

Trade facilitation
from an African Perspective



Trade Facilitation from an African Perspective



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Addis Ababa, Ethiopia

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First printing November 2013

ISBN-13: 978-99944-61-06-6
e-ISBN-13: 978-99944-62-06-3

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Designed and printed in Addis Ababa, Ethiopia by the ECA Documents Publishing and Distribution Unit. ISO 14001:2004 certified.

Cover Photos:

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Acronyms and Abbreviations

AAEC	African Alliance for Electronic Commerce
ACMA	Africa Corridor Management Alliance
AEO	Authorised Economic Operators
AGOA	Africa Growth and Opportunity Act
ASYCUDA	Automated System for Customs Data
ATPC	African Trade Policy Centre
AU	African Union
BIAT	Boosting Intra-African Trade
CEMAC	Central African Economic and Monetary Community
CFTA	Continental Free Trade Area
CIDA	Canadian International Development Agency
CMA	Customs Management Act
COMESA	Common Market for Eastern and Southern Africa
CVTFS	Virtual Trade Facilitation System
DDA	Doha Development Agenda
DFID	Department for International Development
EAC	East African Economic Community
EBA	Everything But Arms
ECA	United Nations Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
ECSCAP	Economic and Social Commission for Asia and the Pacific
ERA	Economic Report on Africa
EU	European Union
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
ICT	Information and Communication Technology
IFF	Illicit Financial Flow
ISRT	Inter-state Road Transit Guarantee Schema
LDC	Least Developed Country

LLDC	Landlocked Developing Country
NEPAD	New Partnership for Africa's Development
OECD	Organisation for Economic Co-operation and Development
OSBP	One Stop Border Posts
PICI	Presidential Infrastructure Champion Initiative
PMAESA	Port Management Association of Eastern and Southern Africa
PMAWCA	Port Management Association of West and Central Africa
PCMS	Passenger and Cargo Manifest System
RADDEX	Revenue Authorities Digital Data Exchange Programme
REC	Regional Economic Commission
TCC	Transport Coordination Committee
REPSS	Regional Payment and Settlement System
RCTG	Regional Customs Transit Guarantee
RKC	Revised Kyoto Convention
SACU	Southern African Customs Union
SADC	Southern African Development Community
SIDS	Small Island Developing States
UEMOA	West African Economic and Monetary Union
WCO	World Customs Organisation
WTO	World Trade Organisation
ZIMRA	Zimbabwe Revenue Authority

Acknowledgements

The report “Trade Facilitation from an African Perspective” was prepared under the leadership of Carlos Lopes, ECA’s Executive Secretary and the overall guidance and supervision of Stephen Karingi, ECA’s Director of the Regional Integration and Trade Division. The report was prepared by Giovanni Valensisi and Robert Tama Lisinge with valuable analytical input from Maja Reinholdsson. Relevant inputs to the report were received at the ECA-AUC High Level Retreat of the African Group (4-5 October, 2013, Montreux, Switzerland). The analysis of trade facilitation instruments also benefitted from insights from various workshops, including the African 10-Year review of the Almaty Programme of Action (15-18 July, 2013, Addis Ababa, Ethiopia), First African Union Commission (AUC)/World Customs Organisation (WCO) Seminar on the Revised Kyoto Convention (19-21 June 2013, Nairobi, Kenya); First AUC Workshop on Integrated Border Management (July 2013, Harare, Zimbabwe), and the Fifth Ordinary Meeting of the AU Sub-Committee of Directors General of Customs (9-13 September 2013, Cotonou, Benin).

Introduction

1

The proposed agreement on trade facilitation is one of the key issues on the negotiators' table in the run-up to the World Trade Organisation Ministerial Conference, to be held in Bali, Indonesia, from 3 to 6 December 2013. In this context, this paper provides a thorough analysis of key trade facilitation issues from an African perspective, highlighting what is at stake for the continent, thereby contributing to inform the opinions of African negotiators at a critical juncture. The premise of this analysis is that there is a consensus in the empirical literature, regardless of the methodology utilized, on the positive and significant impact trade facilitation could have for Africa's trade performance (see Annex 1 Table 1). Against this background, the paper is admittedly not intended to assess the proposed agreement from a tactical negotiating perspective, nor does it address issues related to the "overall balance" of the deliverables that could be achieved in Bali. Taking some distance from the negotiations as such, it rather takes a technical stance and focuses on the four key aspects related to trade facilitation, as outlined below.

First, by analyzing relevant indicators from the World Bank Doing Business database, the paper compares red tapes and transaction costs (for what pertains to international trade) within Africa, as well as with the rest of the world. In light of the disproportionate magnitude of transaction costs by international standards, the analysis confirms how critical trade facilitation is for Africa. In addition, the reviewed evidence highlights the different incidence of transaction costs distinguishing between exports and imports flows, and underscores sub-regional and cross-country variability (with special reference to landlocked countries).

Secondly, the paper investigates the pattern of imports of African countries, focusing in particular on intermediate inputs. This analysis permits grasping the extent to which trade facilitation could boost exports not only by directly cutting transaction costs, but also indirectly through providing cheaper access to production inputs to be transformed domestically and then possibly re-exported. Though currently this indirect effect appears to play a rather limited role, in view of Africa's persistent dependence on primary commodities, it is certainly far from negligible. Moreover, such an indirect effect is set to gradually become more relevant, in so far as economic diversification advances and African firms successfully connect to regional and global value chains.

Third, the paper reviews the precise instruments covered by the draft negotiating text tabled at the World Trade Organisation, and compares them with the instruments already agreed within Africa at the level of Regional Economic Communities, as well as with legal provisions at the national level. This enables an assessment of the consistency of the multilateral agenda with Africa's regional integration agenda and national policies, while also identifying areas of potential synergies and complementarities between the three. The paper also assesses the potential synergies and complementarities between the World Trade Organisation proposal and related multilateral conventions such as the Revised Kyoto Convention on the Simplification and Harmonization

of Customs Procedures and the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention).

Finally, the paper sheds some light on the costs underlying trade facilitation activities. Adequately "costing the trade facilitation agenda" is not only crucial in relation to Africa's need for development finance, but also in view of the fact that the modalities of the proposed trade facilitation agreement introduced a unique feature: the implementation of certain commitments (the so-called category C) is conditioned upon the delivery of technical and financial assistance.

Trade Costs in Africa: Why is Trade Facilitation Critical



Having a thorough understanding of the pattern and evolution of trade costs is critical to gauge the potential impact of any trade facilitation activity for at least four main reasons. First, as the existing literature unanimously argues that a decline in trade-related costs can significantly boost trade performance, it is straightforward to see that the potential relevance of trade facilitation is greater the higher the scope to cut transaction costs. Secondly, and as a corollary of the first point, knowledge of the sources of trade costs is critical in determining which precise trade facilitation instrument is likely to have the highest payoff. Thirdly, given that one of the controversial aspects of the proposed Trade Facilitation Agreements is whether or not it would disproportionately facilitate imports, it is important to assess the extent to which imports and exports costs are correlated and why. Fourthly, the pattern of trade-related costs across countries of origin or destination can clearly affect the overall impact of trade facilitation on regional integration. The present section elaborates the above points from an African perspective, by analyzing the magnitude and evolution of trade-related transaction costs within Africa, and in relation to the rest of the world.

Two different and complementary datasets are utilized here to provide a thorough account of trade-related costs: the “Trading across borders” indicators drawn from the World Bank’s Doing Business database, and the bilateral trade costs estimates drawn from the Economic and Social

Commission for Asia and the Pacific (ESCAP) - World Bank Trade Costs Database. It is convenient to start the assessment of trade costs from the former set of indicators, which essentially measure the document requirement, time and costs associated with exporting/importing a standardized cargo of goods (20-foot container, 10 tons of weight, worth \$ 20,000), from each country’s largest business city to the closest port.¹ The six indicators in question span the period 2006-2012, and represent a standardized and internationally comparable measure of document requirements, time and monetary costs related to international trade.

The comparison of these six dimensions of transaction costs at a regional level is presented in Table 1, which refers to the latest available year namely 2012. The figures reveal that Africa excluding Northern Africa remains by far one of the two regions where international trade is

¹ With respect to the time required to export or import, the measures presented include the time to (i) obtain all the documents (bank documents, custom clearance documents, port and terminal handling documents, and transport documents), (ii) inland transport and handling, (iii) custom clearance and inspections, and (iv) port and terminal handling. Conversely, indicators of costs to import/export include all official costs for (a) all documentation, (b) inland transport and handling, (c) custom clearance and inspections, and (d) port and terminal handling. Neither the time-related indicator nor the cost-related one, however, take into account ocean transport time; hence they are defined in a country-specific way, regardless of the destination/origin of the container. For further methodological details, refer to Djankov, et al.(2010).

Table 1: Transaction costs in international trade, regional averages in 2012

	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
East Asia & Pacific	6	21	923	7	22	958
Eastern Europe & Central Asia	7	26	2,134	8	29	2,349
Latin America & Caribbean	6	17	1,268	7	19	1,612
Middle East & North Africa	6	19	1,083	8	22	1,275
OECD high income	4	10	1,028	5	10	1,080
South Asia	8	32	1,603	9	33	1,736
Sub-Saharan Africa	8	31	1,990	9	37	2,567

Source: Doing Business Database

most expensive, along with Eastern Europe and Central Asia where however the share of landlocked countries is higher. Document requirements also appear to be particularly burdensome by international standards, with an average of 8 and 9 different documents necessary for export and import respectively. Cost wise, importing activities are unduly disadvantaged in Africa excluding Northern Africa, to the extent that the import of one standard container takes on average 37 days and costs US\$ 2,567. This compares to 22 days and US\$ 958 in East Asia and Pacific, 19 days and USD 1,612 in Latin America and the Caribbean, and 33 days and US\$ 1,736 in South Asia. Though exports are more costly in Eastern Europe and Central Asia, Africa excluding Northern Africa still compares rather poorly with the remaining regions. The export of one standard container takes on average 31 days and costs US\$ 1,990 in the sub-Saharan African region; that is 10 days and US\$ 1,067 more than from East Asia and the Pacific, 14 days and US\$ 722 more than from Latin America, 1 day less but US\$ 387 more than in South Asia.²

In line with the previous literature, Table 1 broadly vindicates the prevalence of disproportionately high transaction costs associated with international trade in the region, resulting in a cost wedge which penalizes African firms and consumers. Regional averages could mask, however, significant variability across country, especially in a continent as diverse as Africa; hence it is important to look

at a more disaggregated picture. This is done in Figure 1 and Figure 2, which present a country-by-country analysis of the sources of trade-related costs, for exports and imports respectively.

Starting from the costs of exports, Figure 1 indeed underscores a large variability across African countries, both in terms of overall size of the costs and in terms of cost structure, as well as a heightened incidence of export costs vis-à-vis the costs of import. Overall, in 2012 export costs exceeded the world average for 25 of the 51 African countries for which data is available, whilst the time necessary to export surpassed the corresponding world average for as many as 35 African countries.³ In the same vein, eleven of the world's twenty countries where the cost of export is the most expensive are African, namely Botswana, Burundi, Central African Republic, Chad, Congo, Democratic Republic of Congo, Niger, Rwanda, Uganda, Zimbabwe – all landlocked countries.

Broadly speaking, the above assessment holds true also if one turns the attention to the costs of imports (Figure 2), with the only caveat that in the African region import takes on average 22% more time and is roughly 25% more costly than export.⁴ Indeed, import costs exceed the cor-

2 It may be worth noting also that Africa (excluding Northern Africa) appears to be the region where the gap between import and export costs is the highest: imports are on average 29% more expensive than exports, and take nearly 20% more time.

3 Even if one excludes inland transportation costs, in line with a narrow definition of trade facilitation, the remaining costs of exports exceed the corresponding world average in 35 African countries out of 51 African countries for which data is available,

4 As a matter of fact, import and export costs are closely interrelated, with a correlation coefficient of 0.93 (statistically significant at 1%); similarly strong correlation prevail across cost components (document preparation, custom, terminal handling and transport).

responding world average in 27 African countries out of 51 countries for which data is available, whilst in as many as 37 of them the required procedures take longer time. Similarly, of the world's twenty countries where import cost the most thirteen are African: Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of Congo, Congo, Mali, Niger, Rwanda, Uganda, Zambia, and Zimbabwe – all except Congo being landlocked countries.

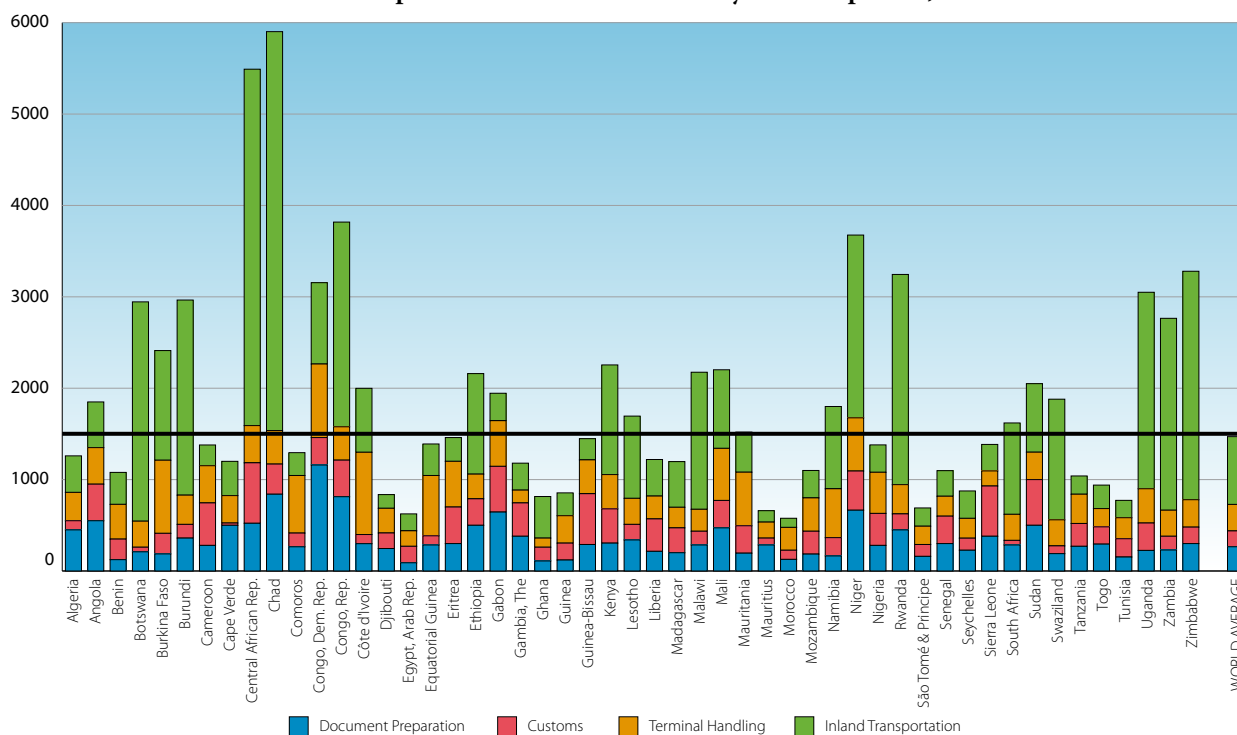
Whether in terms of export or import costs, Landlocked Developing Countries (LLDCs) stand out for their disproportionately high trade-related costs, mainly on account of the significantly higher costs for inland transportation. Indeed, in the case of some LLDCs, such as Botswana, Burundi, Malawi, Rwanda, Zambia, and Zimbabwe, inland transportation costs reached such an exorbitant level, that they accounted for over 70% of the total import/export costs. In addition, geographical disadvantages are often compounded by more expensive and lengthier import/

export procedures, especially in the Central African region (Central African Republic, Chad, Mali and Niger, as well as in some non-LLDCs such as Angola, Congo, Democratic Republic of Congo and Gabon). Besides, African Least Developed Countries (LDCs) appear to have more expensive customs and terminal handling compared to non-LDCs; conversely African Small Island Developing States (SIDS), like in other world regions, appear to face significantly lower costs for exports, both in terms of overall costs and for custom and terminal handling.

In addition to the cross-country pattern of trade-related costs, it is insightful to analyze their evolution over time. At a global level, between 2006 and 2012 import/export costs have increased by 23% in nominal terms. A similar upward tendency has taken place also within Africa, mainly on account of rising costs for document preparation and inland transport. Yet, over the same span of time 7 countries managed to reduce their nominal cost of export – namely Algeria, Egypt, Equatorial Guinea,

Figure 1

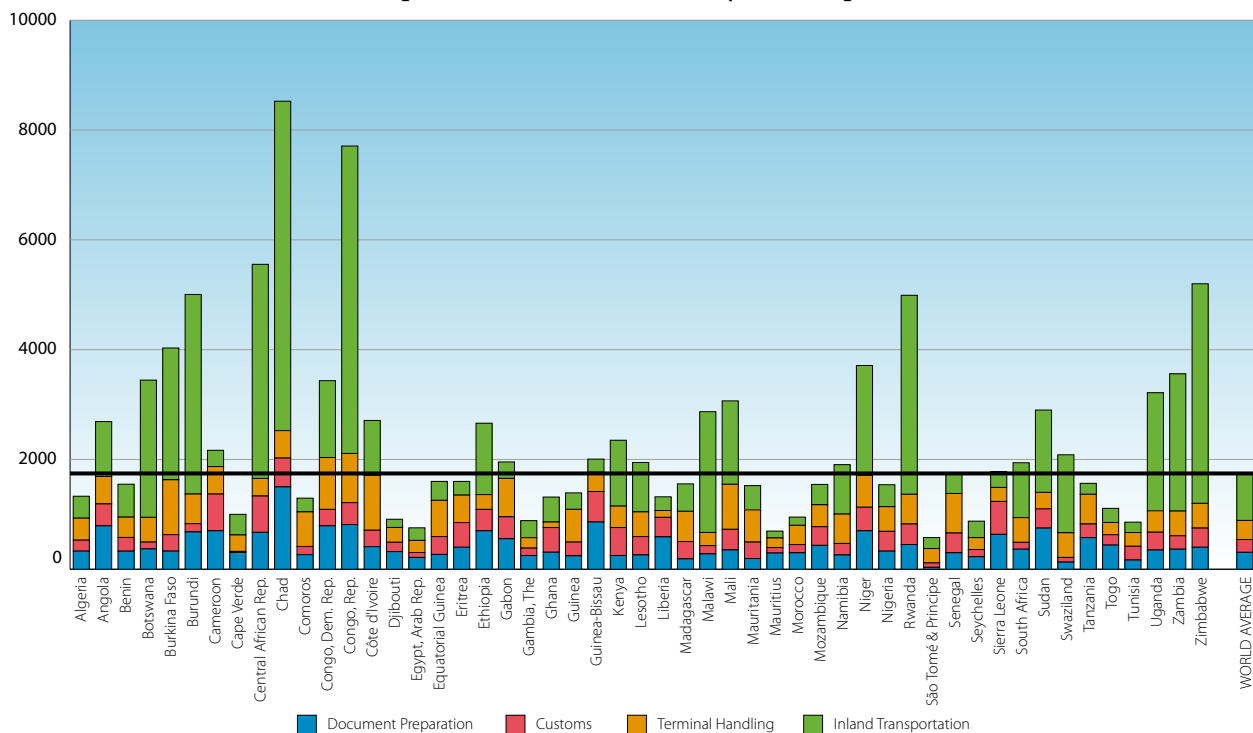
Cost of export from African countries by cost component; 2012



Source: ECA calculation based on Doing Business Database

Figure 2

Cost of import into African countries by cost component; 2012



Source: ECA calculation based on Doing Business Database

Gambia, Mauritius, Rwanda and Tanzania – and other 5 reduced their cost of imports: Algeria, Egypt, Equatorial Guinea, Ethiopia, and Morocco.

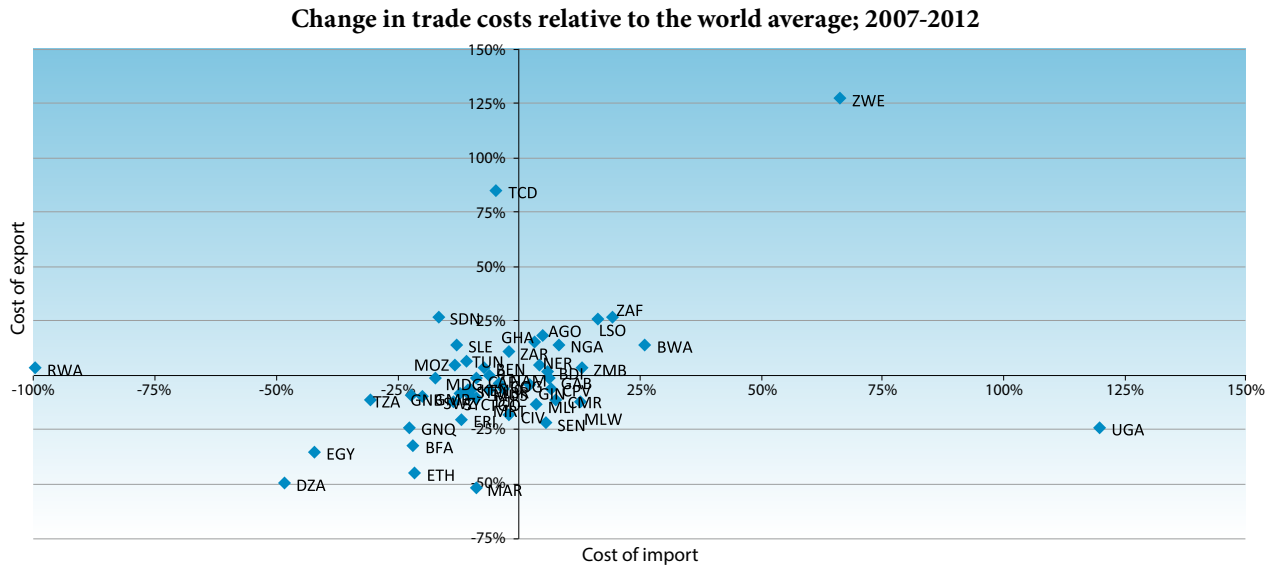
Along the same line, Figure 3 presents diagrammatically the evolution of import and export costs between 2006 and 2012, in relation to the global average. The reading of the chart goes as follows: countries in the first quadrant have witnessed an increase in both import and export costs vis-à-vis their average competitors; countries in the second quadrant have observed an increase in export costs but a decrease in import cost relative to the world average; countries in the third quadrant have improved both import and export costs, whilst countries in quadrant four have witnessed a fall in export costs but an increase in import costs.

