

AID-FOR-TRADE CASE STORY

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The COMESA-EAC-SADC Tripartite Trade and Transport Facilitation Programme

Date of submission: 31st January 2011
Region: Eastern and Southern Africa
Country: ESA Region
Type: Programme
Author: TradeMark Southern Africa
Contact Details: PO Box 317, Persequor Park, Pretoria 0020, South Africa
info@trademarksa.org

The COMESA-EAC-SADC Tripartite Trade and Transport Facilitation Programme

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Executive Summary

The COMESA-EAC-SADC Tripartite has recently launched the Comprehensive Trade and Transport Facilitation Programme which is a series of initiatives from different RECs that have been brought together into one large integrated trade facilitation programme to be rolled out as a pilot on the North South Corridor, starting in early 2011.

The Comprehensive Tripartite Trade and Transport Facilitation Programme (CTTTFP) includes customs procedures (harmonised nomenclatures, IBM management, regional customs bond, transit), immigration procedures and transport procedures (regional 3rd party insurance, axle loads & vehicle dimensions, linking weigh bridges through RFID technology, road user charges, self-regulated regional road transport management system, establishment of corridor management groups. Also included is the Joint Competition Authority linked to air transport liberalisation

Some of these trade and transport facilitation programmes are in the process of implementation, some need to be harmonised between the RECs and some need further development. The purpose of the CTTTFP is to roll out these various programmes as one seamless and holistic programme, initially along the North South Corridor, to assist with reducing total journey time and so costs of cross-border transactions and so assist with improving the region's trade competitiveness.

1. Issues Addressed

Background

The economic integration agenda being implemented at the level of the three Regional Economic Communities of COMESA, EAC and SADC has prioritised programmes addressing trade and transport facilitation challenges with the aim of lowering costs of doing business and improving the competitiveness of products from the eastern and southern African region. Such programmes encompass:

- regulatory and policy reforms encouraging the adoption of international instruments and best practices; and
- national and regional capacity building programmes to facilitate cross-border movements and enhancement of infrastructure facilities at border posts to improve efficiency of cross-border movements.

While the RECs have to a large extent been successful in facilitating trade through such programmes, the challenges of limited implementation at national level due to overlap in

membership in RECs and other capacity limitations have been a catalyst for inter-REC collaboration. COMESA, EAC and SADC have established such a cooperation mechanism under the Tripartite framework.

The COMESA-EAC-SADC Tripartite was established in 2006 with the main objective of strengthening and deepening economic integration of the southern and eastern Africa region. This is to be achieved through a number of initiatives aimed at harmonising policies and programmes of the three RECs in the areas of trade, customs and infrastructure development, and implementing these in a coordinated manner, and wherever possible jointly. The Tripartite framework presented an opportunity for the REC's to collaborate on programming of interventions in trade and transport facilitation and create coordination mechanism for joint implementation of projects at regional level and along transport corridors.

The concept behind the Tripartite transport and trade facilitation programme is to implement a holistic programme that addresses transport and facilitation issues in an integrated manner in such a way that the interventions reinforce each other and contribute to the overall objective of reducing the costs associated with transit movements in the eastern and southern Africa region.

Emerging challenges

It is clear that one of the major constraints to economic development, poverty alleviation and job creation in the region is the high cost of doing business across borders. In the COMESA-EAC-SADC region the costs of transport, in particular road transport, are directly related to the time taken for the journey and so the longer the time taken to do the journey from the port to the inland destination, and *vice-versa*, the more expensive costs of transportation becomes and the less competitive the Tripartite Member States become.

Most of the countries in the Eastern and Southern African region have membership of more than one REC and this has created conflicting commitments to implement programmes developed by different RECs. Fragmented programmes produce sub-optimal results as the benefits from interventions to improve operations are always negated when weaknesses appear at some at other nodes along the transit corridor.

