers in Algeria to Lagos in Nigeria through

a transcontinental road, facilitating trade between North and West Africa.

- **Significance:** This corridor helps bridge the gap between the largely disconnected economies of North and West Africa, promoting regional trade.

***Group Shumba is an innovation and investment holding firm that builds value-add ecosystems around cities, corridors, and integrated communities to solve real life problems. This article is part of a thought leadership series addressing urbanisation and economic development in emerging regions.***

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