As shown in Figure 3, over the period considered 24 African countries have managed to reduce both import and export costs relative to the corresponding world average, other 11 countries have actually witnessed an increase

in both import and export costs; and finally 16 African countries have improved only one of the two costs. Interestingly, amongst Africa's best performers there are not only countries like Algeria, Egypt, and Morocco, but also some Landlocked Developing Countries (LLDCs) such as Burkina Faso, Ethiopia, and Rwanda. This suggests that, if geography certainly matters in determining trade-related costs, political will and adequate investments do also play a fundamental role, possibly allowing LLDCs to reap significant benefits from trade facilitation.

The importance of political will can be gauged also by the evolution of document requirements for import-export activities in Africa, summarized diagrammatically in Figure 4. Between 2007 (the earliest year available) and 2013, 11 African countries had reduced the number of documents required to both export and to import: Burkina Faso, Djibouti, Lesotho, Madagascar, Mali, Morocco, Rwanda, Senegal, South Africa, Swaziland, and Uganda. Besides, 4 more countries had cut only documentation required to export (Algeria, Angola, Malawi, and Sierra

Figure 3



Source: ECA calculation based on Doing Business Database

Leone), and the same number had lessened the number of import documents (Botswana, Mauritius, Zambia, and Zimbabwe). Yet, over the same time, Cameroon, Central African Rep., Chad, Gabon had actually increased documentation requirements. As a result, over 30 African countries still foresee heavier documentation requirements than the rest of the world, with ensuing additional costs for producers and consumers.⁵

With a view to identifying the trade facilitation instruments that may offer the greatest payoff, it is insightful to compare African countries' performance in each phase of the import/export process to the corresponding world average. This allows recognizing more precisely

5 The 35 African countries having heavier documentation requirements to export than the world average are Algeria, Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Rep., Chad, Comoros, Congo, Dem. Rep., Congo, Côte d'Ivoire, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Ghana, Guinea, Kenya, Lesotho, Liberia, Malawi, Mauritania, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé & Príncipe, Sierra Leone, Sudan, Swaziland, Uganda, Zimbabwe. On the other hand, the following (33) African countries require a higher number of documents than the world average for importers: Algeria, Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Rep., Chad, Comoros, Congo, Dem. Rep., Congo, Côte d'Ivoire, Egypt, Eritrea, Ethiopia, Gabon, Guinea, Liberia, Madagascar, Malawi, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Rwanda, Swaziland, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

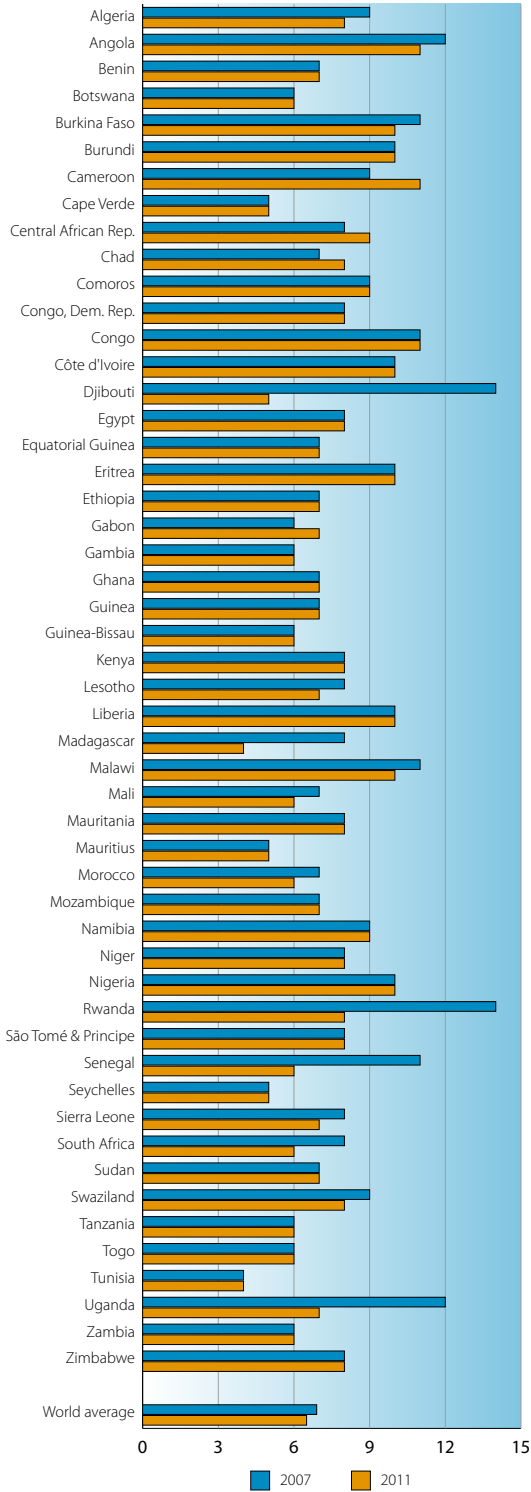
how African countries perform compared to their average competitors, and where they stand to gain more from dedicated trade facilitation activities. This kind of analysis is summarized in Figure 5, which depicts time-costs (top panel), as well as monetary costs (bottom panel) for both the average and the median African country.⁶ Broadly speaking, the chart confirms the heightened incidence of trade-related transaction costs in Africa; this said, average and/or median figures should not obscure the fact that, for each phase of the import/export process, there are roughly 15-20 African countries that perform better than the world average.

Several considerations can be drawn on the basis of Figure 5. First, in African countries document preparation for either imports or exports appears to be significantly more time-consuming than in the rest of the world, to the extent that in the median African country document preparation takes about 25% more time. Secondly, custom procedures and terminal handling tend to be slower

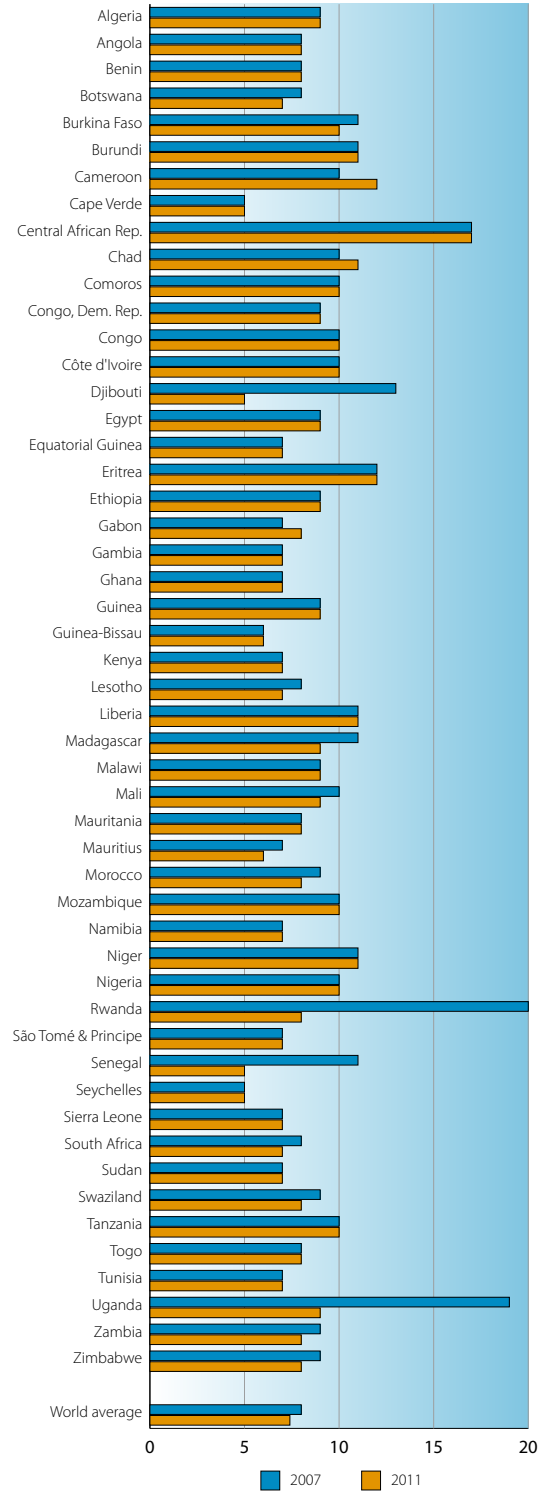
6 Given the influence of geographic "destiny variables" on inland transportations, the comparison of related duration and costs with the world average would have little significance unless properly adjusted for the different distance from the sea. Accordingly, Figure 5 only focuses on document preparation, custom, and terminal handling.

Figure 4

Number of export documents required in Africa



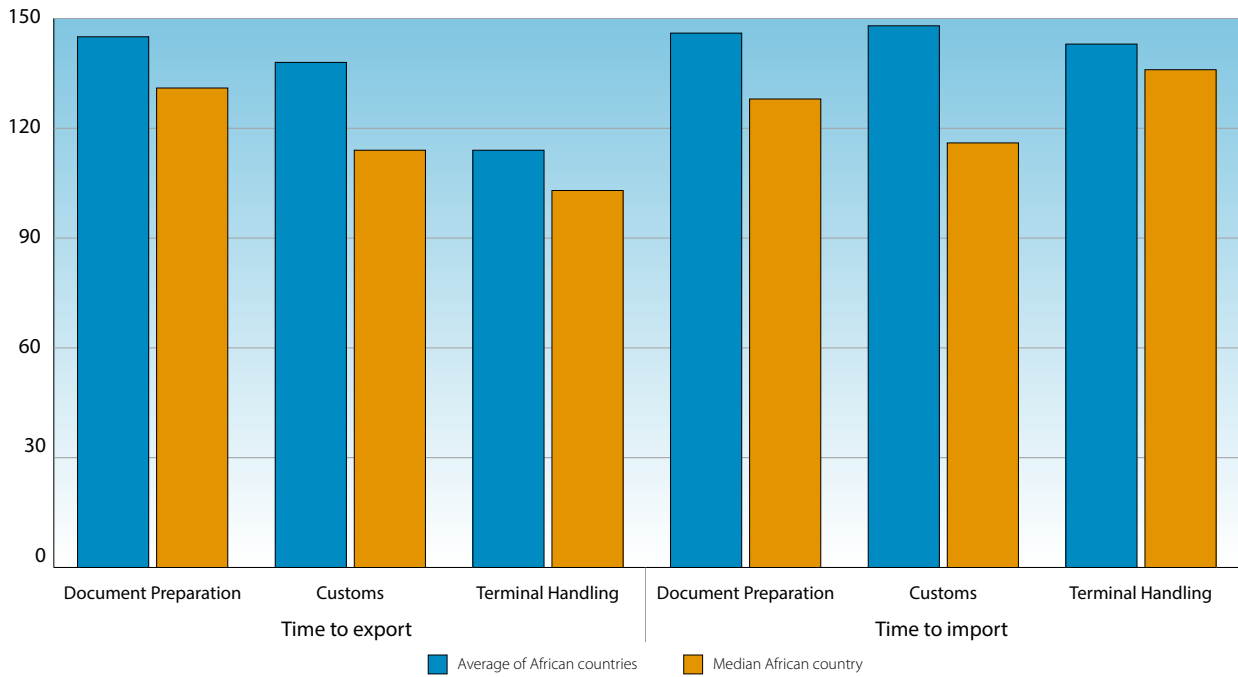
Number of import documents required in Africa



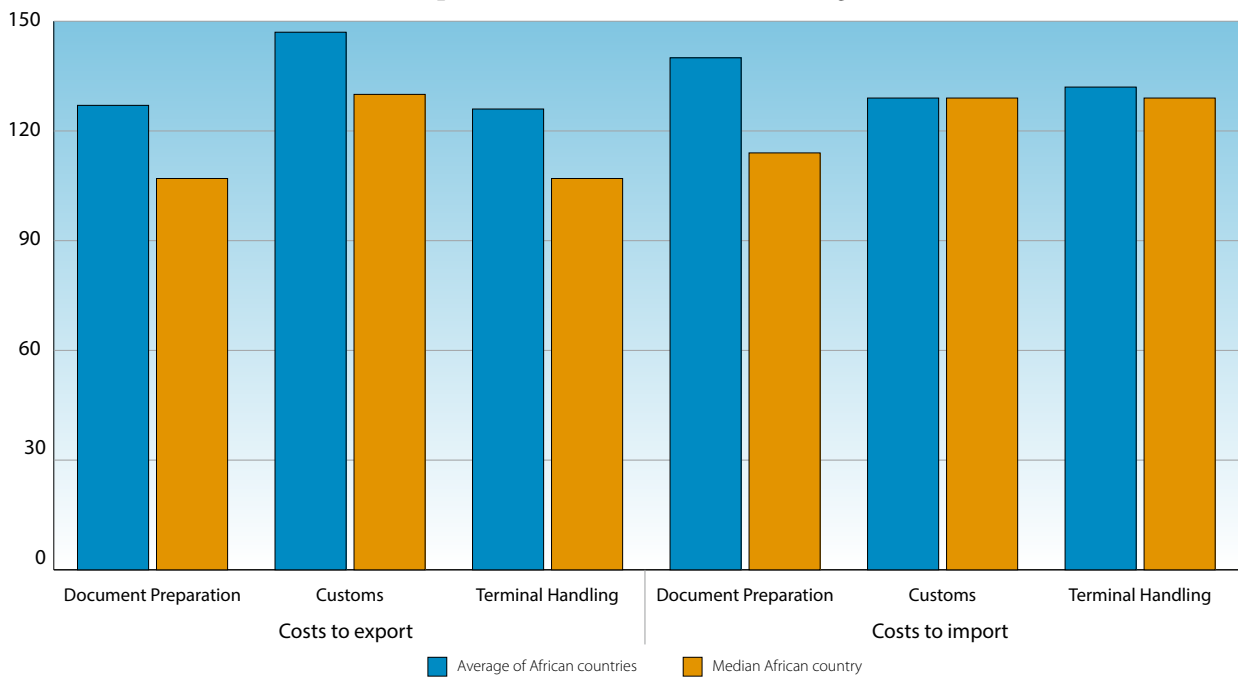
Source: ECA calculation based on Doing Business Database

Figure 5

Africa's performance relative to world average; 2012



Africa's performance relative to world average; 2012



Source: ECA calculation based on Doing Business Database

Table 2: Correlation matrix of export and import costs in Africa; 2012

	EXP C DOC	EXP C CUST	EXP C TERM	EXP C TRAN	EXP C TOT	IMP C DOC	IMP C CUST	IMP C TERM	IMP C TRAN	IMP C TOT
EXP C DOC	1									
EXP C CUST	0.39***	1								
EXP C TERM	0.32**	0.11	1							
EXP C TRAN	0.40***	0.15	0.08	1						
EXP C TOT	0.62***	0.34**	0.29**	0.95***	1					
IMP C DOC	0.70***	0.55***	0.15	0.49***	0.63***	1				
IMP C CUST	0.32**	0.80***	0.2	0.28**	0.43***	0.57***	1			
IMP C TERM	0.39***	0.05	0.80***	0.16	0.33**	0.16	0.16	1		
IMP C TRAN	0.48***	0.13	0.11	0.93***	0.90***	0.54***	0.25*	0.29**	1	
IMP C TOT	0.58***	0.27*	0.23*	0.89***	0.93***	0.67***	0.41***	0.41***	0.97***	1

Source: ECA calculation based on Doing Business Database

Note: *, **, *** mean statistically significant at 10%, 5%, and 1% respectively

in African countries than in the rest of the world, but more so with regards to imports than to exports. Thirdly, custom procedures appear to be particularly costly by international standards, to the point that in the median African countries they appear to be 30% more expensive than the world average. In light of the above, streamlining the documentation requirements and enhancing the cost-effectiveness of customs appear to be the key priorities from the African point of view.

Against this background, one of the concerns with trade facilitation is that, though exerting in principle a positive effect on trade opportunities, it may end up boosting imports disproportionately, thereby exacerbating balance of payment deficits, including in many (non-resource-rich) African countries. In this context, it could be insightful to examine the correlation matrix between exports and imports costs, reported in Table 2. The matrix indeed

confirms the strong positive relationship between total import and export costs, with a correlation coefficient of 0.93 significant at 1% level (see orange cell). In addition, the various export cost components –namely document preparation, custom, terminal handling and transport – are significantly correlated with the corresponding cost components on the import side (see yellow cells). Interestingly, costs for export document preparation are strongly correlated with all other costs components on both the export and import side (see column one). Conversely, export costs for custom and terminal handling do not appear to be strongly correlated with many other cost components on the import side. This may suggest that reducing costs for custom (terminal handling) on the export side may have similar effects on custom (terminal handling) costs for imports, but have only a minor effect on total import costs.

2.1 Trade costs and regional integration

Whilst the above analysis gives a fairly good picture of the incidence trade costs in Africa and of the associated trade facilitation needs, Doing Business indicators say little about how trade costs, as well as facilitation, affect Africa's regional integration efforts. To address this point, we need to move to the Economic and Social

Commission for Asia and the Pacific (ESCAP)-World Bank Trade Costs Database, which allow disentangling trade frictions at a bilateral level, and includes data for 180 countries over the period 1995-2011. The indicators contained in this database are derived from a “top down” approach to trade costs, meaning that: they are inferred

from the observed pattern of trade and production on the basis of a standard gravity model. By construction, these comprehensive trade costs are measured in *ad-valorem* equivalent relatively to domestic trade costs, and their nature is intrinsically bilateral, since they are obtained as the geometric average of trade costs in both directions, i.e. those facing exports from country *i* to *j*, and those facing exports from country *j* to *i*. Besides, they can be decomposed into (i) bilateral tariff costs, measuring the geometric average of tariffs imposed by the two partners on each other's imports, and (ii) comprehensive non-tariff trade costs, encompassing all additional costs involved in trading, other than tariffs.⁷

Before entering into the analysis of bilateral comprehensive trade costs in Africa a few caveats are of order. Notably, as recognized in Arvis et al., 2012, the comprehensive trade costs indicators need to be interpreted with caution due to the following reasons:

1. Their numerical value depends to some extent on the theoretical model from which they are derived, and in particular is sensitive to the parametric choice for the elasticity of substitution; as a consequence they should preferably be used for comparative exercises, rather than taken at their absolute value.
2. Changes in the comprehensive trade cost indicators may potentially conflate price and volume effects.
3. Being the geometric average of trade costs in both direction, and being measured relative to domestic trade costs, they cannot be directly traced to policy changes implemented in any of the two countries, at either domestic or international level, but they are strictly speaking the result of all these elements simultaneously.

On this premise, Figure 6 shows the average bilateral comprehensive trade costs for the 39 African countries for which data is available, averaging over the 2009-2011

period to maximize country coverage. Taking advantage of the bilateral nature of the indicator, the chart distinguishes the comprehensive trade costs vis-à-vis the average regional trade partners, from the comprehensive trade costs with the average extra-regional partner. Since the indicator in question encompasses “all costs involved in trading goods internationally with another partner”, one would reasonably expect costs to be far lower with proximate partners than with distant one. Yet, Figure 6 does not precisely support this view in the case of Africa. Indeed, despite geographic proximity and the establishment of several regional economic communities in the continent, comprehensive trade costs within Africa tend to be only slightly lower than with the rest of the world: on average 313% to 337% in *ad valorem* equivalent. What is more, as many as 10 African countries – Algeria, Angola, Cape Verde, Egypt, Ethiopia, Gabon, Liberia, Madagascar, Nigeria, Sudan, and Tunisia – display higher comprehensive trade costs with their intra-regional partners than with the rest of the world.

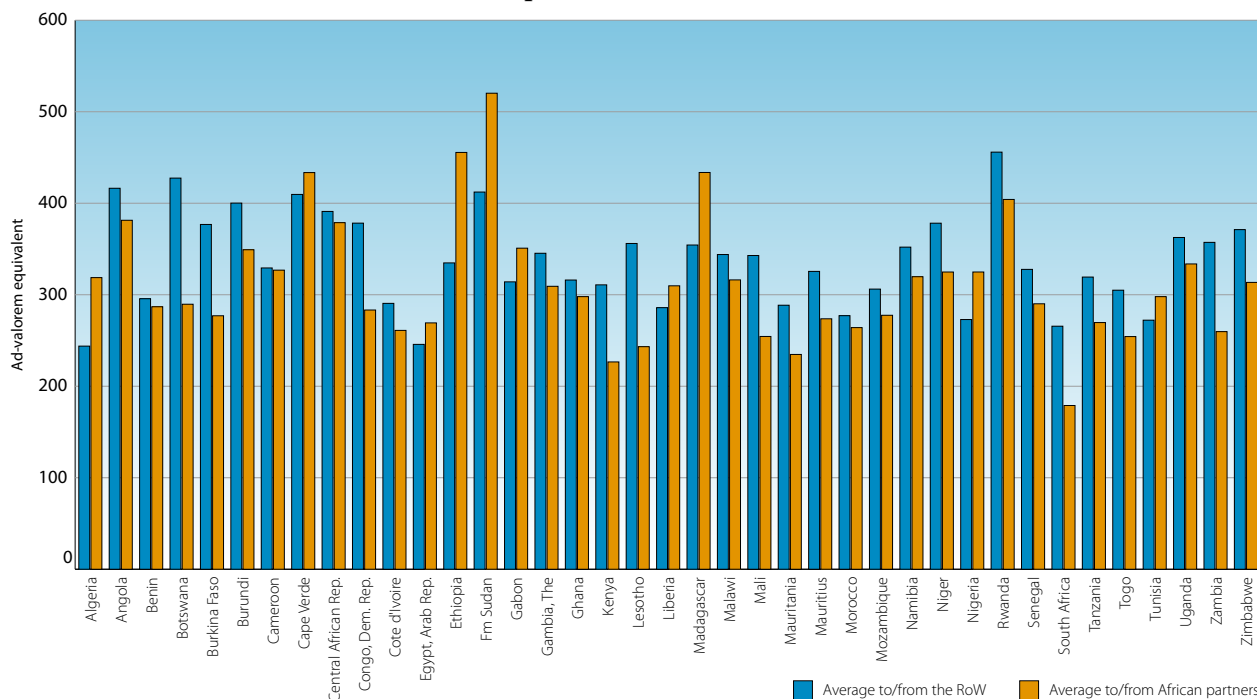
To better grasp the driving force behind this situation, Figure 7 and Figure 8 repeat the analysis of comprehensive trade costs for agricultural and manufactured goods separately, further decomposing bilateral trade costs into a tariff and a residual non-tariff component. Two broad considerations can be drawn in that respect. First, trade in agricultural products generally faces higher costs than trade in manufactures, and that holds true both within Africa and outside the continent. Secondly, be it in agriculture or in manufacturing, tariffs play nowadays a minor role compared to non-tariff elements of trade costs; this is to some extent a consequence of the residual nature of the non-tariff indicator (which encompass non-tariff barriers, transport costs and all other non-tariff cost elements), and partly the result of the progressive reduction in worldwide applied tariffs.