The Tripartite Approach

A Comprehensive Tripartite Transport and Trade Facilitation Programme (CTTTFP) has been developed that will be implemented as a common programme first along corridors and then throughout the RECs. The CTTTFP has customs harmonisation and transport harmonisation elements as follows:

- i) Customs Tariff Nomenclatures and Statistical Nomenclatures: The Harmonised System categorises goods according to a six-digit coding system. Most countries then classify goods in more detail and so sub-classify, for statistical purposes and the purposes of applying other trade policy measures. The Tripartite is harmonising the classification of the HS system to the 7th and 8th digit level to ensure that the Tripartite Free Trade Area can operate in the most efficient way.
- ii) Customs and Legislative Procedures: COMESA, EAC and SADC have recognised in their respective Treaties and Protocols that harmonisation of customs procedures is an important support measure for the smooth operation of Free Trade Areas and facilitation of intra-regional trade. There is also an agreement that trade and customs legislation and procedures should be based upon international instruments and standards applicable in the field of customs and trade especially provisions of the revised Kyoto

Convention on the Simplification and Harmonization of Customs Procedure. A process is underway to harmonise the activities being undertaken by the three RECs to simplify and harmonise customs procedures, especially changes that are being developed under the Customs Management Acts of the RECs based on international best practices.

- iii) Efficient management of border posts: Border crossings in the eastern and southern Africa region are a major bottleneck in the movement of imports and exports. Various studies have demonstrated that improving the efficiency of operations at border posts will result in a significant reduction in the waiting times at border crossings that will translate into lower transaction costs faced by importers and exporters. A major pillar of the co-operation programme among SADC, EAC and COMESA Member States is the adoption of Coordinated Border Management principles at the major border crossings and on-going works to establish one-stop border posts where appropriate.
- iv) Single Administrative Customs Document: The Tripartite Task Force has mandated work on a harmonised Single Administrative Customs Document for the three RECs, which will be subjected to consultations with member States at REC level with a view to implementation through the Tripartite process. The three RECs are also standardising customs co-operation provisions for the exchange of information on changes in customs legislation, procedures and duties and information on regulatory requirements and information required to implement and administer Rules of Origin.
- v) Preservation, Investigation and Suppression of Customs Offences: A pillar of customs co-operation that leads to facilitation of intra-regional or inter-regional trade is the exchange of enforcement information amongst customs administrations. The Tripartite is developing legislation that will facilitate the exchange of information in line with the provisions of the Nairobi Convention and Johannesburg Convention to which most of the Member States participate.
- vi) Harmonisation of Third Party Motor Vehicle Insurance Schemes: A regional team has been established and tasked to harmonise the third party vehicle insurance schemes and it has determined that considerable benefits would accrue if the Yellow Card Scheme and the Fuel Levy system applied in some of the eastern and southern Africa countries were to be harmonised.
- vii) Design and implementation of a harmonised Regional Customs Bond: Both SADC and COMESA have designed and piloted regional customs bond guarantee systems that allow transporters to take out a single bond covering the entire trip. The challenge is to take the best of each of these systems and merge them into one system for the benefit of the entire region. A study on how this can be done has been undertaken but the harmonisation and implementation of a single system needs to take place.
- viii) Harmonising and Enforcing Axle Load and Vehicle Dimension Limits: Unless the problem of overloaded axles and gross vehicle masses is positively addressed and resolved, initiatives to improve the efficiency of the region's road transport systems will not be sustainable. The proposed list of activities under this initiative include:
 - Design and promote a model law on axle loads and vehicle dimensions including guidelines for the permission to use heavy vehicles on the region's trunk roads, regulations for weighbridge devices and their use, weighbridge staff and authorisation, calculation of load and procedures and legal consequences and payment and guidelines for abnormal loads, that can be used as guidelines by each country in the Tripartite region; and
 - Define "strategic" weighbridges along corridors and link these weighbridges electronically so that a system can be designed that will allow vehicles to be

tracked as they move along the corridor using radio-frequency identifiers (RFIDs) or similar technology so as to reduce the level of overloading as well as lower the level of unrecorded trade.

