

OECD Regional Forum on Trade Facilitation

The COMESA Experience with Trade Facilitation: Benefits and Challenges of Regional Approaches to TA/CB

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Mark Pearson



Paris Declaration and Trade Facilitation

Principle of Paris Declaration should be applied to all donor-financed programmes. TF only effective if implementers see the benefits:

Ownership – paramount if TF is to be sustainable.

Alignment – programmes cannot work unless assistance aligned with development priorities.

Harmonisation – avoids duplication and improves efficiency.

Managing for Results – builds capacity and allows monitoring and feed-back

Mutual accountability – reinforces ownership and improves transparency.

Lessons from Past Experiences

TF WTO negotiations limited to improving relevant aspects of Art V, VIII and X to expedite movement, release and clearance of goods, including goods in transit. Negotiations limited very much to customs issues and to “the simplification and harmonisation of internal trade procedures”.

Developing countries were wary of starting discussions in WTO on TF owing to fears of committing to new rules when having difficulty with old ones, opening dispute-settlement and in view of existing capacity and resource gaps.

Lessons from Past Experiences

However, at SSA regional level recognition that costs of cross-border trade need to be reduced if competitiveness, necessary for economic growth and poverty reduction, is to be improved. Costs of cross-border transactions can be reduced through improving existing systems (more transparent and better managed); using AfT instruments to develop new systems and legislation (TRTA and CB) and improving trade related infrastructure (removal of supply-side constraints). This can be achieved through a partnership approach (adopting PD principles) at the regional level – national level is too low to address SSA trade facilitation issues.

Lessons from Past Experiences

Importance of improving trade facilitation supported by research findings:

Radelet and Sachs (1998) – doubling shipping costs slows GDP growth by 0.5 %

Limao and Venables (2000) – 10% increase in transport costs reduces trade volume by 20%

Hummels (2001) – inventory costs due to transport delays are equivalent to 0.8% per day of delay of the value of the goods being delivered.

A Note on Implementation

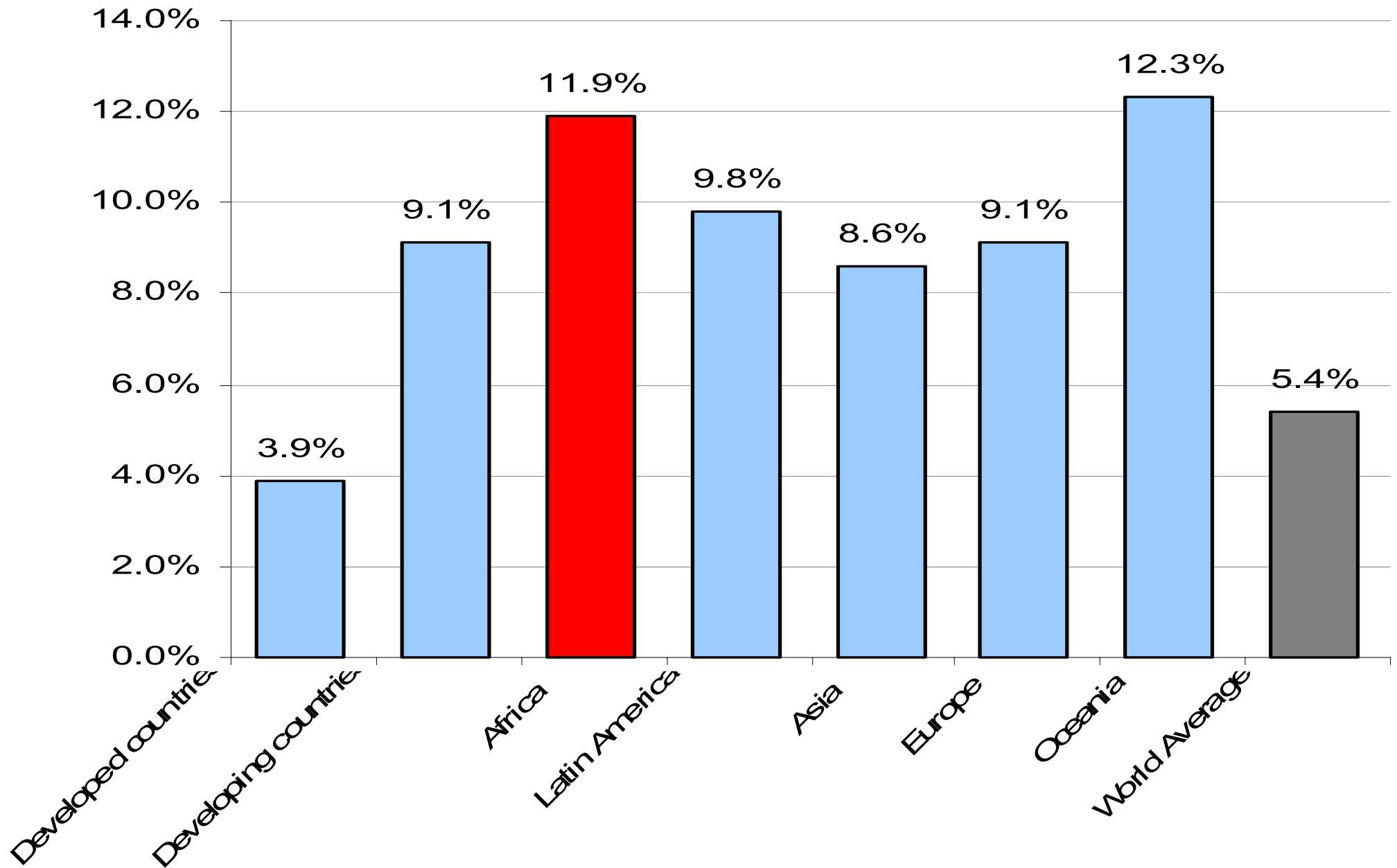
There are a number of initiatives and regional organisations dealing with implementation of trade facilitation instruments. (SSATP, PMAESA, Transit Transport Coordination Authority – TTCA, Regional Organisations, WCO, and, indirectly, AU-NEPAD, UNECA and World Bank). All of these are involved in introducing trade facilitation instruments. Challenge is to ensure no duplication of effort and overlap of instruments. If donors become involved in assisting SSA countries to remove NTBs this should be done in a holistic way (i.e. not just address one issue but inter-related issues and perhaps on a corridor basis as a pilot).