Focusing on agricultural goods, Figure 7 shows that for 13 African countries – namely Algeria, Burundi, Cameroon, Central African Rep., Congo Dem. Rep., Congo, Egypt, Gabon, Gambia, Morocco, Namibia, Nigeria, and South Africa – bilateral tariff costs are higher vis-à-vis regional partners than with the rest of the world (see top panel). Surprisingly, this is the case despite the relatively

⁷ Refer to Arvis et al., 2012 for further methodological details on the construction of bilateral comprehensive trade costs indicators, and on the related decomposition.

Figure 6

Bilateral comprehensive trade costs, 2009-2011



Source: ECA calculation based on ESCAP—World Bank Trade Costs Database

high degree of protection agriculture still enjoys in many developed economies. Conversely, for Angola, Benin, Burundi, Cameroon, Egypt, Gabon, Ghana, Nigeria, and Tanzania it is the non-tariff cost component that is higher vis-à-vis African partners than with the rest of the world (see lower panel).

The assessment is broadly similar in the case of manufactures. Tariff costs appear to be higher within Africa than with the rest of the world for as many as 25 African countries: Algeria, Angola, Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Congo, Dem. Rep., Cote d'Ivoire, Gabon, Gambia, Ghana, Lesotho, Madagascar, Mauritania, Morocco, Mozambique, Namibia, Niger, Nigeria, Senegal, Togo, Tunisia, Uganda, and Zimbabwe. On the other hand, non-tariff costs are higher vis-à-vis regional partners than with the rest of the world for other 7 African countries including Algeria, Cape Verde, Egypt, Madagascar, Mauritania, Morocco, and Tunisia.

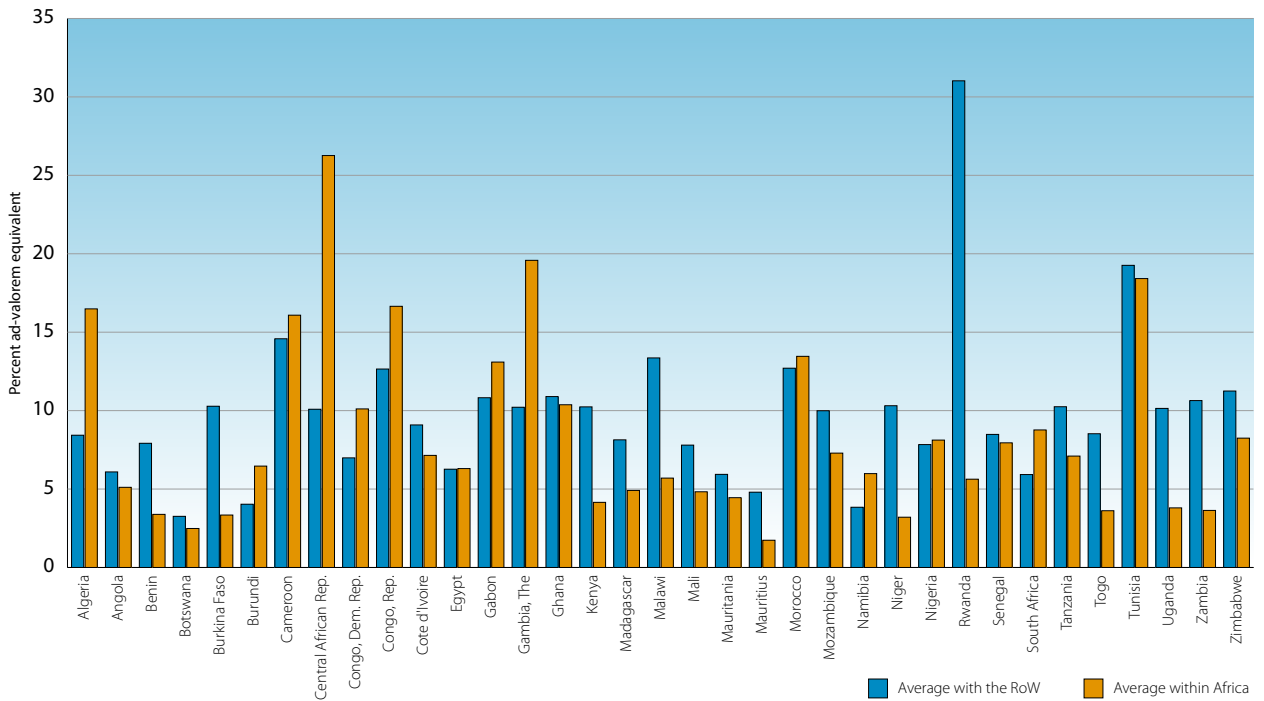
Overall, notwithstanding some variability across countries, the above picture points to some clear considerations

with regards to trade costs, in line with the literature reviewed earlier on. Most notably, heightened transaction costs remain a significant hindrance not only to Africa's integration into the global market, but also – and at times in a more pronounced way – to the continent's own regional integration. Whilst proximity should in principle have a positive impact on comprehensive trade costs, poor infrastructure provision and inefficient customs directly dampen these positive effects. Meanwhile, inadequate implementation of harmonised policies to address technical barriers to trade, sensitive product lists, and other non-tariff barriers impinge on the regional market and exacerbate the situation, leading to what has been called a “proximity gap”.

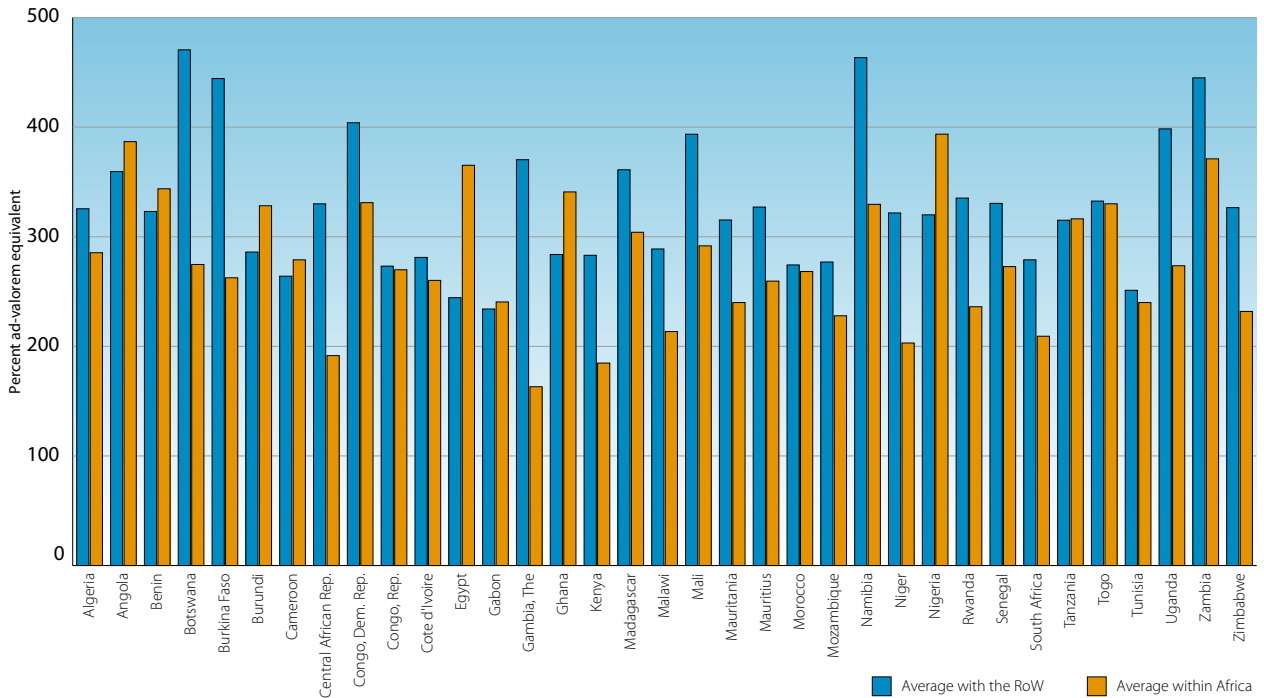
Simultaneously, whilst tariff play quantitatively a minor role compared to non-tariff comprehensive costs, they often appear to hit regional trade disproportionately, particularly in relation to manufactures trade, as noted also in Ofa, et al., 2012. This may be partly due to the preferential market access a number of African countries enjoy vis-à-vis developed and developing nations, under schemes

Figure 7

Bilateral tariff costs for agricultural goods, 2009-2011



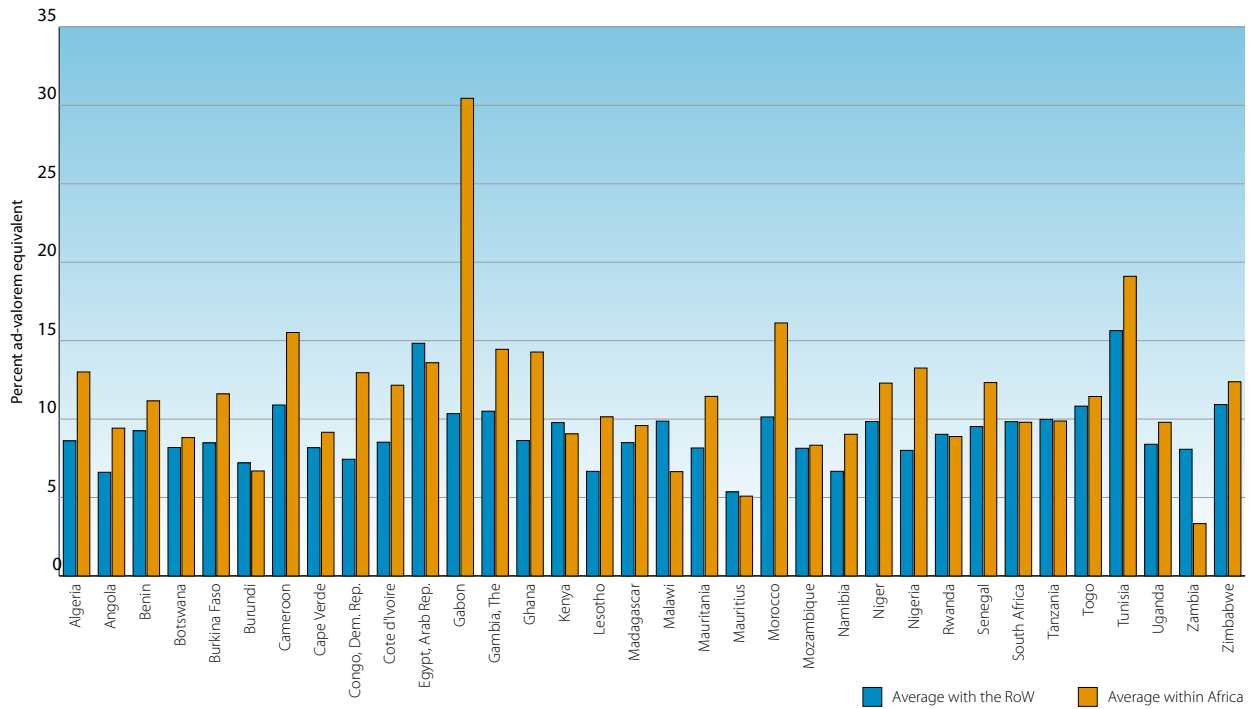
Bilateral non-tariff costs for agricultural goods, 2009-2011



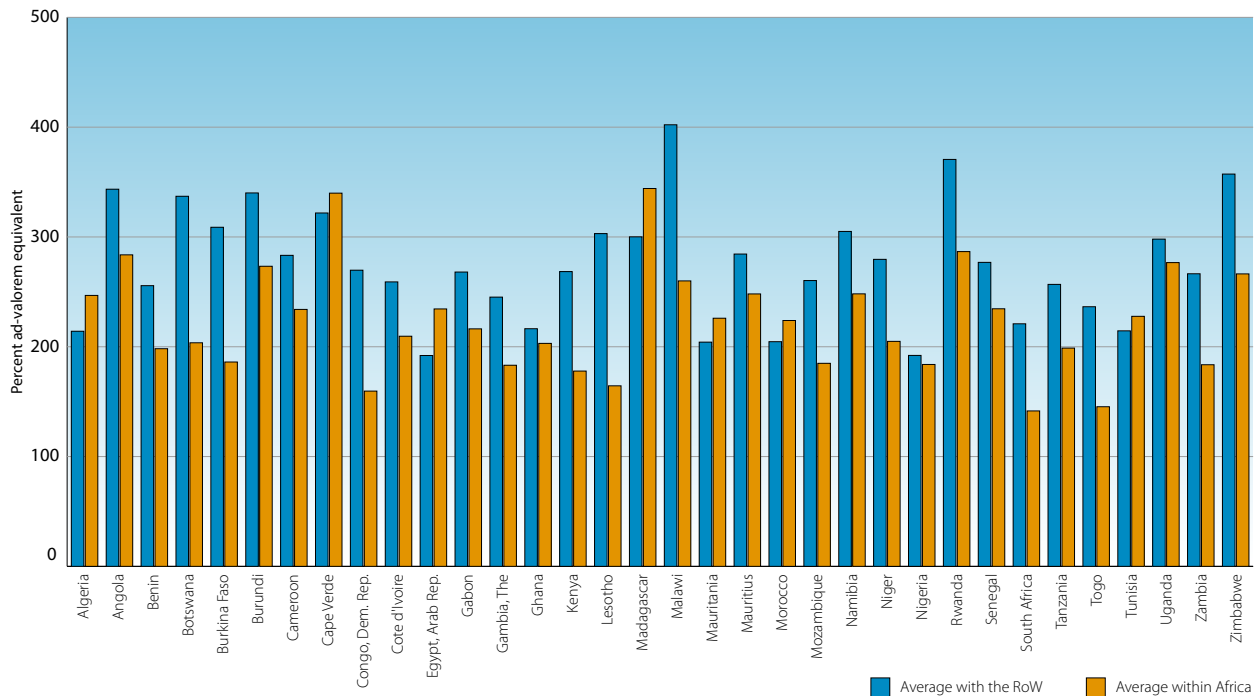
Source: ECA calculation based on ESCAP—World Bank Trade Costs Database

Figure 8

Bilateral tariff costs for manufactured goods, 2009-2011



Bilateral non-tariff costs for manufactured goods, 2009-2011



Source: ECA calculation based on ESCAP—World Bank Trade Costs Database

such as Everything But Arms (EBA), Africa Growth and Opportunity Act (AGOA), and preferential markets access granted to the Least Developed Countries (LDCs) by emerging economies such as China and India. Yet this finding points to some “unfinished business” in view of

the establishment of the Continental Free Trade Area, and the realization of the broader regional integration agenda endorsed in January 2012 at the African Union Summit of African Heads of State and Government in Addis Ababa, under the theme of “Boosting Intra-African trade”(BIAT).

Trade Facilitation and Intermediate Products

3

The growing relevance of trade facilitation in today's debate on trade regimes stems not only from the progressive reduction of other barriers to trade, most notably tariffs, but more fundamentally from the changes in international trade relations brought about by globalization and the emergence of global value chains over the last twenty years. Thanks mainly to the reduction of worldwide transport costs and the increasing use of information and communication technologies, transnational corporation have triggered a far-reaching reorganization of production processes into distinct and more specialized phases. By slicing up the production processes, they have been able to better harness comparative advantages by allocating across countries separate production tasks along the value chains, thereby reaping efficiency gains via an integrated production network. The emergence of global value chains has thus paved the way for a renewed global division of labor, modifying at the same time the terms of countries' integration into the global market, with ensuing consequences for industrialization prospects.

In so far as the final product of any value chain embodies value added produced in a number of different countries, trade in intermediate products has become a key feature of international production networks, and is often regarded as a proxy to determine the depth of the latter. Hoekman (2012), for example, estimates that intermediate inputs account for about half of international trade, with an even

higher share for the Organisation for Economic Cooperation and Development (OECD) economies, coming to 56 percent of goods trade and 73 percent of services trade over the 1995-2005 period (OECD 2012). Similarly, Athukorala (2010) calculates that the share of developing countries in network exports rose from slightly over one-fifth in the early 1990s to almost half in the mid-2000s, largely thanks to the performance of East Asia, where the expansion of regional production networks has been remarkable. This in turn shows that, if global value chain may have intensified worldwide competition confining certain developing countries to low-end activities, they have simultaneously opened new opportunities for countries to diversify their economies and climb up the product ladder.

In line with the above, the emergence of global value chains has been accompanied by a renewed emphasis on trade-related transaction costs and trade facilitation issues. This is testified by a recent survey of 140 African firms across 5 economic sectors: agro-food, information and communication technologies, textiles and apparel, tourism, and transport-logistics (ECA, 2013 and OECD and WTO, 2013). According to questionnaire respondents high transaction costs (due to customs procedures, delays, costly documentation, etc.) and poor business and regulatory environment are cited amongst the most binding constraints hampering the participation of African firms to global value chains, along with access to finance, and inadequate infrastructure provision. Interestingly, these

issues are remarkably consistent with those highlighted by the sectoral case studies undertaken by ECA on agro-food industries in Cameroon, Cote d'Ivoire, Ghana, Kenya and Nigeria, textiles and apparel industries in Egypt, and extractive industries in Nigeria, Zambia and Ghana (ECA et al., 2013).

Against this background, the present section aims at taking stock of the extent of intermediates' trade in Africa, thereby shedding some light on one indirect channel through which trade facilitation could impact Africa's industrialization, as well as export prospects, by facilitating access to intermediate inputs. Following the standard literature, the data presented here are drawn from COMTRADE database, and in order to maximize country/time coverage they follow the classification of the Harmonized System 1992. Intermediate inputs are defined accordingly as the sum of 2049 product codes.⁸ Data are available for 41 African countries, and cover the years 2001, 2006 and 2011.

Though starting from a rather low base, Africa's imports of intermediate inputs have witnessed a sharp increase over the last decade, mounting from roughly US\$ 31 billion in 2001 to US\$ 115 billion ten years later. Such a fourfold increase is broadly in line with the expansion of total merchandise imports, which has accompanied Africa's growth acceleration since the late-Nineties (Valensisi and Davis, 2011). Indeed, the share of imported intermediates in total merchandise imports has slightly fallen, from 27 percent in 2001, to 24 percent in 2006, and again in 2011. Regional averages hide, however, a huge variability across countries. Most notably, as highlighted in Figure 9, only six countries, namely Egypt, South Africa, Algeria, Nigeria, Morocco, and Tunisia, account for roughly three quarters of the continent's total intermediate imports and if anything their weight is slightly increasing (70 percent in 2001, 71 percent in 2006 and 74 percent in 2011). As shown in Figure 10, in the above countries intermediates also tend to account for a relatively higher share of total merchandise imports; hence, if economic size certainly

matters in explaining higher values of intermediate imports, it is the structural composition of the economy that really makes a difference.

Beyond the above large players, the value of imported intermediates has increased rapidly also in other African countries – like Ethiopia, Mozambique, Rwanda, Tanzania, Uganda, and Zambia⁹ – albeit from a very low base. Again, in the majority of these economies, the share of intermediates in total merchandise imports has also been on the rise (Figure 10), suggesting an incipient process of economic diversification and insertion in global value chains, especially in Eastern and Southern Africa. In the remaining African countries, conversely, the value of imported intermediates has typically increased at roughly the same pace or even more slowly than total merchandise trade, indicating that economic transformation has been rather sluggish. This holds true especially in Central (and to some extent Western) Africa where the share of intermediates in total imports is often decreasing, and typically lower than 25 percent.