- ix) Implementation of the harmonised Road User Charges regime: Efforts are underway to harmonise regional road user charges.
- x) Design and implementation of a regional road transport management system based on self-regulation: Many of the region's transport delays can be attributed to bureaucratic delays caused by the need to check on compliance (such as customs inspections, weighing trucks, document checks at police road blocks, etc). One way to reduce these delays would be to introduce a transporter accreditation system in which a transporter undertakes to comply with a specified package of regulations. In doing so the transporter will be exempt from the usual compliance checks. There would, however, be a system of spot checks which would also apply to accredited transporters and if an accredited transporter was caught contravening the regulations he would face severe penalties and lose his accredited status.
- xi) Development of a regional corridor management system: A number of the Tripartite region's corridors have their own management structures that are usually established through a Memorandum of Understanding between the countries the corridor transits through. However, not all corridors have their own management structures; the functions and responsibilities of existing management structures are different; and there is no formal linkages between the corridor management structures and the Secretariats of the Regional Organisations. The Tripartite will assist to develop a regional corridor management system that will involve clustering corridors geographically.
- xii) Harmonisation of commercial vehicle truck driver immigration requirements and regulations: There are different regulations in existence in different countries in the Tripartite region as regards immigration requirements and regulations for truck drivers driving vehicles registered in other countries and the aim is to reach consensus on a common treatment of such drivers.
- xiii) Implementation of corridor monitoring system for selected border posts: The Tripartite will develop and implement a corridor monitoring system that will, where appropriate, be based on existing monitoring systems. The monitoring system will, primarily, monitor the time taken and reasons for delays along a corridor.
- xiv) Joint Competition Authority on Air Transport Liberalisation: The Tripartite supports the establishment of the Joint Competition Authority (JCA) on Air Transport Liberalisation to oversee the full implementation of the Yamoussoukro Decision on Air Transport. The Tripartite will also manage a joint programme for the implementation of a single seamless upper airspace.

2. Objectives pursued

The objectives to be addressed through the Comprehensive Tripartite Trade and Transport Facilitation programme are to:

- Increase trade and promote economic growth in Eastern and Southern Africa by supporting improvements in policies and in the regional regulatory and economic environment;
- Reduce high costs of trading in the region and help the national administrations, working through the RECs, to address barriers to trade and growth;

- Reduce transit times and transaction costs along the principal corridors in eastern and Southern Africa through better infrastructure, faster border crossings and harmonised trade and transit regulations; and
- Improve aid effectiveness by coordinating donor funding for priority Aid-for-Trade programmes as such as the NSC.

3. Design and Implementation

Implementation of the Comprehensive Tripartite Transport and Trade Facilitation Programme (CTTTFP) is at an early stage but is, and will be, managed as follows:

- i) Identify each trade facilitation instrument that has been developed or is in use in each of the three RECs and catalogue and define these instruments;
- ii) Through the Trade and Infrastructure sub-committees of the Tripartite Task Force agree on how similar initiatives and mechanisms could be combined or whether the initiative of one REC should be the standard for the Tripartite to follow;
- iii) Combine all the measures into one programme;
- iv) Starting with the North-South Corridor, hold consultative meetings with the corridor countries with the aim of agreeing how the CTTTFP can be rolled out along the corridor and so prepare a time-bound and costed work programme;
- v) After identifying costs, secure financing necessary to implement the work programme from REC Secretariats, Member countries, donors and IFIs;
- vi) Establish a corridor trade facilitation steering committee to oversee and monitor the implementation of the programme along the corridor;
- vii) Carry out technical studies and consultancies aimed at refining and defining the sub-components of the CTTTFP;
- viii) Implement the physical works component of the programme; and
- ix) Identify other corridors along which the CTTTFP can be implemented and repeat steps iv) to viii) above.

In addition to designing and implementing the CTTTFP the Tripartite will assist to establish the Joint Competition Authority (JCA) on Air Transport Liberalisation and will then use the JICA to oversee the full implementation of the Yamoussoukro Decision on Air Transport. The Tripartite will also develop and then manage a joint programme for the implementation of a single seamless upper airspace.