NTB Problems to Address

WTO estimates transport costs for most SSA countries at about 5 times more than duties paid.

| Country | Transport cost as a share of value of exports (%) |
|----------------------|--|
| Zambia | 17 |
| Zimbabwe | 16 |
| Malawi | 56 |
| Mali | 36 |
| Rwanda | 48 |
| LDCs | 17 |
| Developing countries | 9 |

Freight Costs as a Percentage of Import Value



Source: UNCTAD, "Review of Maritime Transport, 2005," Chapter 4, based on data supplied by the IMF.

Required Time for Exports in Days

| Region | Mean | Standard Deviation | Minimum | Maximum | Sample Size |
|---------------|-----------|--------------------|-----------|------------|-------------|
| CEMAC | 77 | 54.45 | 39 | 116 | 2 |
| COMESA | 50 | 16.89 | 16 | 69 | 10 |
| EAC | 44 | 14.01 | 30 | 58 | 3 |
| ECOWAS | 42 | 16.43 | 21 | 71 | 10 |
| SADC | 36 | 12.56 | 16 | 60 | 8 |
| Africa | 48 | 21.01 | 16 | 116 | 29 |
| EU | 13 | 8.35 | 5 | 29 | 14 |
| NAFTA | 13 | 4.58 | 9 | 18 | 3 |
| ASEAN | 23 | 11.98 | 6 | 43 | 6 |

Estimated unit transport costs for container

| Route | Distance (km) | Cost (\$ per km) |
|-------------------------|----------------------|-------------------------|
| Dar-es-Salaam-Kigali | 1650 | 3.0 |
| Dar-es-Salaam-Bujumbura | 1750 | 3.0 |
| Doala-D'Jamena | 1900 | 4.2 |
| Lome-Ouagadougou | 1000 | 2.6 |
| Lome-Niamey | 1234 | 2.6 |
| Mombasa-Kampala | 1440 | 2.3 |
| Maputo-Johannesburg | 561 | 1.4 |

EXPORT PROCEDURES IN BURUNDI – NUMBER OF DAYS.