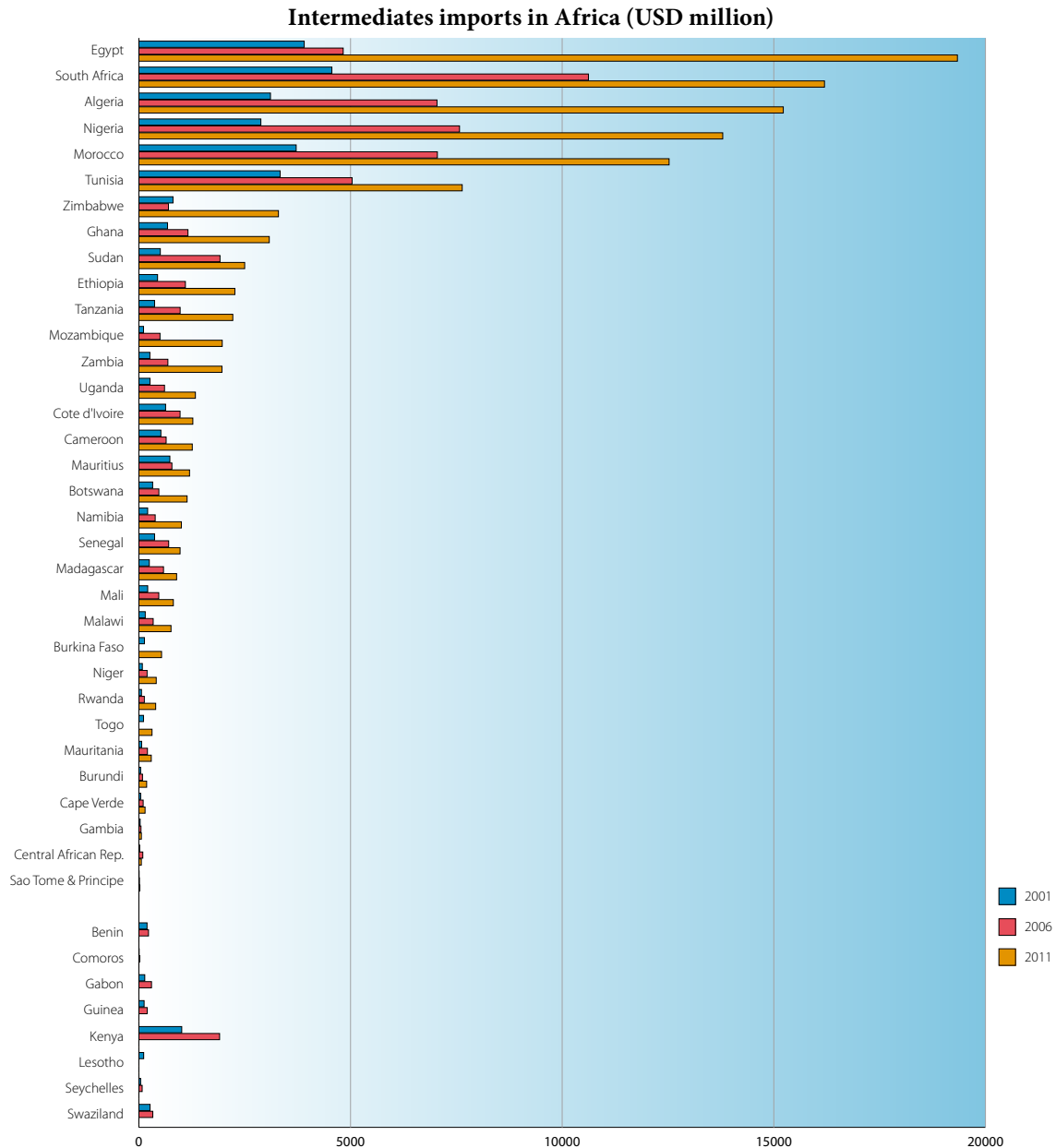
Taken together, the above findings corroborates the view that, even during the boom period, industrialization had largely by-passed the African continent, with the exception of Northern Africa and a few other countries (ECA et al., 2013). They also suggest that the majority of African countries have remained largely unable to connect to global value chains, or confined to the low-end of production networks as suppliers of raw material, whilst only a few (mostly north-African) economies have intensified their exchanges of intermediate inputs to be further transformed domestically.

From the regional integration perspective, international production network can play a powerful role in fostering the establishment of regional supply chains, as happened notably in East and South-East Asia. To assess the extent to which this process has taken place also in Africa, we

8 Refer to http://wits.worldbank.org/wits/data_details.html for further details on the mapping of intermediate products on HS 1992 classification.

9 In all the above-mentioned countries imports of intermediate inputs have grown by more than five times in the space of a decade. Judging on the basis of 2006 figures, Kenya also appeared to import significant amounts of intermediate inputs; unfortunately however, the corresponding 2011 figures are missing impeding a more recent comparison.

Figure 9



Source: ECA calculation based on COMTRADE Database

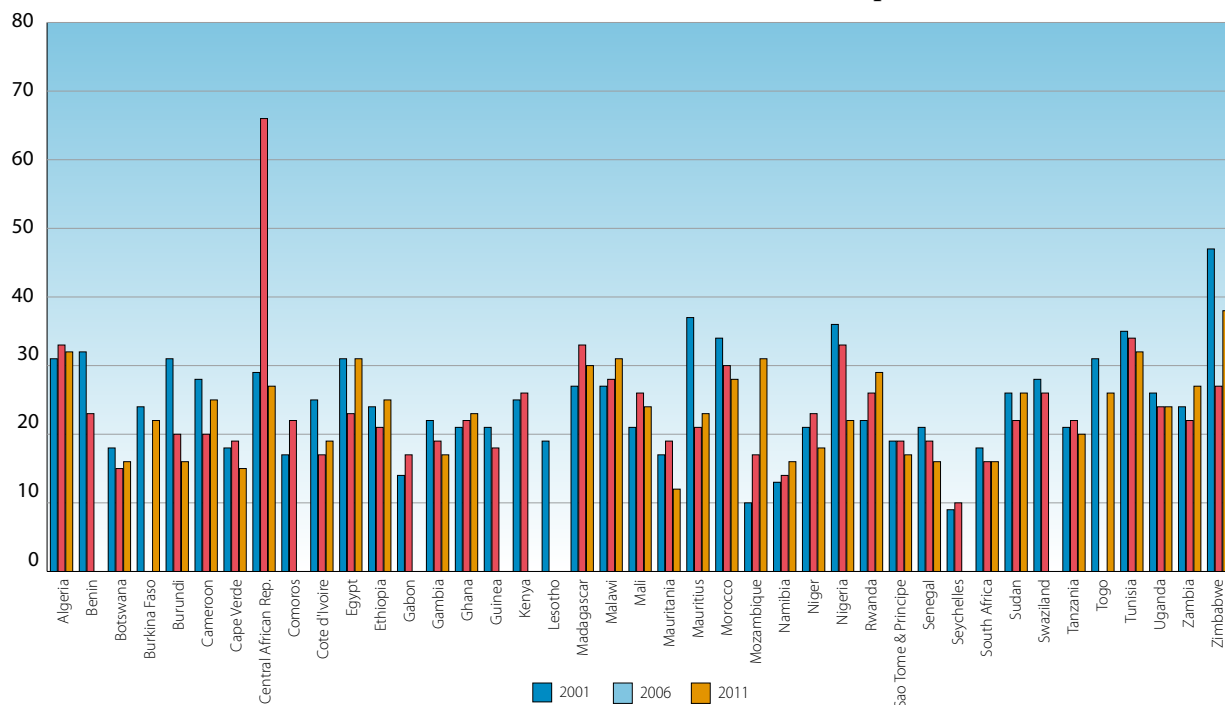
Note: Missing 2011 observation for Benin, Comoros, Gabon, Guinea, Kenya, Lesotho, Seychelles and Swaziland,

now move to trade in intermediate inputs within the continent. Over the last decade, intra-African trade in intermediate inputs has grown roughly at the same pace as total intra-African trade, touching a value of over US\$ 13 billion in 2011. In line with other estimates (Ofa and Karingi 2013), the data analyzed here suggest that African

economies source, on average, some 12 percent of their imported intermediates within the region. Such a heightened reliance on imported inputs from outside Africa points to the unavailability of suitable intermediates locally at competitive prices, which in turn reflects the limited degree of economic diversification.

Figure 10

Share of intermediates in total merchandise imports



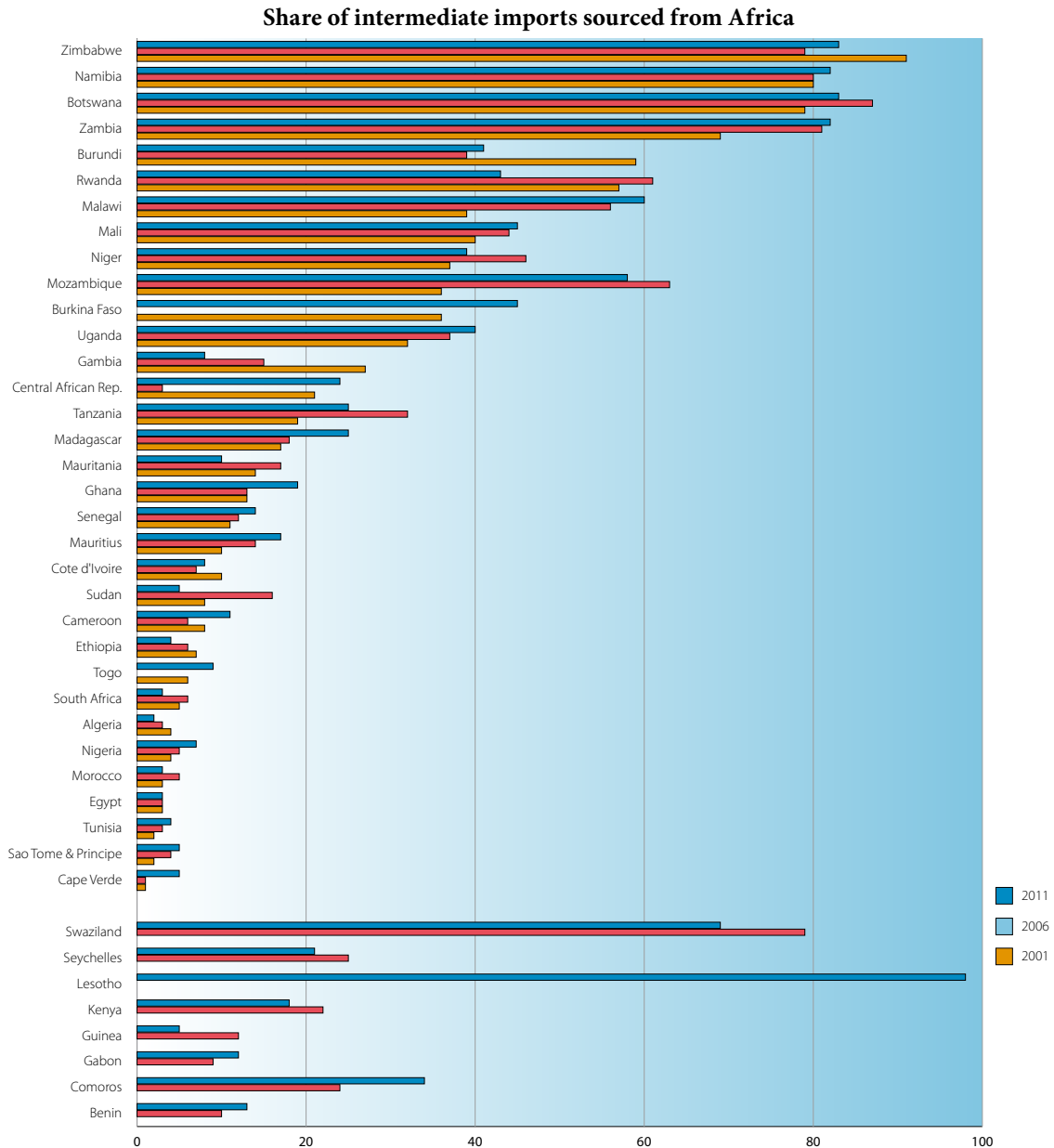
Source: ECA calculation based on COMTRADE Database

Once again, however, regional averages hide considerable variability across countries, as emerges quite clearly from Figure 11. Interestingly, those economies that appeared to be more integrated into global production networks and received the lion's share of Africa's imported intermediates (Egypt, South Africa, Algeria, Nigeria, Morocco, and Tunisia), turn out to source less than 5 percent of these inputs from the region, and this share has remained rather stable over the period considered. This could arguably indicate that the intermediate inputs required by these economies are too sophisticated to be conveniently produced in other African economies. At the other end of the spectrum, countries in Southern Africa appear to import roughly 75 percent of their intermediates from the regional market, plausibly thanks to the presence of a well-diversified neighboring economy such as South Africa, capable of supplying the required inputs. To a lesser extent, also some countries such as Burundi, Rwanda, Mali, Malawi, Mozambique and Uganda, appear to import a fairly large share (approximately 40 percent) of their intermediate from Africa itself. It is also worth noting that in about two thirds of the African countries for which

data is available, the share of imported intermediates originating from the African region has been declining over the last 10 years, including in countries importing fairly large amounts of intermediates, such as Cameroon, Egypt, Ghana, Mozambique, Nigeria, Senegal, Tanzania, Tunisia, Uganda, and Zambia.

Overall, Africa's heightened reliance on imported inputs from outside the region concurs with the evidence of increasing export concentration on primary commodities (Ofa, et al. 2012), and that of persistently limited weight of intra-industry trade (Brulhart, 2008), pointing to the low depth of regional and global production networks. This is in striking contrast with the experience of East and South-East Asia; yet some African economies are starting to move. The fourfold expansion of intermediate imports in the span of a decade suggests an incipient intensification of economic linkages along the value chains, particularly in the case of some fast-growing economies in East and Southern Africa. Simultaneously, the more diversified African countries, which account for the lion's share of Africa's intermediate inputs, appear to source the bulk

Figure 11



Source: ECA calculation based on COMTRADE Database

Note: Missing observations in 2006 for Lesotho, Togo, and Burkina Faso; and in 2011 for Benin, Comoros, Gabon, Guinea, Kenya, Lesotho, Seychelles and Swaziland.

of their intermediates outside the continent, but then play a major role in intra-African trade of agro-food and manufactured products.

Against this backdrop, it is clear that Africa's disproportionately high transaction costs hit not only consumers'

welfare, but also stem the opportunities resulting from the emergence of global value chains and the associated subdivision of production processes. Notably, by increasing the costs of intermediates and capital goods, they also dampen the prospects for industrialization and structural transformation, hindering value addition and

perpetuating Africa's long-standing concentration on primary commodities exports. Moreover, in so far as some of the imported inputs are further transformed domestically, and then re-exported along the value chain, steep transaction costs also tax the competitiveness of African exports. In this context, trade facilitation can definitely play a role in reducing inefficiencies and cutting red tapes, thereby facilitating the functioning of international production networks, increasing the scope for African firms to engage in new activities and climb up the value chains (ECA et al., 2013). At the same time, African countries should consider innovative industrial policies and other interventions to remove supply-side constraint and speed up the process of transformation.

In the context of Africa's trade in intermediates, important insights can be drawn from the analysis of the pattern of use of imported and domestic intermediates by the different sectors of the economy. Accordingly, the GTAP database is used here to compute input-output coefficients for five African regions (Northern, Western, Eastern, Southern and Central Africa), and five sectors: agriculture, food, energy and mining (NRGM), manufacturing and services. Coefficients allow analyzing the intensity of imported and domestic intermediates' use in the production process; that is the ratio of the respective quantities of intermediate and factor inputs per unit of output.

The regional input-output coefficients are summarized in (see Annex 2 Table 2), which reveals interesting patterns of intensity in factors and intermediate inputs across sectors. For example, consistently with the prevalence of small-holder farmers engaged in nearly-subsistence production, the agricultural sector tends to be are intensive in unskilled labor in all regions except Southern Africa, where the sector is capital intensive. Moving on to the food sector, there seems to be a greater variety between regions: whilst in Northern and Western Africa domestic agricultural inputs are more intensively used, in Eastern and Central Africa the sector is capital intensive; finally, in Southern African the food sector deviates from the other regions by being intensive in domestic services. Again, with reference to the Energy and Mining sector (NRGM), domestic services inputs appear to be critical in Eastern Africa, whilst capital is clearly the most

intensive factor in the four remaining regions. Across all regions, the manufacturing and services sectors tend to display relatively higher input output coefficients for imported intermediates (especially for imported manufactured intermediates); services, however, are relatively more intensive in domestic services inputs. Interestingly, Northern Africa's manufacturing sector appears to have a particularly high input-output coefficient for manufacturing imported intermediates, consistently with the above analysis based on COMTRADE data, which showed that out of six African countries that together account for three quarters of Africa's total intermediate imports, four belong to Northern Africa.

The above findings are also in line with the analysis carried out by Ofa and Karingi, 2013, which shows that across all regions, the services sector is the one utilizing the highest share of imported intermediate inputs for production (52%). For Northern and Southern Africa, manufacturing follows as the second largest sector. For the remaining three regions, Energy and Mining constitute the second largest sector in terms of utilising imported intermediate inputs. Across all regions, manufacturing imported intermediates constitutes the largest share (60%) of total imported intermediate inputs. Furthermore, findings show that for three regions, Northern, Southern and Western Africa, Energy and Mining follows as the second largest commodity group. In Central and Eastern Africa, services intermediates make out the second largest group of imported intermediate inputs.

As noted in the 2013 Economic Report on Africa, resource-based industrialization could yield positive benefits for Africa, provided that the resource based industries foster value addition and create backward and forward linkages with the rest of the economy. In this respect, for resource-rich African economies, imported intermediate inputs in the oil and metal sector remain critical. However, if Africa manages to remove barriers to regional trade, broader regional markets could be a vital platform for African producers to exploit economies of scale and harness the scope for backward linkages, thereby producing these inputs domestically. Likewise, soft-commodity processing (cocoa, coffee, tea and agro-products) offer great potential for value addition and commodity based

industrialization for Africa. The ERA 2013 presents five case studies on soft commodity processing in Africa. A number of factors affecting value addition of production were identified, and across all case studies, high import tariffs on intermediate inputs were found to be a critical constraint for firms entering Global Value Chains.

A few key highlights from the case studies shed some light on the importance of imported intermediate inputs to higher value production for African manufactures. In Ethiopia's coffee industry, access to intermediate inputs was found to be a main constraint. Findings from Nigeria's cocoa processing industry showed that out of thirteen factors affecting linkage development, availability and quality of imports were found to be of critical importance. The same constraints were found in the cocoa processing industry of Cameroon. The overall message from the case studies was that forward integration into intermediate and final stages of the Global Value Chain is starting to take place in some African countries such as Nigeria and Ghana, while other economies are lagging behind. Again, the leather industry in Ethiopia is an example of an industry that has been able move up the value chain. The sector is one of eight priority sectors set out in the government's five year development plan. In 2002, the Ethiopian government started restricting exports of low value leather products, notably through an export tax of 150 per cent on hide exports. This measure had a significant impact on the value added composition of exports in the sector. In 2011, approximately 90% of total leather/

hide exports in Ethiopia were processed leather products. Also, in Ethiopia leather suppliers found quality and availability of intermediate inputs to be main barriers to the linkage development of the industry.

Findings from a 2013, WTO –OECD survey, covering over 500 supplier firms in developing countries and 173 lead firms, supports the above argument (ECA, 2013). Sector- specific constraints in moving up the value chain were identified in the survey. For the agri-food sector, limited access to production inputs was found to be a main constraint. Meanwhile in the textile and apparel industry (covering 15 developing country suppliers), customs paperwork delays was found to be the second most critical constraint to entering, establishing or moving up the value chains of the industry.

Overall, the above discussion highlights the importance of imported intermediate inputs for the diversification of production processes into higher value sectors, in particular in the services, manufacturing and energy/ mining sectors. In this respect, the possibility to source intermediate inputs at competitive prices is undoubtedly critical to African producers, particularly for those sectors displaying the highest intensity in imported inputs, namely manufacturing and services. Trade facilitation is therefore relevant to the discussion on Africa's transformation, particularly in the context of the continent's regional integration agenda.

Trade Facilitation Instruments: WTO Provisions and African Realities

4

4.1. Background

The objective of this section is to compare the trade facilitation instruments covered in the proposed text of the World Trade Organization with the ongoing activities in Africa at the national, sub-regional and regional levels, thereby identifying existing gaps and assessing the overall consistency of the multilateral framework with the activities on the ground. It is envisaged that the critical analysis undertaken in the section will shed some light on the scope of the challenges that African countries would confront in complying with the World Trade Organisation provisions, if they are adopted in their current form. In essence, the section seeks to answer the following questions:

- To what extent are the World Trade Organisation provisions: (i) consistent with national, sub-regional and regional trade facilitation objectives in Africa? (ii) aligned with ongoing trade facilitation activities/measures/instrument on the continent? and
- To what extent do African countries and Regional Economic Communities have the capacity (financial and technical) to implement the proposed World Trade Organisation provisions?

The assessment made in this section is purely technical, and does not take into consideration other dimensions of

the negotiations, such as tactics and geopolitics. It should be noted that one key constraint of the present analysis is the lack of systematic and comprehensive records of all trade facilitation activities implemented in the continent. In light of this, the examples used here are not exhaustive and are based mainly on presentations made by Regional Economic Communities (RECs) (particularly East African Community; Common Market for Eastern and Southern Africa; and Southern African Development Community) and African countries (particularly Kenya, Uganda, Zimbabwe, Cameroon, Mauritius, Ghana, Senegal, Tunisia) and interviews with their officials at various forums as well as in-depth studies of selected RECs and corridor management organisations¹⁰. A more comprehensive study, involving all African countries and Regional Economic Communities will, certainly, reveal more trade facilitation efforts and success stories as well as challenges. Notwithstanding of these limitations, it is

¹⁰ African 10-Year review of the Almaty Programme of Action (15-18 July, 2013, Addis Ababa, Ethiopia), 1st AUC/WCO Seminar on the Revised Kyoto Convention (19-21 June 2013, Nairobi, Kenya) ; 1st AUC Workshop on Integrated Border Management (July 2013, Harare, Zimbabwe), 5th Ordinary Meeting of the AU Subcommittee of Directors General of Customs (9-13 September 2013, Cotonou, Benin). The RECs and countries from which examples are drawn are those with well-documented practices and /or those that are recognised to have best practices in selected aspects of trade facilitation.

envisaged that this section will assist African negotiators and policy makers in identifying areas to channel capacity building efforts in the context of the World Trade Organisation negotiations on trade facilitation. Specifically, the section examines relevant existing: (i) national rules and regulation; (ii) trade facilitation measures of Regional Economic Communities; and (iii) multilateral conventions – especially those ratified by African countries that address the proposed World Trade Organisation articles, which are listed below.

Article 1: Publication and Availability of Information

Article 2: Prior Publication and Consultation

Article 3: Advanced Ruling

Article 4: Appeal or Review Procedures

Article 5: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency

Article 6: Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation

Article 7: Release and Clearance of Goods

Article 8: Consularisation

Article 9: Border Agency Cooperation

Article 9 BIS: (Declaration of transshipped or in transit goods) (domestic transit)

Article 10: Formalities Connected with Importation and Exportation and Transit

Article 11: Freedom of Transit

Article 12: Customs Cooperation

Article 13: Institutional Arrangements

Article 14: National Committee on Trade Facilitation

Article 15: Preamble/Cross-cutting Matters

There is ample evidence that African countries and Regional Economic Communities (RECs), to a varying degree, are already implementing some trade facilitation measures aligned to those of the proposed articles. For instance, most of the RECs are implementing several initiatives, in the areas of: (i) customs (regional customs guarantee schemes, harmonized customs documents, customs information sharing, interconnectivity of customs systems, introduction of Single Customs Territory, and Authorised Economic Operators - AEOs); (ii) integrated/coordinated border management (One Stop Border Posts – OSBPs, harmonization and extension of working hours); (iii) transit transport (harmonized road transit charges, Carrier's License Schemes, Third Party insurance schemes, harmonized axle load limits); and (iv) information technology (national and regional Single Windows, regional cargo tracking), among others.