4. Problems Encountered

The programme is still at the design and early implementation stage but a number of risks have already been identified arising from discussions with the principal stakeholders in the RECs. The main issues that have come to the fore are:

- (a) Lack of harmonisation of trade and transport facilitation instruments already adopted at REC level and challenges of agreeing on new harmonised instruments to be applied by all the RECs;
- (b) Designing effective institutional arrangements to facilitate implementation of the programme that accommodates the national, REC and Tripartite interests;
- (c) Overlap in donor support for trade and transport facilitation projects in the region and need for a coordination mechanism and effective collaboration;
- (d) Varied speeds of implementation due to large number of stakeholders when addressing regional projects with multiple objectives

5. Factors for Success/Failure

- i) *Institutional management arrangements* - finding the right institutional structure to implement regional/inter-regional corridor based projects has a major bearing on the successful implementation of the programme. The proposed solution is to establish a

corridor trade facilitation steering committee to oversee and monitor the implementation of the CTTTFP along the corridor;

- ii) *Building on the successes of the RECs* - the CTTTFP is a vehicle for resolving contradictions between current REC instruments and programmes and promoting implementation of instruments developed by the REC's based on international best practice. Harmonisation always starts from extending application of the more successful instruments applied in the region with adjustments as required to suit the conditions prevailing at regional or national level.
- iii) *Implementation is at national level* - recognition of this crucial concept at the design stage of the projects is important to guarantee success as there has to be technical and financial support to support implementation of regional measures and standards at national level. Such national adoption and buy-in will then lead to seamless operations at corridor or regional level and this reinforces the need for effective corridor and national structures to support implementation of the projects.
- iv) *Synergy between national, REC and Tripartite priorities* – it is necessary that identification of priorities and programming of actions builds on national and REC programmes and situates Tripartite interventions at a level where they add the most value.

6. Results achieved

The programme is still at the early stage of implementation but already collaboration between the trade and transport facilitation technical experts in COMESA, SADC and EAC has been enhanced and there are joint teams working on issues of transit, border efficiency improvement systems, setting up of corridor management systems and harmonisation of motor vehicle insurance schemes.

A costed work programme that will be implemented by the three RECs, technically and financially supported by TradeMark Southern Africa has been designed and agreed on.

7. Lessons learned

Strategic lessons from designing this programme have highlighted the following key issues:

- There is a hierarchy in the degree of implementation of trade and transport instruments. While most trade and transport facilitation instruments are developed at regional or inter-regional level, evidence suggest that the degree of implementation increases as you go down the continuum to national level from the REC passing through the corridor and bilateral cooperation. As the focus for the North South Corridor is a transport and trade facilitation, the CTTTFP is based on transport corridors.
- The RECs have to have strong ownership over the programmes and be able to articulate the benefits of inter-REC collaboration and the need for compromise when the other REC's are applying more successful systems.
- Given the comprehensive and integrated nature of the CTTTFP, there is a need to have in place a good programme management system to mobilise the necessary technical and financial resources and to have an effective monitoring and evaluation system.

- There is a multiplicity of International Cooperating Partners active in the field of transport and trade facilitation and there is a need to harmonise the programmes of regional organisations and other development partners so that they complement each other rather than compete against each other. The Steering Group should provide strategic direction and guidance on funding priorities and implementation strategies for trade and transport facilitation projects along the corridors in Eastern and Southern Africa. In the case of the Tripartite, the United Kingdom's Department for International Development has been given the role of lead coordinator for donor support to programmes being implemented by the Tripartite.

8. Conclusion

Expectations on the positive impact that the CTTTFP will have on reduction of transit times and transaction costs along the major corridors in the eastern and southern Africa region are high. The challenge has been to design a programme that will provide integrated solutions and leverage on the strengths of national, bilateral and regional collaboration.

There is goodwill on the part of the RECs, national governments and economic operators and the challenge is to translate such support into an enabling trading environment in the region and improved competitiveness of products manufactured in the various countries.