- 15 Secure letter of credit
- 1 Obtain and load containers
- 15 Assemble and process export documents
- 1 Pre-shipment inspection and clearance
- 2 Prepare transit clearance
- 2 Inland transportation to port of departure
- 6 Arrange transport; waiting for pickup and loading on local carriage
- 1 Wait at border crossing
- 8 Transportation from border to port
- 3 Terminal handling activities
- 2 Pay of export duties, taxes or tariffs
- 3 Waiting for loading container on vessel
- 2 Customs inspection and clearance
- 1 Technical control, health, quarantine
- 3 Pass customs inspection and clearance
- 1 Pass technical control, health, quarantine
- 1 Pass terminal clearance
- 67 TOTAL DAYS**

Trade Facilitation Instruments

The Revised Kyoto Convention is widely used as the basis for benchmarking the regional and national development of harmonised and simplified clearance and transit procedures and standards. Various instruments have been developed to enhance this further, such as Single Administrative Documents, Time Release studies (which measure the average time taken between the arrival of the goods and their release) and the WCO data model (which provides a framework for the standardisation of data). These WCO instruments are being built into the COMESA customs union operating procedures.

Existing Trade Facilitation Instruments

Carriers License and Transit Plates: allows back-loads - reduces costs

COMESA Yellow Card: 3rd party vehicle insurance

Common Road Transit Charges: >3 axles - \$10/100 km; ≤3 axles - \$6/100km; buses - \$5/100km.

Air Traffic Liberalisation – Yamoussoukro decision – increases competition and improves accessibility.

HF Cross-Border Radio Frequency: common frequency allows cross-border communications.

COMESA Immigration Counters: speeds up clearance of COMESA citizens.

Harmonised Axle Load Limits & Vehicle Dimensions
Avoids loading and off-loading at borders.

| RECs | Axle load limit (tonne) | | | Max. load | Max. length | Max height | Max. width |
|--------|-------------------------|-------------|-------------|-----------|-------------|------------|------------|
| | Single axle | Tandem axle | Triple axle | (tonne) | (metre) | (metre) | (metres) |
| CEMAC | 13 | 21 | 27 | 50 | 18 | 4 | 2.5 |
| COMESA | 10 | 16 | 24 | NA | 22 | 4.6 | 2.65 |
| ECOWAS | 12 | 21 | 25 | 51 | 22 | 4 | 2.5 |

Source: UNECA

TF instruments being developed

- Efficiency and Security Objectives: Trade Facilitation is being discussed in WTO as part of the DDA as well as at the regional level. WCO is also very active in TF issues. In terms of customs procedures the emphasis is on security rather than revenue.

- One Stop Border Posts – reduces time taken at borders which reduces costs. Sharing of data and computerisation of other border services.

- Border Administration Agencies – would allow more efficient information processing at the border.

TF instruments being developed

- NTB monitoring system - Need to track non-tariff barriers, which are a moving target, eliminate those that are genuine NTBs and try to limit appearance of new ones – initiatives from EAC, COMESA, SADC.

- Harmonised trading standards and SPS - Difficult to have trade between countries of the standards and health and phytosanitary regulations incompatible.

- RCBGS – Two systems being developed by SADC and COMESA – needs harmonisation - speeds up transit and frees up money held in bonds.

Way Forward

-Although progress being made, improvements still need to be made in the following areas:

-Transport Infrastructure: Africa suffers from poor infrastructure and missing links - condition of roads poor (2 billion kms with 30% paved), few railways, lack of interconnectivity and 3 gauges and lack of railway wagons. Could be addressed through AfT and a leveraged funding mechanism.

-Administrative Issues: Reduce number of road blocks and police checks; (27 police controls from Mombasa to Uganda border); reduce paperwork; move from reliance on LCs; strengthen existing mechanisms and harmonisation procedures.

Conclusions

- Lot of activity in SSA on TF issues but still a lot to do.
- Danger of duplication of effort and a need to work at a regional and Pan-African level with institutions already active in this area including WCO, WTO, OECD AU-NEPAD, UNECA and the Regional Organisations.
- Assistance must follow the Paris Declaration on Aid Effectiveness principles.
- Strong link between the objectives of Aid-for Trade, the Enhanced Integrated Framework and Trade Facilitation which should be basis for assistance.
- If trade is to be used as a development tool to reduce poverty through economic growth, importance of trade facilitation instruments cannot be over-emphasised.