The rest of this section discusses, in detail, ongoing activities of member States and Regional Economic Communities related to the proposed articles in the World Trade Organisation draft consolidated negotiating text.

4.2. Tracking Activities Related to Articles 1-6

The key elements of Articles 1-6 include: publication and availability of information (publication, information available through internet, enquiry points, notification); prior publication and consultation (interval between publication and entry into force, opportunity to comment on new and amended rules, consultations); advanced ruling; appeal

or review procedures (right to appeal or review, appeal mechanism); other measures to enhance impartiality, non-discrimination and transparency (notification for enhanced controls or inspections, detention, test procedures); and disciplines on fees and charges imposed on or

Table 3: Proposed WTO Trade Facilitation Provisions and Related EAC Measures

Article	EAC Measures
Article 1: Publication and Availability of Information	<ul style="list-style-type: none"> • Treaty, protocols and laws (e.g. East African Customs Management Act), tariff; etc. are available • Documents on EAC and member States websites as well as EAC Gazette
Article 2: Prior Publication and Consultation	<ul style="list-style-type: none"> • Publications on EAC and member States websites • Minimum information: tariff; Rules of Origin, valuation • Inquiry points
Article 3: Advanced Ruling	<ul style="list-style-type: none"> • No advance ruling in the Customs Management Act (CMA) • CMA being amended to include provisions on advance rulings
Article 4: Appeal or Review Procedures	<ul style="list-style-type: none"> • CMA Part XX: Appeals (Art. 229 to 231) • National: application for review by the Commissioner; appeals to Tax Appeals Tribunal • Regional: East African Court of Justice
Article 5: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency	
Article 6: Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	<ul style="list-style-type: none"> • Fees and charges harmonized (Art. 75 and 82 of EAC Customs Regulations) • Bonded warehouse fee: USD1500 (Art. 75) • Government warehouses fee: USD0.3 per cubic meter (Art. 82)

Source: Munyampundu (2013). EAC presentation at 1st AU Technical Workshop on Integrated Border Management, Harare, Zimbabwe.

in connection with importation and exportation (general and specific disciplines).

Generally, existing literature as well as presentations and discussions of Regional Economic Communities and their member States on trade facilitation tend to place less emphasis on their activities and initiatives related to the proposed Articles 1-6 and more on Articles 7-14. The East African Community makes an effort to track ongoing measures taken by the Community related to all the proposed articles of the World Trade Organisation trade facilitation negotiating text, as illustrated by table 3. The table is limited to Articles 1-6 as the East African Community activities related to the other articles are discussed in section 4.3.

It can be seen from the table 3 that relevant trade-related documents are available on the websites of the East African Community (EAC) and its member States, and are also published in the EAC Gazette. Useful information is contained in the EAC Customs Management Act, which is being amended to include provisions on advance ruling. The Customs Management Act addresses issues related to appeals, which can be brought to the Tax Appeals Tribunal at the national level and the East African Court of Justice at the regional level. The East African Community Customs Regulations deal with the harmonization of fees and charges. It is therefore clear that EAC, and indeed other Regional Economic Communities, have the institutional framework to address Articles 1-6 of the proposed negotiating text. Yet, a more elaborate study is required to determine the efficiency and effectiveness in the application of existing rules and regulations.

4.3. Tracking Activities Related to Articles 7-14

Article 7: Release and Clearance of Goods

This article addresses issues related to pre-arrival processing; electronic payment, separation of release from final determination of customs duties, taxes, fees and charges; risk management; post-clearance audit; establishment and publication of average release times; trade facilitation measures for (Authorised Operators); expedited shipments; and perishable goods.

African countries have made significant progress in many of these areas. For instance, in the area of electronic payment, Zimbabwe Revenue Authority (Zimra) has introduced an E-Payment (E-Banking) facility for the convenience of its clients whereby funds can be electronically transferred into Zimra's bank account and will automatically appear in the clients account within the Automated System for Customs Data (ASYCUDA). In terms of risk management, the use of non-intrusive systems, notably

scanners is becoming a common practice in Cameroon, Nigeria, and Zambia, among others. In conformance with World Customs Organisation's SAFE Framework of Standards to secure and facilitate global trade, Zimbabwe has introduced mobile, palletized, re-located and/or baggage scanners at the major ports of entry into the country - Forbes, Beitbridge, Plumtree, and Chirundu border posts, as well as Harare international airport.

Risk management practices in African countries are also being modernized and have generally improved over time. This is illustrated by the following statistics on the proportion of cargo subjected to different degrees of customs scrutiny in Uganda, based on the risk management system in ASYCUDA World which has 4 lanes or categories of clearance¹¹:

Lane	2010-2011	2011-2012
Green	14%	9%
Blue	52%	20%
Yellow	17%	34%
Red	17%	37%
	100%	100%

For the case of Zimbabwe, low risk cargo is now passed with minimal formalities at entry ports and later targeted for post clearance inland audit. All major customs houses in the country also have post clearance audit teams.

There are also indications that African countries have started to establish and publish average release times of goods at their ports. As a result of surveys conducted with the support of the East African Community and the World Customs Organisation, Uganda has available data on average release times at its major customs stations. The release time in Malaba was reduced from 54 hours in 2008 to 21 in 2013; while that of Kampala was reduced from 139 to 72 hours in the same period.

Uganda has also introduced a facility for Authorised Economic Operators. Zimbabwe Revenue Authority (Zimra) adopted a similar initiative in September 2011, and has set up a working group in that regard, headed by a Senior Customs Manager. The working group has produced guidelines, questionnaires and the necessary application forms for the selection of eligible applicants. It has also drafted the required legislation which is awaiting approval by the Ministry of Finance. This example provides useful insights into the Authorised Economic Operators (AEO) implementation process.

At the regional level, the Common Market for Eastern and Southern Africa (COMESA) Clearing House introduced the Regional Payment and Settlement System (REPSS), which allows member States to transfer funds with speed and efficiency and at reduced cost within COMESA. Under REPSS, importers and exporters deal with their local commercial banks for trade documentation. The importer's payment to the exporter is channeled through the Central Bank of the importer to the Central Bank of the exporter using the REPSS platform. The Regional Payment and Settlement System became operational in 2012 and registered its first transaction between Bramer Bank of Mauritius and Fina Bank of Rwanda, through their respective Central Banks.

Article 9: Border Agency Cooperation

The essence of this article is for members to ensure that their authorities and agencies responsible for border controls and procedures dealing with importation, exportation and transit of goods cooperate with one another and coordinate their activities in order to facilitate trade. It is also about cooperation on mutually agreed terms of members sharing common borders with a view to coordinating procedures at border crossings to facilitate cross-border trade. The draft World Trade Organisation text indicates that such cooperation and coordination may include: (i) alignment of working days and hours; (ii) alignment of procedures and formalities; (iii) development and sharing of common facilities; (iv) joint controls; and (v) establishment of One Stop Border Posts (OSBPs).

11 Green is for very low risk cargo which is passed without scrutiny; Blue is for low risk cargo which is passed with minimal formalities and undergoes audits at a later stage inland; Yellow is for medium risk cargo that is targeted for documentary check; and Red is for high risk cargo that is targeted for inspection..

African countries with the support of Regional Economic Communities and development partners are already involved in activities to foster cooperation among border agencies. Indeed, the concept of Integrated Border Management or Coordinated Border Management is gaining grounds on the continent, and One Stop Border Posts are increasingly at the core of border agency cooperation. The Chirundu OSBP at the border crossing between Zambia and Zimbabwe is widely cited as a best practice. Prio to the OSBP at Chirundu, procedures duplicated on each side of the border and involving up to 15 government agencies often resulted in a waiting time of 2-3 days to clear goods. The delays were estimated to cost each truck US\$140 per day in fixed costs and driver's time. The potential cost savings as a result of the introduction of the OSBP is estimated at US\$486 million per year, which accrues to the economies of the region (World Bank, 2011). Overall, clearance times for buses and passenger vehicles at Chirundu OSBP have been reduced. Clearance turnaround of commercial cargo has also been reduced quite dramatically. As a result of the OSBP, there is now greater sharing of information; coordination of clearance; and sharing of equipment and infrastructure between border agencies from both countries – all in line with the proposed World Trade Organisation Article 9 on Border Agency Cooperation.

There are ongoing efforts to establish other One Stop Border Posts in Southern Africa. For instance, a Memorandum of Intent has been signed between Mozambique and Zimbabwean Customs Administrations with the view to establishing OSBPs at Nyamapanda/Cuchamano and Forbes/Machipanda border locations. South Africa and Zimbabwe are also currently in negotiations to improve operations at the Beitbridge border post and eventually create a OSBP between the two countries. South Africa is a step forward and has established a Border Control Operational Coordinating Committee, involving the South African Revenue Service, National Intelligence, Department of Home Affairs, Environment and Transport, Public Works, Agriculture, Health, Defence, and South African Police Service.

Just like Southern Africa, the other sub-regions of the continent are also experimenting with One Stop Border

Posts, although with varying degrees of success. In Eastern Africa, for example, the East African Community has passed a bill on OSBPs, indicating the importance attached to the concept in the sub-region. Currently, there are OSBPs involving: Kenya and Uganda; Tanzania and Uganda; Rwanda and Uganda; and Sudan and Uganda. The concept of OSBP is being complemented in Eastern Africa with the introduction of the practice of customs clearance at first port of entry – for instance, at the port of Mombasa in Kenya for goods destined for Uganda and Rwanda. In 2012, the East African Community adopted in principle the destination model of clearance of goods where assessment and collection of revenue is at the first point of entry (Mombasa and Dar es Salaam) and revenues are remitted to the destination partner States subject to the fulfillment of key pre-conditions to be developed by a High Level Task Force (this is often referred to as the Single Customs Territory). The harmonization and extension of working hours (Kenya, Rwanda) and introduction of inland customs operations are also practices that are worth mentioning.

The concept of One Stop Border Posts is also being tested in West Africa, an example being the Cinkase OSBP between Burkina Faso and Ghana. At the level of Regional Economic Communities, the Southern Africa Development Community has developed guidelines for Coordinated Border Management, which was approved by its member States in 2012 as a tool to facilitate trade and consolidate the Free Trade Area (FTA) in the sub-region. In West Africa, the West African Economic and Monetary Union (UEMOA) took the lead in the establishment of OSPBs (commonly referred to as joint border posts in the sub-region) although the Economic Community of West African States (ECOWAS) is now fully involved. The creation of joint border posts is contained in UEMOA resolution 04/97/CM/UEMOA that adopted an action plan for transport infrastructure. Resolution 08/2001/CM was adopted in November 2001 for the funding of the construction of 11 joint border posts, on the basis of the action plan – including the Cinkase OSBP already mentioned. The first two joint border posts were to be developed through internal resources of the Union as pilot, and extended in a second phase to other borders (ECOWAS, EU and UEMOA, 2008).

Overall, African countries are fully aware of the requirements for effective and efficient coordinated border management, and in September 2013, the Directors General of Customs on the continent, at their 5th Ordinary Meeting, recommended the African Union Commission, Regional Economic Communities, and their technical partners to develop a continental policy framework on Coordinated Border Management to be adopted by the policy organs of the African Union.

Article 10: Formalities Connected with Importation and Exportation and Transit

The main issues covered by this article include: formalities and documentation requirements; acceptance of copies; Single Window; pre-shipment (and post-shipment inspections); use of Customs Brokers; common border procedures and uniform documentation requirements; rejected goods; and temporary admission of goods/inward and outward processing.

African countries are generally improving their efficiency in relationship to the formalities connected with importation, exportation, and transit, and ongoing activities on the continent span across most of the above issues. Rwanda and Burkina Faso, for example, have improved their trade logistics environment by reducing the number of documents required for international trade. Indeed, figure 4 showed that 11 African countries reduced the number of documents required for import and export between 2007 and 2013. Rwanda has also made efforts to implement electronic submission of customs declarations and increase acceptance points for submission. Similarly, several countries on the continent, including Egypt, Swaziland, Tunisia, and Zambia have introduced or improved their electronic data interchange systems (World Bank, 2011). In this regard, the Revenue Authorities Digital Data Exchange Programme (RADDEX) is widely cited as a successful system for customs interconnectivity among East African Community member States. The introduction of electronic data interchange systems has been associated with reduction of trade delays on the continent, including in countries such as Madagascar, Mali, Tunisia, and Uganda.

Electronic cargo management is also becoming a common practice on the continent, including the use of cargo tracking systems, and electronic management of custom warehouse – for instance through an online auction process, such as in Uganda. In addition to its existing Single Window System, Mauritius is in the process of deploying a Port Community System (Cargo Community System), to further improve competitiveness, efficiency and effectiveness of the supply chain of the country by providing new processes and information to all stakeholders on a single platform. The system is also expected to reconcile security imperatives and trade facilitation through provision of advanced cargo information.

Single-window

Single Windows are being introduced across Africa, spearheaded mostly by national revenue authorities. Examples of African countries that have effective Single Window systems include Senegal (Customs Computer System - GAINDE 2000), Ghana (Ghana Community Network Services Ltd. - GCNet), Tunisia (Tunisia TradeNet), Cameroon (GUCE), and Mauritius, among others. Single Window systems are under construction in Kenya, Burkina Faso, Libya, Morocco and the Republic of Congo. Mali and Cote d'Ivoire are also developing Single Window Systems. Countries such as Rwanda and Uganda have also launched Single Window projects. The cost and complexity of setting a Single Window system may explain why some African countries are lagging behind. The benefits, though, are known to far outweigh the costs. Ghana, for instance, saw customs revenue grow by 49% after introducing GCNet, its electronic data interchange system for customs procedures. Ghana, Madagascar, Mauritius are all using adapted versions of TradeNet (the national Single Windows of Singapore – established in 1989).

Countries that are yet to have operational Single Windows are stepping up efforts to do so. For example, the Zimbabwe Revenue Authority is currently at an advanced stage in the implementation of a Single Window environment at its major ports of entry, with Beitbridge border post set to be the pilot port at which the concept will be launched. The Automated System for Customs Data (ASYCUDA) World version 4.2.0 which is due to be implemented in the country has a platform which allows for the introduction

of the Single Window environment. The ASYCUDA system has a provision for controlled or selected access by other border agencies, which will permit these agencies to access data pertaining to their mandated area. It is worth noting that Zimbabwe is using local expertise to develop its Single Window, underscoring the availability of expertise within Africa that could be harnessed locally or across the continent. It is equally significant to note that the Kenyan Single Window system was developed with the support of Senegalese expertise. The lesson, therefore, to be highlighted is that African countries need to recognize and fully harness the available expertise on the continent.

Uganda is another African country that is using information technology in its custom processes and tax administration. It migrated from the use of ASYCUDA + to ASYCUDA ++ and now to ASYCUDA World, which allows access by other stakeholders (Single Window), declarations to be made from around the world, and electronic client feedback.

At the sub-regional level, sixteen out of the nineteen member States of the Common Market for Eastern and Southern Africa (COMESA) use the ASYCUDA system. COMESA is engaging the customs administrations in its region to upgrade to ASYCUDA World and to consider interconnecting their systems. The East African Community on its part is involved in a regional Single-Window project.

There is an ongoing debate on the merits and demerits of each country developing its own national customs automation system/Single Window as apposed to adopting the regional approach - which is already on the agenda of some Regional Economic Communities. In this regard, many experts on the continent argue that the national approach may eventually constitute a constraint to the realization of the Continental Free Trade Area (CFTA). The alternative argument is that countries have different requirements and therefore each system should respond to the specificities of concerned countries rather than developing a harmonized system. Proponents of this view further argue that technology is available to interconnect systems thus overcoming the challenge of exchanging information between countries that use different systems.

Advocacy for the interconnection of computerized customs information systems in Africa is championed at the highest level of customs administration on the continent. In September 2013, African Directors General of Customs, at their 5th Ordinary Meeting in Cotonou, Benin, recommended African Union Trade Ministers to endorse the Road Map and Strategy for the continental interconnectivity of computerized customs information systems in Africa. They also encouraged member States to put in place the necessary legal framework and other arrangements for interconnection of their computerized customs information systems. They further recommended that the feasibility of a common Single Window system in Africa that would take into consideration the World Customs Organisation Single Window Compendium and best practices from countries should be explored.

COMESA Virtual Trade Facilitation System (CVTFS)

The Common Market for Eastern and Southern Africa (COMESA), in 2012, launched a Virtual Trade Facilitation System (CVTFS) as a pilot project on the Djibouti-Addis Ababa-Khartoum and Juba Corridors. The system tracks cargo and means of transport, especially trucks, in real time. It provides visibility of cargo at remote locations to customs, insurance companies, freight forwarders and transport operators. It is envisaged that the system will be rolled roll out in other corridors in the sub-region.

COMESA is also in the process of moving away from the manual certificates of origin to the electronic certificate of origin. It has also introduced a Passenger and Cargo Manifest System (PCMS) which presents an opportunity for member States to capture data that would otherwise be lost from informal cross border trade. The system allows for data to be captured at the port of departure for onward transmission to the borders, and is under pilot in Zambia and Zimbabwe.

The African Alliance for Electronic Commerce

The African Alliance for Electronic Commerce (AAEC) was officially launched in Addis Ababa in March 2009 as a network of African organisations operating Single Windows or electronic platforms for interactions between stakeholders of international trade. It was created with the

Table 4: African Participation in International Treaties and Conventions on Transit Transport

Treaty/Convention	Year Adopted	African (Excluding North Africa) Parties
Barcelona Convention on Freedom of Transit	1921	Burundi, Chad
General Agreement on Tariffs and Trade – GATT/WTO	1947/1995	Sub-Sahara Africa, except Ethiopia, Eritrea, Equatorial Guinea, Guinea Bissau, S&P
New York Convention on Transit Trade of Landlocked Countries	1965	BF, Burundi, Cameroon, CAR, Chad, Lesotho, Malawi, Mali, Niger, Nigeria, Rwanda, Senegal, Sudan, Swaziland, Uganda, Zambia
Brussels Convention Establishing a Customs Co-operative Council.	1950	
Kyoto Convention on Simplification and Harmonization of Customs Procedures.	1973	Total of 25 countries (in the entire Africa) are parties to the Revised Kyoto Convention
Customs Convention on the International Transport of Goods Under Cover of TIR Carnets; also called the TIR Convention.	1975	
Nairobi Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences.	1977	Malawi, Niger, Swaziland, Uganda, Zambia, Zimbabwe (6 LLDCs); CI, Kenya, Mauritius, Nigeria, Senegal, South Africa, Togo (7 coastal).
Geneva Convention on Harmonization of Frontier Control of Goods.	1982	South Africa, Lesotho, Liberia (3)
Montego Bay Convention on Landlocked Countries.	1982	Landlocked Countries (15); SSA Coastal Countries (27)
Almaty Programme of Action.	2003	Landlocked Countries (16); SSA Coastal Countries (27)

Source: Compiled by ECA from various sources

support of the African Trade Policy Centre (ATPC) of the Economic Commission for Africa – a project supported by the Canadian International Development Agency (CIDA). The objectives of AAEC, among others, are to: set up a framework for exchange of Single Window experiences in Africa; establish a mechanism to assist countries in the development of Single Windows; put in place a platform of resources for facilitating the establishment of regional Single Windows and improving existing projects; ensure Africa's representation in international forums and contribute to the development of the concept of Single Window at global level; and promote regional and inter-regional Single Windows in Africa. AAEC is currently developing a Guide for Single Window implementation in Africa.

Article 11: Freedom of Transit

All major development frameworks in Africa, past and present, including the Lagos Plan of Action, the Abuja Treaty establishing the African Economic Community, the Constitutive Act of the African Union, and the New Partnership for Africa's development; as well as the treaties establishing the Regional Economic Communities allude in one way or another to the importance of transport and trade facilitation (especially transit transport for

landlocked countries) to the continent's development. Tables 4 and 5 summarise the main international and regional conventions on international transit of goods to which African countries are parties. Although a number of countries on the continent have signed and in some cases ratified international conventions, they generally prefer to operate at the regional and sub-regional levels, and sometimes on bilateral basis. Interestingly, most of the legal instruments developed by Regional Economic Communities are based on relevant international conventions – including those to which many of their member States are not parties.

Given the dominance of road transport in Africa, the fundamental elements of transit transport on the continent mostly concern this mode of transport. The key policy issues in this regard are developed and implemented at the Regional Economic Community (REC) level as summarized in Table 6. It can be seen from the table that RECs trade facilitation instruments such as those on: vehicle load and dimensions control; Carrier License and Transit Plates; and Third Party Motor Vehicle Insurance Schemes are beyond the scope of the World Trade Organisation (WTO) provisions. Indeed, WTO negotiations are limited to the simplification of trade procedures and do not address key transport issues, such as the quality of

Table 5: Summary of International and Regional Conventions on Transit Guarantees

Objective	Facilitate transit and establish harmonized regional transit guarantees		
International Legal Instrument	TIR Convention; Goods should travel in secure vehicles or containers; Duties and taxes at risk should be covered throughout the journey by a regionally recognized guarantee; Goods should be accompanied by a regionally accepted Carnet taken into use in the country of departure and accepted in the countries of transit and destination; Customs control measures taken in the country of departure should be accepted by the countries of transit and destination.		
RECs	Instrument	Key Elements	Evaluation/Challenges
ECOWAS	1982 Convention A/P 4/5/1982 Inter-State Transit Convention (Lomé) Inter-state Road Transit Guarantee Scheme (ISRT)	The Inter State Road Transit (ISRT) Convention prescribed that goods being transported within ECOWAS be covered by a declaration document, otherwise known as the ISRT logbook. The logbook is the standard document which, however, Member States may have other mandatory documentary requirements. Article 18 suggests that not all cargo should be inspected, except for those which may be classified as suspect and “give rise to foul play.”	Embraces the TIR Convention system, however, its application in the region is faulty. A supplementary Convention was adopted specifying that security for payment dues was to be provided by a guarantee from reputable financial institutions. Directive C/DIR3/12/88 was also put in place to accelerate the setting up of a single guarantee system for transit goods A/SP1/5/90 also addressed the “urgent necessity” to set up a mechanism for ISRT consisting of a chain of national bodies responsible for the guarantee, each designated by each Member State. Some countries such as Burkina Faso and Mali designated their Chambers of Commerce as national guarantees in response to the Directive, however, since other countries did not follow suit, a regional guarantee was still not achieved. The single document portion of the ISRT convention has been achieved; however, the region still lacks a regionally accepted guarantee.
CEMAC	2010 CEMAC Regulation No. 07/10-UEAC-205-CM-21 establishing regulation on legal regime of community transit and mechanism of a single security or guarantee	This instrument seeks to facilitate transit within CEMAC states by providing a mechanism for guarantees to secure payment of debt that may arise during transit. It outlines the rights and obligations of parties and steps to be taken to constitute a guarantee. The CEMAC guarantee covers all goods transiting throughout the region with a final destination outside CEMAC.	The CEMAC attempt at regional guarantees has not been successful till date.
COMESA	COMESA Treaty (Annex 3) RCTG Agreement (Ratified by 10 Member States) Inter-Surety Agreement (Agreement entered into among the National Sureties participating in the Scheme) PTA Road Customs Transit Declaration Document (RCTD) and RCTG	Separates the customs declaration procedures from customs bond or guarantees. RCTG - Participating states set up national sureties which are regionally bound by signing Inter-surety agreements. The Council of Sureties manages the Scheme and an Insurance Pool underwrites the operations of the RCTG. The RCTG is acquitted in the National IT systems.	Goods transit under Customs Trade Regime while vehicles transit under the COMESA Carrier License. Both the Regional Customs Transit Document (RCTD) and the Regional Customs Transit Guarantee (RCTG) are functional in COMESA. Most of its success can be attributed to the RCTG system being handed over to the private insurance industry, as in the case of Third Party Motor Vehicle Insurance in COMESA. Burundi, Kenya, Rwanda and Uganda are participating sureties, while Djibouti, Ethiopia and DRC have shown interest.
SADC	Goods in Transit Guarantee		SADC operates transit bonds which are national transit guarantees.

Source: Compiled by ECA from various sources

Table 6: Status of Implementation of Key Transit Transport Issues by Region

Issue for Harmonization	East Africa EAC COMESA	Southern Africa SADC	Central Africa ECCAS CEMAC	West Africa ECOWAS UEMOA
Vehicle Load and Dimensions Control (Axle load and Gross Vehicle Mass limits)	Yes. Axle Load GVM Weighbridges installed	Yes. Axle Load GVM Weighbridges installed		Yes – Inter-State Road Transport (TIE). Axle Load GVM
Road Transit Charges	Harmonized with SADC	Harmonized with COMESA and EAC		
Carrier License and Transit Plates				
Third Party Motor Vehicle Insurance Schemes	Yellow Card	Yellow Card (of COMESA)	Orange Card	ECOWAS Brown Card insurance scheme (Convention A/P1/5/82) -ECOWAS “Carte Brune” (Brown Card) and CIMA Code
Road Customs Transit Declaration Document	COMESA Customs Declaration Document (CD-COM)	Single Administrative Document (SAD)		ECOWAS’ Interstate Road Transport Scheme (ISRT) – Convention A/P4/5/82 and Supplementary Convention A/SP.1/5/90
Road check points	Significant reduction			ECOWAS Interstate Road Transport (IST) – Convention A/P.2/5/82
Regional Customs Bond	Customs Bond Guarantee Scheme - Harmonized with SADC	Customs Bond Guarantee Scheme - Harmonized with COMESA and EAC		Customs Agreements on Inter-State Road Transit (TRIE Convention)
Border Posts Operations	15 OSBP envisaged; 7 under development	Chirundu OSBP Pilot; Other OSBP Projects in NSC		At least 12 OSBPs envisaged
ICT for Vehicle Tracking and Fleet Management				

infrastructure, that account for an average of 40 per cent of trade costs in Africa. Details on African regional and sub-regional treaties and conventions on transit transport are provided in Annex 3 (Tables 9, 10 and 11)

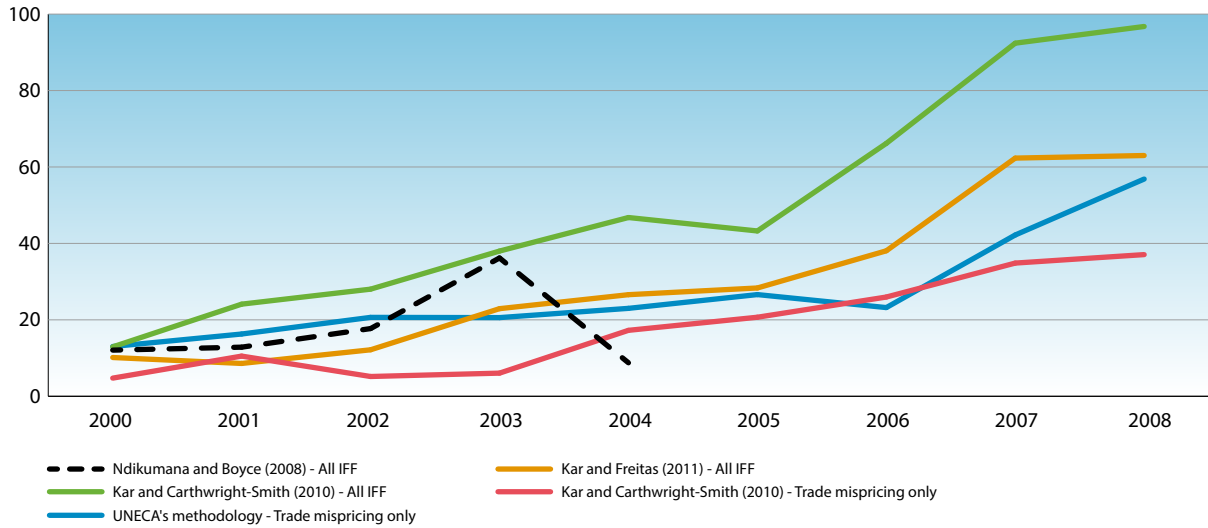
Some progress has been made in the implementation of Regional Economic Communities (COMESA) trade facilitation measures. The Common Market for Eastern and Southern Africa, for example, has reported progress in its Regional Customs Transit Guarantee (RCTG) scheme. In this regard, the scheme has been implemented in the Northern Corridor countries of Kenya, Rwanda and Uganda and preparations are at an advanced stage to commence operations of the scheme in the Djibouti-Ethiopia-Sudan Corridor. Progress has also been made by Revenue Authorities in COMESA countries on modalities of integrating the Regional Customs Transit Guarantee system with their customs information technology system

(ASYCUDA World) which would enhance information exchange as well as streamlining bond acquittal.

Transit is free, in principle, in the East African Community (EAC) among member States in line with Article 85-87 of the EAC Customs Management Act and Article 104 of Customs Management Regulations. EAC also has a regional cargo tracking system. Bond management, though, remains a challenge.

TIR Convention

The 1975 Geneva Customs Convention on the International Transport of Goods under the cover of TIR Carnets (TIR Convention) is one of the international conventions that seek to address most of the challenges associated with transit transport. However, few African countries, with the exception of those in North Africa, have signed or ratified it, although the convention has served as a basis

Figure 12**Illicit Financial Flow from Africa over the period 2000-2009 – US\$ Billion – Methodology comparisons**

Source: Based on Ndikumana and Boyce (2008), Kar and Carthwright-Smith (2010) and Kar and Freitas (2011) and authors' computations for UNECA's methodology.

for some of the transit transport instruments of RECs as well as sub-regional agreements such as the Northern Corridor Agreement¹². The TIR Convention calls for the simplification of formalities for international transport, especially at borders. Its provisions include customs functions during transit of sealed containers, guarantees, procedures and markings of trucks.

Article 12: Customs Cooperation

This article deals with the exchange of information in identified cases of import, export or transit where there is reason to doubt the truth or accuracy of a declaration submitted by the importer, exporter or agent. Customs cooperation initiatives in Africa have already been discussed under Article 9 on border agencies cooperation. It is worth adding that some African countries are implementing bilateral border cooperation agreements. Better cooperation between the agencies involved in customs clearance at the border between Zambia and Zimbabwe is reported to have reduced waiting time for traders (World Bank, 2011).

It appears that customs cooperation is the most disputed part of the World Trade Organisation negotiations on trade facilitation, whilst a number of developing countries are requesting a binding agreement to exchange information, because they are keen to combat illicit trade (Illicit Financial Flow - IFF), while some Members will not accept anything more than a general framework on customs cooperation. The reason why African countries in particular are eager for a binding agreement on the exchange of information is obvious from Figure 12 which shows the huge scale of illicit financial flow on the continent, irrespective of the methodology used to measure it.

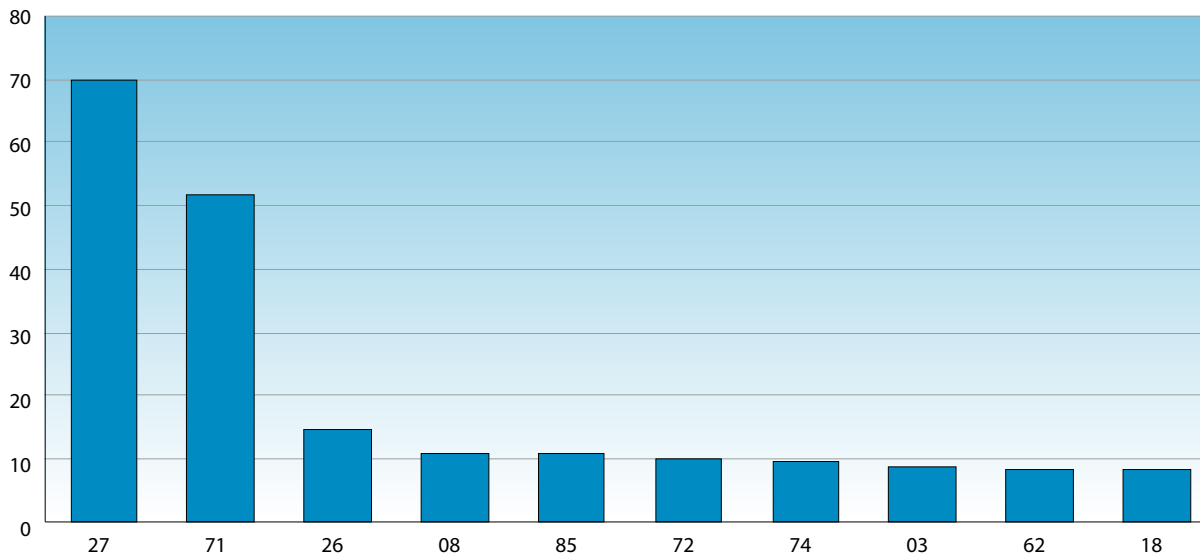
Over the period 2000-2008 Kar and Carthwright-Smith (2010) estimate cumulative illicit financial flow from Africa due to only trade mispricing at US\$162 billion whereas comparable estimates from Economic Commission for Africa are even higher at US\$242 billion.

However, when looking at the ratio of trade mispricing to the total amount of illicit financial flows which is estimated to represent up to 55% of total illicit financial flow from developing countries (Baker, 2005), the Economic Commission for Africa's estimates are in the range. From Figure 12, which also plots the evolution of estimates from

12 Northern Corridor Agreement covers Kenya, Rwanda, Burundi, Uganda and DRC

Figure 13

Top 10 sectors (Harmonized System at 2-digit level - HS2 classification) by cumulative IFF (2000-2009) for Africa – US\$ billion – Trade mispricing only



Source: Authors' computations

Notes: Harmonized System at 2-digit level (HS2) codes & definitions

- 27 Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes.
- 71 Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin.
- 26 Ores of Iron with pyrites, Slag and Ash.
- 08 Edible Fruits & Nuts, Peel of Citrus/Melons
- 85 Electrical Machinery & equipment & parts, telecommunications equipments, sound recorders, and television recorders.
- 72 Iron and Steel
- 74 Copper and articles thereof
- 03 Fish & Crustaceans
- 62 Articles of apparel and clothing accessories not knitted or crocheted
- 18 Cocoa & Cocoa preparations

Kar and Carthwright-Smith (2010) for the total illicit financial flow between 2000 and 2008, illicit financial flow shares for the trade mispricing component can easily be deducted. Indeed, Kar and Carthwright-Smith (2010) assess a total cumulative illicit financial flow in Africa over a 9 year period at US\$ 448.4 billion, Economic Commission for Africa estimates for cumulative illicit financial flow through only trade mispricing represent 54.1% of this total while Kar and Cartwright-Smith (2010) computations for trade mispricing would correspond to 36.2% of total cumulative illicit financial flow for the same period. Finally, even though Baker's approximation of the share of illicit financial flow through trade mispricing in total illicit financial flow is for developing countries and not specifically Africa, the Global Financial Integrity (Kar and

Freitas, 2011) also stated that "illicit outflows through trade mispricing from Africa grew faster, with a real growth rate of 32.5 percent between 2000 and 2009, clearly outpacing such outflows from developing Europe (9.7 percent), Asia (7.7 percent), and other regions".

Turning to the sector level analysis, Figure 13 provides the 10 sectors, defined for the Harmonized System at 2-digit level (HS2),¹³ for which cumulative illicit financial flows from Africa have been the highest over the period 2000-2009. As expected, illicit financial flow from the continent

¹³ Note that data are available at the HS6 level of sectors but then aggregated at the HS2 level (97 sectors) in order to gather sectors by main categories.

are highest in the extractive and mining industries. Indeed, more than half (56%) of the illicit financial flow from the African continent over a 10 years period comes from oil, precious metals and minerals, ores, iron and steel and copper. Moreover, these are highly concentrated in very few countries. Nearly three quarters of the total illicit financial flow in oil from Africa during the period 2000-2009 are found in only three countries, namely Nigeria, Algeria and Sudan, with 37%, 21% and 14%, respectively. In the following three sectors: precious metal and mineral, iron and steel, and ores, the greatest shares in the total illicit financial flow from Africa are registered in the Southern African Customs Union (SACU) with 98%, 61% and 59%, respectively. Regarding the copper sector, Zambia alone is estimated to concentrate 64% of the continental illicit financial flow.

Article 13: Institutional Arrangements

This article focuses on the establishment of a Committee on Trade Facilitation, including its membership, operational modalities and functions. In terms of the present situation in managing trade facilitation in Africa, various institutional arrangements have been established to oversee activities/initiatives at the sub-regional level. In particular, corridor management bodies have been set up to promote and develop the various transit corridors across the continent. It has been observed that corridors with corridor institutions are generally better equipped to address challenges - such as investment in infrastructure, regulation of transport and trade, private sector participation, and professionalism in the logistics industry - than those without an institutional arrangement.

Regional coordination is ensured by the Regional Economic Communities through various fora, including the continental level Regional Economic Communities Transport Coordination Committee (REC-TCC). Discussions are also underway to create the Africa Corridor

Management Alliance (ACMA). Given that all corridors are anchored at maritime ports, the Port Management Association of Eastern and Southern Africa (PMAESA) and the Port Management Association of West and Central Africa (PMAWCA), also have a particularly important role in coordinating port operations that affect corridor performances in their respective regions. Thus, it can be argued that Africa is already moving towards setting up the institutional arrangements to coordinate transit transport.

Article 14: National Committee on Trade Facilitation

This article calls on each member State to establish and/or maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of provisions of the World Trade Organisation agreement. The concept of National Committee on Trade Facilitation is not new in Africa. As far back as 1994, the Economic Community of West African States (ECOWAS) adopted decision A/DEC.3/8/94, establishing National Committees for transport related issues, comprising of representatives of transport authorities, police, customs, road transport associations, and the Presidency, among others. These National Committees had a scope which included facilitation. ECOWAS Decision A/DEC.9/01/05 of January 2005 re-organised the institutional framework for the implementation of its facilitation programme by establishing three organs, namely: National Facilitation Committees; Cross Border Management Committees; and a Regional Inter-State Road Transport and Transit Facilitation Committee. The National Facilitation Committees expand the membership of the previously defined Committees by adding more representatives from the private sector, such as: forwarding agents, customs agents, Port authorities, and chambers of commerce and industry (ECOWAS, EU, UEOMOA, 2008).

4.4. Revised Kyoto Convention, Customs Administrations and WTO Trade Facilitation Negotiations

It is interesting to note that more than a third of African countries are signatories/have ratified the Revised Kyoto Convention (RKC), which is generally consistent with the proposed World Trade Organisation trade facilitation provisions. Moreover, the Directors General of Customs in their 5th Ordinary Session held in Cotonou, Benin, in September 2013 recommended that “when drafting the Continental Free Trade Area negotiating texts at the continental level, the Revised Kyoto Convention provisions could be included in the text such that any Party that would have agreed/signed the texts will be bound to implement the elements of the Convention”. They also recommended that “Customs Administrations are encouraged to lobby other relevant national institutions on the need to fast track pending national processes for accession to the Convention”.

Ratifying versus Implementing RKC and Other Trade Facilitation Instruments

Experts at the 1st Joint African Union Commission – World Customs Organisation Seminar on the Revised Kyoto Convention, held in Nairobi in June 2013 identified three broad categories of challenges to its ratification, namely:

- **Strategic challenge:** Related to political will as well as the willingness of customs and administrative officials to support implementation of the Revised Kyoto Convention. This is associated with lack of conviction on the benefits of ratifying the convention by some authorities;
- **Institutional Challenge:** Related to inadequate human and infrastructure capacity of Regional Economic Communities and member States, which is compounded by the large turn-around of customs officials; and
- **Procedural challenge:** Related to the process of adhering to the Revised Kyoto Convention, which is perceived by some customs officials to be too

bureaucratic, complex, and long. In some cases, the process goes through the parliament which usually has a tight schedule, resulting in long delays before issues related to international conventions are included in the agenda. Various ministries such as Trade, Finance, and Foreign Affairs are also involved in the process.

These challenges are valid for other conventions. Moreover, ratifying a convention is not an end in itself. Experience has shown that adopting trade facilitation instruments does not necessarily mean that Regional Economic Communities and their member States fully implement them. The same African Union – World Customs Organisation Seminar identified the following implementation challenges:

- Translating political will into effective engagement of political leaders to implement the Revised Kyoto Convention, for instance, by mainstreaming it in national laws;
- Mobilising resources for the implementation of the Convention;
- Capacity development, especially as modernisation requires sustainable capacity development;
- Internal and external communication, including undertaking sensitisation campaigns;
- Developing a risk management policy, in terms of reconciling trade facilitation, security, and customs revenue;
- Adopting a national legal framework that is consistent with the Convention. Adaptation of text is a tedious and complex process; and
- Monitoring and evaluation, without which it is impossible to know the progress that is being made as well

as the challenges in implementing the provisions of the Convention.

A recent study by the Economic Commission for Africa identified similar reasons for the non-implementation of legal instruments in general, including: lack of designated institutions at the national level to follow-up with ratification process; precedence of bilateral agreements over regional agreements; failure to properly document legal instruments within institutions; lack of knowledge and poor information dissemination; multiple memberships to RECs/overlapping membership; lack of political will;

poor infrastructure to support policies; poor inter-agency coordination; and obsolete or outdated instruments.

It is likely that these same challenges will be faced in implementing the World Trade Organisation trade facilitation provisions – if they come into force – with the additional concern of their binding nature (after appropriate transition periods). It is conceivable that World Trade Organisation commitments may motivate the implementation of trade facilitation measures as countries are generally expected to avoid sanctions associated with non-compliance.

4.5. Conclusions

Overall, the analysis has shown that, regardless of WTO processes, African countries are already stepping up efforts to facilitate trade - especially intra-Africa trade in the context of the Continental Free Trade Area. Indeed trade facilitation is one of the clusters in African Union's Action Plan on Boosting Intra-African Trade, and the renewed attention to trade facilitation is expected to consolidate ongoing efforts by Regional Economic Communities and their member States, whose activities are largely consistent with the proposed World Trade Organisation provisions. The gaps between ongoing activities at the national level and these provisions are likely to vary across countries on the continent and therefore need to be assessed on a case by case basis. In essence, the human and institutional capacity development requirements for effective implementation of trade facilitation measures depend on the initial condition of a country (which in this case is the level of modernization of the trade environment already attained). And in this respect, the same challenges to implementing these initiatives are likely to be faced in efforts to implement the World Trade Organisation trade facilitation provisions – if and when they come into force.

Empirical studies typically suggest that the benefits of trade facilitation are likely to exceed the related costs, and

indeed African countries have realized this and are starting to implement trade facilitation measures to remove barriers to trade, at their own pace and with their own priorities regardless of the World Trade Organisation negotiations. It is encouraging to note that senior customs officials are championing key elements of trade facilitation at the continental level – through the AU Sub-Committee of Directors General of Customs. It is envisaged that this could strengthen national advocacy and eventually lead to concrete results. Going forward, what is needed is to scale-up the multitude of ongoing trade facilitation initiatives in Africa, at the national, sub-regional and regional levels, and to enhance the effectiveness of their implementation – where necessary. It has also been observed that many trade facilitation initiatives on the continent are funded by development partners, even though beneficiary countries do not necessarily lack resources. Against this background, for the sake of greater ownership of the trade facilitation agenda, domestic resource mobilization should be bolstered, whenever possible, in order to finance the reduction of barriers to trade.

The Cost of Trade Facilitation: Some Orders of Magnitude

5

5.1. Background

Implementation of World Trade Organisation provisions on trade facilitation, if and when they come into force, will have cost implications. This has always been a concern of African countries, stretching as far back as 1996 when trade facilitation was introduced in the agenda of the World Trade Organisation at the Singapore Ministerial Conference, as one of the “Singapore Issues” – in the context of, simplifying trade procedures. The concerns of African countries with the costs associated with trade facilitation are well documented. For instance, African Ministers of Trade, meeting in Abuja in September 2001 in preparation for the 4th Ministerial Conference of the World Trade Organisation, stated that “Improved facilitation will require increased technical and financial assistance to narrow the technology and human resources gaps that exist between developed and developing countries”. Similarly, the position of the Least Developed countries that emerged in the run-up to the Cancun World Trade Organisation Ministerial Conference was that “...much current thinking on trade facilitation pre-supposes the establishment of common procedures, rules and regulations on the movement of goods. To implement such laws and procedures will be very costly for the Least-Developed Countries, which they cannot afford at this stage”.

The Doha Work Programme adopted in 2004, commonly known as the July Package, took into consideration some

of the concerns of African countries. It states, among other things, that:

- The negotiations shall aim at enhancing technical assistance and support capacity building in expediting the movement, release and clearance of goods, including goods in transit (paragraph 1);
- Least-developed country Members will only require to undertake commitments to the extent consistent with their individual development, financial and trade needs or their administrative and institutional capabilities (paragraph 3)
- As an integral part of negotiations, Members shall seek to identify their trade facilitation needs and priorities, particularly those of developing and least-developed countries, and shall also address the concerns of developing and least developed countries related to cost implications of proposed measure (para 4); and
- Support and assistance should be provided to help developing and least-developed countries implement the commitments resulting from the negotiations, in accordance with their nature and scope (paragraph 6)

This section seeks to answer the following questions: what are the cost components of trade facilitation? What is the

actual cost of trade facilitation – is it really as expensive as suggested by African countries?

5.2. Trade Facilitation Cost Components

Understanding the cost of trade facilitation is a preoccupation of governments, development partners, researchers, and the business community, among others. Duval (2006) undertook an exploratory survey of the costs and benefits of implementing trade facilitation measures under the World Trade Organisation. The expert survey examined the implementation costs associated with 12 trade facilitation measures relevant to the negotiations. As part of the study, Duval reviewed implementation cost information found in World Trade Organisation members proposals to the Negotiating Group on Trade Facilitation as well as relevant research and policy studies. Highlights of the review are as follows:

- Implementation of most trade facilitation measures would entail some start-up costs for government agencies in the short term. However, once the measures are established, it is unlikely that significant financial burdens would be involved to maintain them;
- The initial costs for implementing most trade facilitation measures would likely be moderate in relation to potential gains from lower transaction costs. Some of the initial costs may be transferred to traders through charges for relevant services they receive. Some trade facilitation measures, such as collateral security for release of goods are in themselves financial services offered by the private sector;

- Costs of implementation vary substantially across trade facilitation measures. For instance, measures that entail modernisation of information technology are more costly than the periodic review of import/export documentation; and
- The costs of certain measures are likely to vary according to individual situation of member countries.

Overall, 4 broad categories of costs are identified, namely: infrastructure/facility costs; human resources costs; regulatory/legislative costs; and reduced revenue from fees and charges. The establishment of Single Window systems is perceived as the most costly trade facilitation measure, followed by the implementation of risk management systems. These measures also take the most time to implement, requiring at least 3-5 years, provided adequate resources are available. Measures such as the establishment of national trade facilitation committees are easier to implement if political will exist.

Generally, operating costs are perceived to be much lower than setup costs, except for measures such as online publication and national trade facilitation committees. However, the overall costs of these two measures are likely to be among the lowest compared to the costs of other measures in the proposed World Trade Organisation negotiating text.

5.3. Cost of Single Window systems

An assessment of the costs of trade-related regulatory requirements in Ireland in 2010, focusing on Single-Window identified a number of factors that impact on the cost of such a system, including: size of economy; extent of existing systems; extent of user fees and use of Public Private Partnerships; geographical diversity of trading union; sophistication of design in terms of technology

and equipment; existing customs automation; need for software license; training costs; and marketing and promotion of the system. These factors are also valid for African countries.

The study associated the following costs with the introduction of a Single-Window: network operation cost,

Table 7: Estimated Cost of Establishing Single-Window Facilities

Country	Cost of Establishing Facility
Finland	Total cost until 2002 estimated at US\$1,220,000 including operating cost. Operating cost of approximately US\$195,000 per year
Germany	Cost of establishment estimated at US\$ 1,248,000. No information on ongoing operational cost
Guatemala	Total cost of establishment estimated at US\$ 871,000 Ongoing operational costs estimated at US\$ 1.2 million per annum
Hong Kong (China)	Hardware, system and application software license, application development and integration, document structure standards development, testing, marketing and promotion. Ongoing costs include staff costs, outsourced operation and support services costs, facilities repair and maintenance costs, etc.
Malaysia	Cost of establishing facility estimated at US\$ 3,485,000
Singapore	Initial shareholder capital invested in CrimsonLogic (formerly known as Singapore Network Services) of approximately US\$14,300,000 As CrimsonLogic is a private company, the ongoing operational cost is confidential
Sweden	Figures not available due to the fact that establishment took place in 1988-89 Operational cost not available
United States	Difficult to isolate cost because the SW is part of a wider system

hardware/software operation costs, operational support, continuous software development, research and development; training, change management, and additional requirements. According to the study, the United Nations estimates that a Single Window project can cost between 8 and 40 million Euros, depending on the size of the country and the complexity of the system. This cost is for implementation alone, and running costs can range from 160,000 to 6.5 million Euros per annum. Overall, the costs are expected to be lower for countries that already have advanced customs systems.

The Economic Commission for Europe undertook case studies in ten countries on the implementation of Single Window systems, including Senegal and Mauritius. Among other things, the studies examined the costs of establishment of the facility. In Senegal, the Single Window, called ORBUS, was initiated by the Ministry of Commerce in 1996, move to the Ministry of Finance in 2001, and in 2002 GIE GAINDE 2000 was created in order to finalise the project and to run the system, which has been fully operational since 2005. It is estimated that more than US\$2 million was spent to support the development process and to buy the necessary equipment to operate the system. From the time the project was transferred to customs (2001) to the operational phase (2004), US\$800,000 was spent to update the application, install a new infrastructure, set the facilitation centre and cover starting expenses (training, communication,

etc.). The ongoing operational cost has been estimated at US\$800,000 per annum.

In the case of Mauritius, its TradeNet system was designed from scratch with the help of Singapore Network Services Ltd. and a local team at the Mauritius Network Services Ltd. The first phase was launched in 1994 and the fifth phase in 2000. Exact figures for the costs of establishing the facility are not available. However, these costs were related to the establishment of a company to act as the value-added network operator, and included costs related to equipment, software, and staff. There were also expenses for Customs, namely the purchasing of equipment. On-going operational costs for the system include those related to communications, maintenance of equipment and staff remuneration.

The costs of establishing the Single-Window systems in countries of other regions, including Finland, Germany, Guatemala, Hong Kong SAR (China), Malaysia, Singapore, Sweden, and the United States are provided in table 7. The table shows the wide variation in the costs, ranging from US\$ 871,000 in Guatemala to US\$14,300,000 in Singapore.

The estimated costs of recent attempts to establish Single Windows in Africa generally fall within this range. For instance, the Single Window in Rwanda launched in 2012 by the Rwanda Revenue Authority with support from Trade Mark East Africa and United Nations Conference on

Trade and Development is estimated to cost \$3.33 million. Uganda is also reported to have launched a US\$5 million Single Window system, linking government, clearing agencies and local traders to ease and speed up international

trade. In Kenya, Shillings 1.5 billion has been budgeted to roll out the National Single Window (KenTrade).

Building Capacity for Trade Facilitation: How far can WTO Negotiations go?

6

6.1 Background

Over the years, African countries have been involved in numerous trade facilitation initiatives at the national, sub-regional and regional levels. These initiatives, as discussed in Section 4 of this report, have mostly been spearheaded by Regional Economic Communities. The African Union has also articulated a programme for boosting intra-African trade in the framework of the Continental Free Trade Area (CFTA) agenda, and trade facilitation is an important component of the programme. Therefore, Africa's leanings on trade facilitation, including in the context of the World Trade Organisation negotiations, are firmly rooted in past and present experiences as well as a clearly defined continental trade vision. Lessons from the past and future perspectives have also shaped "red lines" in Africa's position in multilateral negotiations on trade facilitation.

The Declaration of African Union Ministers of Trade on WTO issues, adopted at their meeting of 24-25 October 2013 in Addis Ababa, Ethiopia, provides insights into these "red lines". The Ministers underscored the importance of Trade Facilitation and stated that their priorities include: enhancing infrastructure and boosting productive and trade capacities; reducing transaction costs; and supporting reforms and improvements to customs regulatory systems.

The Ministers re-emphasised that "obligations and measures being negotiated under the Trade Facilitation consolidated text must include binding, effective and operational rules on Special and Differential Treatment. The obligation on developing countries and Least Developed Countries (LDCs) to implement the Trade Facilitation Agreement should be based upon their acquisition of capacity to implement, including through fulfilling, by developed countries, the obligation of delivering binding, new and long-term technical and financial assistance and capacity building necessary for African countries to achieve full implementation capacity". The Declaration underlies "the importance of the principles of self-designation and self-assessment under Section II of the Draft Trade Facilitation Agreement by developing countries and LDCs in determining the acquisition of capacity to implement". The Ministers also re-emphasised the positions held by the WTO African Group on Trade Facilitation specifically that "it is not a self-balancing, win-win and a monolithic pillar in the Doha Development Agenda (DDA)". They called for an internally balanced agreement, providing developing countries and LDCs with policy space and flexibility to adopt and implement commitments commensurate with their capacity to do so.

It is obvious from the Ministerial Declaration that Africa's position on the World Trade Organisation negotiations

on Trade Facilitation hinges on capacity building. But what kind of capacity is being alluded to? Do all parties (developed, developing and LDC members) have a common understanding of the capacity required to implement the draft World Trade Organisation provisions? Even if Section II of the draft negotiating text were binding, would capacity development assistance provided by development partners differ from current practice (as reflected, for

example, by what is being reported under Aid for Trade)? If not, would it make any significant difference to the ability of African countries to implement the agreement? The remaining part of this section attempts to shed some light on these questions. It addresses trade facilitation capacity building not only in the context of WTO negotiations but also from a broader perspective, consistent with Africa's medium to long term trade agenda.

6.2 Scope and Scale of Capacity Building for Trade Facilitation

Annex D of the Doha Work Programme (July Package) provides an idea of the scope of capacity building/technical assistance required as part of the Trade Facilitation agreement. It contains, among others, the following elements, in line with the Ministerial Declaration mentioned above:

- Provision of technical assistance and capacity building in expediting the movement, release and clearance of goods, including goods in transit;
- Members are required to undertake commitments to the extent consistent with their individual development, financial and trade needs or administrative and institutional capabilities; and
- Members shall seek to identify their trade facilitation needs and priorities, particularly those of developing and least developed countries, and shall also address the concerns of developing and least developed countries related to cost implications of the proposed measures.

A close examination of the articles in Section I of the draft consolidated negotiating text also provide an indication of the capacity required for their implementation. This includes capacity related to trade procedures (developing, disseminating and enforcing rules and regulations); and capacity related to trade infrastructure (mainly in the area of Information and Communication Technology (ICT), notably Single Windows). The scale of the capacity building required would be country-specific and would depend on several factors such as size of the economy, and the

initial condition of a country (level of development, for instance in customs automation), among others.

Table 1 shows the complexity of capacity building requirements in the context of the articles in the negotiating text, and for trade facilitation in general. In this regard, the requirements could be viewed from several levels, including: the concerned national authorities (trade, customs; transport, health, and security, among others); units of capacity building (individuals, institutions, trade community); and intervention areas (training, provision of equipment and financial resources, development of systems, and construction of facilities, among others). In essence, effective implementation of the articles and trade facilitation in general requires the provision of training to individuals in all concerned national authorities as well as raising the awareness of the wider trade community on simplified trade procedures. It also requires the provision of appropriate equipment and financial resources to the concerned authorities.

Many of the capacity building requirements derived from the draft consolidated negotiating text and for trade facilitation in general are related to customs operations. Therefore, Customs Administrations should play a leading role in identifying specific activities to be implemented. It is likely that some of these administrations are already working with development partners, such as the World Customs Organisation (WCO), to strengthen their capacity to facilitate international trade. Therefore, what may be required, in such cases, is to upscale on-going efforts.

Table 8: Indicative capacity needs and concerned national authorities

Article	Indicative Capacity Requirements	National Authorities Involved
Article 1	Promptly publish trade information; provide internet updates; establish/maintain entry points	Trade, Customs
Article 2	Regular consultations between border agencies and traders/ other stakeholders	Customs, Immigration, Police, transport, traders/ other stakeholders
Article 3	Prompt issuing of advanced ruling in response to requests; make available information on advanced ruling	Trade
Article 4 & 5	Ensure that appeal or review procedures are carried out in a non-discriminatory manner; Appeal mechanism	Customs, other relevant border agencies, Trade, Customs, Judiciary
Article 6	Periodic review of fees and charges; enforcement of fees and charges connected to importation and exportation	Customs, transport
Article 7	Electronic payments; adopt and maintain risk management systems; adopt and maintain post-clearance audit; measure and publish average release times; establish Authorised Operators	Customs
Article 9	Border agency cooperation	Customs, Immigration, Police
Article 10	Review formalities and documentations connected with importation and exportation; use of international standards; establish and maintain single windows	Trade, customs, transport
Article 11	Making available infrastructure for transit traffic	Customs, ports, transport
Article 12	Exchange of information	Customs
Article 13 & 14	Effective participation in Committee on Trade Facilitation; establish and maintain National Committees on Trade Facilitation	Trade, Customs, traders, transport, other stakeholders

Source: ECA based on WTO draft consolidated negotiation text on Trade Facilitation

Overall, the perspective from which trade facilitation is viewed determines the scope of capacity building requirements. Based on the premise that trade facilitation is about reducing trade costs and transaction time, capacity requirements would broaden substantially if all determinants of trade costs and delays are taken into consideration. Section 2 of this report clearly shows that transport costs, particularly inland transport costs, constitute a large share of total trade costs in Africa. For many countries on the continent, especially landlocked ones, the share of inland transport costs in total trade costs outweigh the shares of costs associated with preparation of documents, customs, and port handling. Indeed, inland transport costs could be as high as 70 percent of total import/export costs in some landlocked countries. It is known that inadequate transport infrastructure (roads, railways) contribute significantly to high transport costs. Hence, any attempt to facilitate trade is unlikely to make a serious dent in trade costs if issues of transport infrastructure are not addressed.

It is in this context that the North-South Corridor programme is widely considered as a good practice in trade facilitation. The programme is jointly implemented by

the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), and Southern Africa Development Community (SADC) in the framework of their Tripartite arrangement. It is supported by the United Kingdom's Department for International Development (DFID) through Trade Mark Southern Africa and championed by President Jacob Zuma of South Africa, as part of the New Partnership for Africa's Development (NEPAD) Presidential Infrastructure Champion Initiative (PICl). The North-South Corridor programme spans across 3 Regional Economic Communities (RECs) and 8 countries and includes projects aimed both at improving transport infrastructure as well as removing non-physical barriers to transport and trade. Being a trade capacity building initiative, the programme could help countries in identifying the support required in the World Trade Organisation framework and indeed other trade facilitation initiatives, beyond issues related to trade procedures.

It is worth acknowledging that development partners have made efforts, most of which are on-going, to support African countries to develop and implement trade facilitation programmes and projects. But experience has shown that

there is a limit to the scope and scale of capacity building and technical assistance that partners can provide. This can be seen from the type of interventions classified as support to trade facilitation by Africa's partners – ranging from the remuneration of “Experts or Trade Advisers” from partner countries to a variety of workshops and consultancies, whose impacts are difficult to assess and generally remain uncertain. African countries, therefore,

need to be cautious with their expectations on trade facilitation capacity building support and technical assistance in the context of multilateral negotiations. A piecemeal approach to trade facilitation capacity building may also yield limited results. It seems appropriate to adopt a comprehensive programme approach that incorporates all dimensions of trade facilitation into a coherent plan.

6.3 Conclusion and Way Forward

While Africa's position that capacity building should be a binding commitment in the WTO trade facilitation agreement is quite clear, more effort is needed to articulate details on what should constitute capacity building and how it could be operationalized. This obviously would be country specific, but there is a need for broad guidelines on the kind of activities that should be included in Section II, particularly those in Categories B and C, in the draft negotiating text. In essence, Africa should consolidate its position by defining: (i) the scope of the envisaged capacity building, in terms of the areas to be covered, such as institutions and infrastructure (rules and regulations; physical infrastructure – roads, railways, ports); and (ii) intervention areas, in terms of training of personnel as well as provision of equipment and financial resources; among others.

An important element of Africa's position is that African countries themselves should determine their capacity requirements. In this regard, it is essential to decide whether these requirements should be determined strictly from the proposed articles in the draft negotiating text or if other interventions considered by African countries as priorities to reduce trade costs and time should be included. Infrastructure, notably roads that are part of regional transport corridors, is particularly relevant in this regard. While African countries recognise that inadequate physical connectivity is a critical constraint to international trade, improving transport infrastructure remains at the periphery of the World Trade Organisation negotiations on trade facilitation, and indeed is not

considered by many to be part of the negotiations. From an African context, it appears that any initiative to facilitate trade (reducing costs and delays) without a component to improve physical connectivity would be incomplete, especially for landlocked countries, given that transport costs represent a large share of total trade costs.

Generally, effective trade facilitation capacity building initiatives require human capacity development (upgrading the skills and knowledge of trade officials and other stakeholders), introduction of systems to simplify procedures and reduce delays while ensuring security and safeguarding government revenue (such as Single Windows, scanners, among others), and improving physical infrastructure (roads, railways, ports, among others).

Overall, while capacity building is central to Africa's position in the World Trade Organisation negotiations on trade facilitation, the specifics such as the scope of capacity building required, the intervention areas and how to operationalize the envisaged binding commitments, especially for activities in Category B and C in the draft negotiating document, still have to be articulated. As a guiding principle, and in order to substantially reduce trade costs, capacity building in relation to effectively designing, publishing and implementing simplified trade rules and regulations; developing and operating Single Windows; as well as customs cooperation and integrated border management should be complemented by improvements in transport infrastructure.

Conclusions and Policy Implications



This paper has shown that high transaction costs remain a significant obstacle not only to Africa's integration into the global market, but to the continent's own regional integration. Whilst proximity should in principle have a positive impact on comprehensive trade costs, poor infrastructure provision and inefficient customs directly dampen these positive effects. Inadequate implementation of harmonised policies to address technical barriers to trade, sensitive product lists, and other non-tariff barriers also impinge on the regional market in Africa and exacerbate the situation, leading to what has been called a "proximity gap".

Whilst tariff play quantitatively a minor role compared to non-tariff comprehensive costs, they often appear to hit regional trade disproportionately, particularly in relation to manufactures trade. This underscores the importance of the establishment of the Continental Free Trade Area, and the realization of the broader regional integration agenda.

Overall, Africa's reliance on imported inputs from outside the continent concurs with the evidence of increasing export concentration on primary commodities, and limited weight of intra-industry trade. The fourfold expansion of intermediate imports within a decade however suggests an incipient intensification of economic linkages along the value chains, particularly in the case of some fast-growing economies in East and Southern Africa.

This study has shown that high transaction costs in Africa undermines Africa's industrialization and structural transformation agenda, hindering value addition and perpetuating the continent's long-standing concentration on primary commodities exports.

Regarding the draft World Trade Organisation negotiating text on trade facilitation, the following conclusions emerged from the analysis of this study:

- Trade facilitation is an imperative for boosting intra-African trade and realising the Continental Free Trade Area;
- The provisions of the draft World Trade Organisation trade facilitation negotiating text appear to be relevant and generally consistent with African trade facilitation objectives at the national, sub-regional and continental levels;
- Given that the benefits of trade facilitation are likely to exceed the costs, according to findings of empirical studies; African countries have an interest in cutting transaction costs regardless of the World Trade Organisation process. Indeed many of them are already implementing activities that address several provisions of the draft negotiating text in the context of their regional integration agenda;

- African countries and Regional Economic Communities have to scale up ongoing efforts using domestic resources to the extent possible;
- Some African countries have demonstrated the ability to design and implement trade facilitation measures by themselves and even to provide technical support to other African on the continent; and
- Generally, African countries seem to have the preference for sub-regional and bilateral agreements over international conventions on trade facilitation.

Finally, the study shows the wide variation in the costs of implementing trade facilitation measures, depending on factors such as size of economy; extent of existing systems; use of Public Private Partnerships; sophistication of design in terms of technology and equipment; and existing customs automation; among others. Generally, operating costs are perceived to be much lower than setup costs, except for measures such as online publication and national trade facilitation committees.

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Annex 1: Literature Review Scheme

Table 1

Paper	Coverage	Methodology	Results
Massimiliano Ca et al. (2011)	100 developing countries over 2002-2007	Panel data analysis	AfT to Trade Facilitation reduces significantly cost and time to trade (100% increase in AfT to TF cuts cost of import by 5% and cost of exports by 4.7%)
Iwanow, T et al. (2009)	124 developed and developing countries (25 SSA countries) over 2003-2004	Panel data analysis	Trade Facilitation reforms could improve export performance in Africa. On-the-border and behind-the border policies yield higher returns of increasing manufacturing export performance in Africa than in the rest of the world. 10% rise in trade facilitation environment increases African exports by 17%. Distance reduces African trade with 23% compared to the average country (17%).
Mann, C et al. (2005)	75 countries over 2001-2002 across geographical regions (3 African countries)	Panel data analysis	Trade facilitation increases trade. In contrast to other regions, the 3 African countries in the sample have small exports gains compared to import gains because of lacking integration in the global market of manufactures and less access to OECD markets. Improvement in Trade facilitation of the “below average” countries yields an increase in global trade of 377 USD billions (9.5%).
Hoekman, B et al. (2011)	105 countries for 2006	Panel data analysis	Tariffs and NT measures is a significant source of trade restrictiveness for low income countries. Trade facilitation (behind-the-border measures) has the largest effect in expanding developing countries trade (exports in particular). Trade costs reflects a bottleneck for low income countries imports (13,5% and exports 17%)
Portugal-Perez, P et al. (2012)	100 countries over 2004-2007	Panel data analysis + HMR (Heckman, Helpman, Melitz and Rubinstein)	Trade facilitation boosts developing countries’ exports performance. Improvements in infrastructure and border and transport efficiency halfway to the level of Africa’s top performers would already be significant. For Chad, if investment were focused on improving the infrastructure quality, halfway to the level of South-Africa, the ensuing expansion in exports would match the one that could be achieved with a reduction of 24% in tariffs in importing countries.
Portugal-Perez, A, et al. (2009)	104 importers and 115 exporters (including 22-47 African countries). Data from 2006.	Panel data analysis+HMR	Important gains can be achieved through TF. For African countries; cutting trade costs half-way to the level of Mauritius has greater effects on trade flows than substantial cuts in tariff barriers. For Ethiopia cutting its costs of trading a standardized container of goods half-way to the level in Mauritius would be equivalent to a 7.6% cut in tariffs faced by Ethiopian exporters across all importers.
Wilson et al (2009)	167 exporters and 172 importers over 1990-2005	Panel data analysis, Gravity model	Aid for trade facilitation has a significant relationship to greater trade flows. (1% in aid directed trade facilitation, yields an increase in global trade of around 818 USD millions, Rate of return for one aid -dollar is 697 USD)
Naudé, W et al. (2009)	Africa	Literature review	Trade facilitation is one crucial measure to overcome Africa’s “Proximity gap”. Transport infrastructure should be included in the WTO binding rules on TF.
Alaba, B et al. (2006)	ECOWAS and EU countries	Literature review	Highlights the importance of Aid for Trade from the EU to ECOWAS in order to achieve unhindered flow of trade.
OECD (2012a)	Various countries	Literature review	Finds positive causal links between improvements in trade facilitation with trade flows and government revenue. Particularly for developing countries implementing custom modernization programs would enhance trade tax collection efficiency’s. Trade facilitation would also have a positive effect on a country’s ability to attract FDI, as well as better integrating in global production supply chains.

Paper	Coverage	Methodology	Results
Mevel S. and S. Karingi (2012)	Africa	Dynamic CGE model (MIRAGE)	If the creation of the Continental Free Trade Area (CFTA) is complemented by trade facilitation measures (namely the halving of the time goods spend at African ports, and twice more efficient customs procedures) potential real income losses associated with the removal of tariff barriers within the continent would be offset, in all African countries, and the share of intra-African trade would more than double between 2012 and 2022, from 10.2% to 21.9%.
Zaki, C (2011)	19 regions, 21 sectors over 2004-2008. 16 African countries + African regions (GTAP)	Dynamic CGE model (MIRAGE)	Developing countries especially SSA countries gain much more from trade facilitation than developed countries. Partial removal of administrative barriers reduced trade costs by 50%. Welfare gains in SSA increases 4.67%. TF yields an increase of exports in SSA by 22.28%. When administrative barriers are removed improvements in terms of trade for SSA increases by 2.33%. Removal of red tap expenses increases intra-regional trade in SSA by 77.23%. SSA exports in machinery, electronics, metallic products and textile and garments increase by 151 %- 320%. TF increases employment in SSA by 2.69% due to expansion of manufacturing sector.
Decreux, Y and Fontagné, L (2011)	21 regions and 26 sectors over 2004-2007	Dynamic CGE model (MIRAGE)	Trade facilitation would result in USD 67 billion gains each year to world GDP over the long term. Port efficiency would increase GDP with a further USD 35 billion. In addition, findings show that if agriculture and industry were to be liberalized, world GDP would increase by USD 70 billion.
ICT, International Trade Centre (2012)	SSA (2012-2025)	Dynamic CGE model (MIRAGE)	SSA countries could gain USD 35 billions annually from trade facilitation and infrastructure improvements. The expected gains for SSA of investing in trade facilitation (infrastructure) alone is an increase in exports of up to 51% beyond the baseline growth forecast (12-12%/year). In addition it will yield an annual GDP gain of USD 20 billion by 2025. If time in customs clearance is reduced by 50% it can yield an additional annual GDP of USD 15 billion. West Africa would be the region benefiting most from trade facilitation. Findings shows that reducing transportation time by improving transport infrastructure within Africa will bring the largest welfare benefits to the whole region and increase most their intraregional trade.
IFPRI (2010)	2009-2018 Maghreb countries	Dynamic CGE model (MIRAGE)	For Maghreb countries (2009-2018), measures to improve trade facilitation would reduce trade costs by 50%. Adding trade facilitation to the regional FTA would boost exports and increase national income. Compared to a FTA without trade facilitation.
Decreux, Y and Fontagne, L(2006)	World Economy 24 regions	Dynamic CGE model (MIRAGE)	A successful trade facilitation agenda would be equivalent to doubling ODA to SSA countries after 2020. Trade facilitation yields a 7.2% increase in world trade. This implies welfare gains of 0.95% of world GDP (USD 330 billion). Findings show that the EU would have the largest gains of trade facilitation 1/3 while SSA would gain 20 billion (6%). Real wages for unskilled labour would increase by 9.2% in SSA. (Costs of implementing TF not included in the calculations).
OECD(2003)	9 regions, 3 sectors	CGE model	A 1% reduction of trade transaction costs (TTCs) on goods trade will result in annual gains of USD 40 billion on world basis. Developing countries will particularly benefit from this reduction, SSA (0.19% of GDP) and North (0.27% of GDP).
Francois, J, et al.(2005)	WTO countries	CGE model	A TTCs reduction equivalent to 1.5% of trade value would yield an increase in annual income by USD 72 billion. Most of these gains would benefit developing countries (in proportion to national income).
APEC (2002)	APEC countries	CGE model	A 5% reduction in TTCs for merchandise trade raises APECs GDP by 0.9% (USD 154 billion).
Dollar, D et al. (2004)	8 developing countries, 7302 companies	Survey methodology	Survey results from eight developing countries and over 7000 companies shows that custom clearance times (both imports and exports) has a strong negative effect on exportation.
Wilson et al (2004)	75 countries	Panel data analysis, Gravity model	Improvements in port efficiency and customs administration for below-average countries, half way to the global average would increase trade flows by USD 107 billion and 33 billion respectively. Gains would be significantly larger for developing countries. Improvements in trade facilitation will yield a USD 377 billion increase in global trade of manufacturing goods.

Paper	Coverage	Methodology	Results
Batra et al (2003)	80 countries, 8560 companies	Multivariate data analysis/ Survey methodology	Customs/foreign trade regulations were identified to be the second most serious tax and regulatory constraint on operations and business growth/trade in Africa.
OECD (2005)	Angola	Case study	Substantial reforms of the customs authority were put in place, after 2 years and a half (total period 5 years) revenues had increases by 150% and customs processing time had been reduced to 24 hours.
De Wulf (2004)	Ghana	Case study	In 2001 the customs ICT network model was introduced to improve capacity and effectiveness of the customs authority. By mid-2003 the network covered 90% of total trade flows and government revenue collected from airport traffic had increased by 30%. Average customs clearing time at the main airport was reduced from 4 days to 3 hours.
OECD (2005)	Mozambique	Case study	The 1997 the customs reform program was introduced. During the first two years imports increased by 4% and customs revenue by 57%. Significant reduction in clearance time at the main port (Maputo) 80% of road imports and 62% of sea imports were cleared by customs within 24 hours. Investments were recovered within 14 months.
De Wulf, L, and Sokol, J.B (2004)	Uganda	Case study	A comprehensive reform program in the 1990s (trade liberalization and customs modernization) brought significant results. Revenues of the Revenue Authority increased from 7, 7% to 13% of GDP from 1992-2002.
Otsuki, T et al. (2001)	15 EU countries and 9 African countries over 1989 -1998	Panel data analysis, Gravity model	Examine the impact of European aflatoxin standards on African groundnut exports. Finds that a 10% increase in restrictiveness is associated with an 11% fall in trade volumes. Furthermore, the new EU standard would reduce health risk by 1.4 deaths per billion a years and decrease African exports by 64% (USD 670 million).
Freund, C and Rocha, N (2010)	44 Sub- Saharan African countries	Gravity model	Transit delays have the most significant effect on exports (economically and statically). Reducing inland travel by one day increases exports by 7%. 1% reduction in transit delays leads to 1.5% more trade.
Coulibaly, S., Fontagné, L., 2005	WAEMU countries (West African Economic and Monetary Union)	Armington-based/ gravity model	The paper shows that there is an untapped potential for South-South trade. If all interstate roads were paved, the countries would trade 2.87 times more than they do today. Thus there is a great potential for road pavement projects. Findings show that transit distance is an additional impediment to trade (yields additional trade costs of 6% of total trade costs), which implies that geography of the transit countries matters.
Bouet, Antoine, Santosh Mishra, Devesh Roy, (2008)	Africa (45 + countries) over 1998-2004	Semiparametric gravity model	Using the Heckman method findings shows that Africa is an underexporter not underimporter. Transport and communication infrastructure is creating an undertrading effect for Africa. In terms of infrastructure, findings shows that for poor African countries Chad, Congo and Mauritius a 1% increase in phone density increase exports by more than 0.35%. The marginal impact of road density on trade in Sudan is 0.7. Low quality of trade related infrastructure in Africa implies that improvement sin this field can yield high returns.
OECD (2012b)	107 countries (including 35 African)	Gravity model	The analysis reveals that trade facilitation has a positive impact on trade flows, with different measures having a quantitatively different effect. If all the Trade Facilitation Indicators, corresponding to the main policy areas under negotiation at the WTO, are added within the same regression, their cost reduction potential would reach almost 12% of trade costs for low income countries.

Annex 2: Input-Output Coefficient Table

Table 2: Total Input-Output Coefficients, Five African Regions (2007) (USD Million)

Northern Africa					
Sectors	Agri	Food	NRGM	Manuf	Services
Intermediate Inputs					
Agri Imports	0.023	0.080	0.000	0.003	0.002
Food Imports	0.008	0.053	0.000	0.001	0.005
NRGM Imports	0.010	0.006	0.035	0.024	0.011
Manuf Imports	0.031	0.052	0.031	0.231	0.078
Services Imports	0.006	0.011	0.010	0.026	0.021
Agri Domestic	0.164	0.251	0.000	0.021	0.010
Food Domestic	0.008	0.091	0.000	0.005	0.015
NRGM Domestic	0.033	0.022	0.243	0.086	0.081
Manuf Domestic	0.030	0.038	0.020	0.195	0.087
Services Domestic	0.069	0.102	0.078	0.140	0.274
Factors Inputs					
1 Land	0.067	0.000	0.000	0.000	0.000
2 UnskLab	0.315	0.068	0.026	0.070	0.100
3 SkLab	0.016	0.048	0.020	0.043	0.131
4 Capital	0.194	0.159	0.376	0.145	0.169
5 NatlRes	0.000	0.000	0.149	0.006	0.000
Western Africa					
Sectors	Agri	Food	NRGM	Manuf	Services
Intermediate Inputs					
Agri Imports	0.004	0.015	0.000	0.004	0.000
Food Imports	0.002	0.041	0.000	0.001	0.006
NRGM Imports	0.005	0.003	0.052	0.013	0.026
Manuf Imports	0.036	0.016	0.041	0.111	0.127
Services Imports	0.003	0.010	0.018	0.017	0.042
Agri Domestic	0.046	0.262	0.000	0.027	0.006
Food Domestic	0.002	0.055	0.000	0.003	0.010
NRGM Domestic	0.001	0.006	0.071	0.032	0.029
Manuf Domestic	0.010	0.030	0.012	0.097	0.052
Services Domestic	0.075	0.156	0.049	0.201	0.221
Factors Inputs					
1 Land	0.096	0.000	0.000	0.000	0.000
2 UnskLab	0.549	0.056	0.011	0.087	0.106
3 SkLab	0.023	0.177	0.023	0.083	0.214
4 Capital	0.128	0.140	0.458	0.178	0.148
5 NatlRes	0.000	0.000	0.195	0.030	0.000

Eastern Africa					
Sectors	Agri	Food	NRGM	Manuf	Services
Intermediate Inputs					
Agri Imports	0.005	0.012	0.000	0.003	0.000
Food Imports	0.003	0.022	0.001	0.003	0.005
NRGM Imports	0.005	0.003	0.057	0.016	0.026
Manuf Imports	0.046	0.036	0.081	0.103	0.111
Services Imports	0.006	0.014	0.052	0.023	0.067
Agri Domestic	0.061	0.140	0.001	0.014	0.006
Food Domestic	0.021	0.176	0.002	0.015	0.027
NRGM Domestic	0.010	0.006	0.127	0.043	0.023
Manuf Domestic	0.031	0.058	0.054	0.100	0.061
Services Domestic	0.088	0.149	0.259	0.225	0.267
Factors Inputs					
1 Land	0.089	0.000	0.000	0.000	0.000
2 UnskLab	0.430	0.091	0.055	0.124	0.108
3 SkLab	0.039	0.048	0.042	0.064	0.125
4 Capital	0.105	0.195	0.099	0.149	0.156
5 NatlRes	0.000	0.000	0.067	0.018	0.000
Southern Africa					
Sectors	Agri	Food	NRGM	Manuf	Services
Intermediate Inputs					
Agri Imports	0.003	0.022	0.000	0.000	0.000
Food Imports	0.004	0.019	0.000	0.001	0.001
NRGM Imports	0.010	0.002	0.195	0.019	0.010
Manuf Imports	0.044	0.019	0.028	0.109	0.067
Services Imports	0.011	0.009	0.009	0.009	0.009
Agri Domestic	0.031	0.153	0.000	0.001	0.001
Food Domestic	0.073	0.112	0.000	0.005	0.005
NRGM Domestic	0.048	0.007	0.156	0.021	0.033
Manuf Domestic	0.127	0.074	0.053	0.311	0.121
Services Domestic	0.202	0.382	0.138	0.317	0.307
Factors Inputs					
1 Land	0.059	0.000	0.000	0.000	0.000
2 UnskLab	0.110	0.055	0.078	0.061	0.097
3 SkLab	0.043	0.036	0.037	0.042	0.133
4 Capital	0.229	0.105	0.242	0.099	0.216
5 NatlRes	0.000	0.000	0.040	0.002	0.000

Central Africa					
Sectors	Agri	Food	NRGM	Manuf	Services
Intermediate Inputs					
Agri Imports	0.001	0.005	0.000	0.001	0.000
Food Imports	0.005	0.018	0.000	0.007	0.006
NRGM Imports	0.001	0.002	0.004	0.008	0.014
Manuf Imports	0.032	0.023	0.046	0.072	0.096
Services Imports	0.007	0.025	0.043	0.034	0.099
Agri Domestic	0.046	0.082	0.001	0.009	0.003
Food Domestic	0.023	0.108	0.001	0.015	0.013
NRGM Domestic	0.009	0.008	0.076	0.049	0.024
Manuf Domestic	0.032	0.165	0.042	0.072	0.045
Services Domestic	0.068	0.147	0.165	0.275	0.305
Factors Inputs					
1 Land	0.072	0.000	0.000	0.000	0.000
2 UnskLab	0.257	0.041	0.050	0.072	0.058
3 SkLab	0.038	0.029	0.037	0.029	0.089
4 Capital	0.108	0.194	0.296	0.148	0.220
5 NatlRes	0.000	0.000	0.203	0.029	0.000

Source: GTAP Africa 2 and GTAP 8.1 Data Base

Annex 3: African Regional and Sub-Regional Treaties and Conventions on Transit Transport

Table 9: Africa Regional Treaties and Conventions on Transit Transport

Instrument	Year	Key Issues
OAU Addis Ababa Charter	1963	Initial signature by 32 governments, with South Sudan becoming the 55th member in July 2011. Article II aims, inter alia, “to promote international co-operation, having due regard to the Charter of the United Nations and the Universal Declaration of Human Rights”, and calls upon the Member States to co-ordinate and harmonize their general policies, especially in the fields economic co-operation, including transport and communications.
Monrovia Declaration	1979	In pursuit of the objectives of the New International Economic Order, the OAU “Council committed to implement completely the programme of the United Nations Transport and Communications Decade in Africa.”
Lagos Plan of Action	1980	Called for the creation of an African Common Market by 2000, and in this regard assigned to the Regional Economic Communities the objective: “.. to reinforce effectively sectoral integration in transport.”
Abuja Treaty Establishing the African Economic Community (AEC)	1991	The policy objectives include: “To promote economic, social and cultural development as well as integration of African economies”, including in the area of trade and transport, “the harmonization of policies and removal of obstacles to movement of persons, goods and services, with special measures for the landlocked countries”.
African Maritime Transport Charter	1993	Chapter VII on issues of Landlocked Countries. Transit Partner States agree to grant facilities and benefits to landlocked countries and to apply non-discriminatory administrative, fiscal and Customs measures. They agree to coordinate their policies of acquisition and use of land, river, air and maritime transport and port. They are encouraged to enter into bilateral and multilateral conventions on transit and to ratify those in force.
African Union	2002	Transformed OAU into AU. The objectives contained in the Constitutive Act, include “Promote sustainable development at the economic, social and cultural levels as well as the integration of African economies.”
NEPAD	2002	Establishment of AU) was accompanied with the formulation of the New Partnership for Africa’s Development (NEPAD) as the new framework for economic and social development of Africa and the achievement of the MDGs in Africa. RECs remain the anchor of regional mechanisms for achieving the African Union programs, and continue to place priority on enhancing interconnectivity and facilitating trade by focusing on transport corridors as microcosms of integration and spatial development on the continent.
African Maritime Transport Charter	2009	Update of the 1993 Charter and a call to include it in the national legislations. It calls for emphasis on cooperation between LLDC and Transit States, development of Multimodal Transport, Ports and ICT applications.

Table 10: Africa Sub-Regional Treaties and Conventions on Transit Transport – East and Southern Africa

Instrument	Year	Key Transit Transport Issues
Treaty establishing the Common Market for Eastern and Southern Africa (COMESA) Members: 20 States in Eastern Africa and Indian Ocean Islands.	1993 Replaces 1991 PTA Treaty	Provisions cover all modes of transport and articulated in several protocols for implementation: i. Protocol on Transit Trade and Transit Facilities ii. Protocol on Third Party Motor Vehicle Insurance iii. Single Carrier License
Djibouti Agreements on the Inter-Governmental Authority for Development (IGAD) Members: Djibouti, Eritrea, Ethiopia, Kenya, Sudan, Uganda	1986 IGADD Treaty Amended in 1996	Treaty Article 13A regards trade, facilitation and transport as follows: i. Work towards the harmonization of trade policies and practice and the elimination of tariff and non-tariff barriers ii. Harmonization of transport policies and elimination of physical and non-physical barriers. IGAD has joined the COMESA-EAC-SADC Tripartite for coordination of infrastructure development.
Treaty Establishing the East African Economic Community (EAC). Members: Kenya, Tanzania, Uganda, Rwanda, Burundi	1999 Treaty Amended in 2006 Modified in 2007	Chapter 15: Cooperation in infrastructure and services where Partner States shall take steps to: i. Develop harmonized standards and regulatory laws, procedures and practices; ii. Construct, maintain, upgrade, rehabilitate and integrate roads, railways, airports, pipelines and harbours in their territories; iii. Review and re-design their intermodal transport systems and develop new routes within the Community for the transport of the type of goods and services produced in the Partner States; iv. Maintain, expand and upgrade communication facilities to enhance interaction between persons and businesses in the Partner States and promote the full exploitation of the market and investment opportunities created by the Community; v. Grant special treatment to land-locked Partner States in respect of the application of the provisions of this Chapter; vi. Provide security and protection to transport systems to ensure the smooth movement of goods and persons within the Community; vii. Take measures directed towards the harmonisation and joint use of facilities and programmes within their existing national institutions for the training of personnel in the field of transport and communications; and viii. Exchange information on technological developments in transport and communications.
Southern African Customs Union Agreement (SACU) Members: South Africa, Namibia, Botswana, Swaziland, Lesotho.	1910 Agreement Amended in 1969 Updated in 2002	Objectives include: i. Promotion of integration of SACU members in the global economy with development of common policies ii. Facilitation of cross-border movements of goods.
Southern African Development Community (SADC) Members: 14 States in Southern Africa and Indian Ocean Islands.	1980 SADCC Treaty Amended in 1992 SADC Windhoek Treaty Amended in 2001	Transport, Communications and Meteorology Protocol of 1996 outlines specifics by mode: i. Road Infrastructure ii. Road Transport iii. Railways iv. Maritime and Inland Waterway Transport v. Civil Aviation vi. Watercourses and Lakes

Table 11: Africa Sub-Regional Treaties and Conventions on Transit Transport – Central and West Africa

Instrument	Year	Key Transit Transport Issues
Treaty of Gisenyi establishing Economic Community of the Great Lakes Countries (CEPGL)	1982	Members: DRC, Rwanda, Burundi Agreement on Trade and Customs Cooperation, and Protocols on Transit and Transport Standards: i. Identification of inter-States Corridors ii. Rules regulating vehicle axle loads and dimensions iii. Third Party Liability Insurance
Treaty of Libreville establishing Economic Community of Central African States (ECCAS)	1983	Members: All 12 States in Central Africa region Treaty covers two aspects of transport development and facilitation: i. Promote integration of infrastructure ii. Harmonize and standardize legislation and regulations iii. Promote transport coordination iv. Reorganize railway networks for interconnectivity v. Develop sub-regional joint shipping lines, river transport companies and airlines vi. Grant freedom of transit vii. No import duties on transit traffic viii. Transit and warehousing facilitation for LLDCs ix. Non discrimination against transit traffic
Treaty of Ndjamena establishing Central Africa Economic and Monetary Community (CEMAC)	1998	Members: Cameroon, CAR, Congo Republic, Gabon, Chad, Equatorial Guinea Codes and Regulations on transport include: i. River Navigation Code ii. Road Transport of Hazardous Goods iii. Merchant Shipping Code iv. Road Traffic Code
Treaty establishing the Economic Community of West African States (ECOWAS)	1975 Modified in 2003 and 2005	i. Convention on Interstate Road Transport (covers designation of Community Roads, sets limits on vehicle axle-load and dimensions, requirements for third party insurance and vehicle licensing) ii. Harmonization of Highway Legislation iii. Convention and Other Instruments on Inter-State Road Transit Goods iv. Supplementary Convention on Guarantee Mechanism for Inter-State Road Transit v. Convention on Temporary Importation of Passenger Vehicles into Partner States vi. Protocol Establishing an Insurance Brown Card vii. Instruments on Road Safety and Accident Prevention viii. Directive on Road Charges ix. Transport and Transit Facilitation Instruments: a. Regional Road Transport and Transit Facilitation Programme in Support of Community Trade and Cross-Border Movements (2003) b. Decision on Maritime Transport c. Decision on Establishment of Facilitation Committees on Road Transport and Transit and Committees on Management of Cross-Border Corridors.
Treaty Establishing West African Economic and Monetary Union (UEMOA)	1994 Treaty Modified in 2003	Members: Benin, BF, CI, Guinea Bissau, Mali, Niger, Senegal, Togo. Transport Instruments – Regulations on Road Transport: i. Harmonization of laws and procedures of inspection of the size of trucks (2005) ii. Modalities to implement the regional plan of inspection of Inter-States Road Axis (2005) iii. Decreasing of Inspection Points on Inter-State Roads (2006) iv. Regional Committee on Road Safety (2009) v. Harmonization of strategies for Road Maintenance and establishment of Road Maintenance Fund (2009)