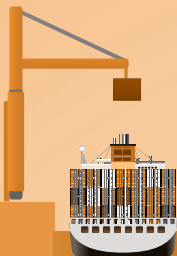




# Harmonizing Policies to Transform the Trading Environment



## Assessing Regional Integration in Africa VI



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Assessing Regional Integration in Africa VI

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# Foreword

More than ever there is now a sense of strong political commitment giving impetus to regional integration in Africa. As countries continue pursuing programmes and activities to accelerate regional integration and cooperation arrangements inspired by the Abuja Treaty, they are making steady progress towards creating an African Economic Community.

The Tripartite Initiative among the members of the Common Market for Eastern and Southern Africa, the East African Community and the Southern African Development Community alone seeks to create a single free trade area that brings together 26 African countries with a combined gross domestic product of more than US\$630 billion and more than half a billion people. The Decision and Declaration of the African Union Assembly of Heads of State and Government in January 2012 on boosting intra-African trade and fast-tracking the establishment of a Continental Free Trade Area by 2017 has also set an important foundation for the renaissance of pan-Africanism.

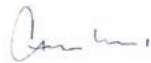
These are among several recent examples of the bold steps Africa's political leaders have taken to strengthen the benefits from regional arrangements through market enlargement and other efforts to promote production at scale as well as competitiveness. These efforts are needed to boost intraregional trade, lessen Africa's heavy external dependence and enhance its resilience to global shocks.

The road to completely dismantling barriers to trade is strewn with obstacles, however, and requires a thorough understanding of regional integration and trade policies. For example, harmonized rules of origin and a trade facilitation environment across the continent would greatly improve the means and cost of doing business across borders. Tangible progress is seen in one-stop border posts in some member States under initiatives led by regional economic communities. The Tripartite and Continental Free Trade Area initiatives and associated decisions compel persevering efforts to establish a harmonized and seamless trading environment across the continent—working for the transformation of Africa.

In support of progress towards regional integration in Africa, the Economic Commission for Africa, African Union Commission and African Development Bank jointly produce *Assessing Regional Integration in Africa* (ARIA). The first issue (ARIA I), published in 2004, provided a comprehensive assessment of the status of regional integration in Africa, with subsequent editions focusing on thematic areas. Thus ARIA II examined rationalization of regional economic communities and their overlapping memberships. ARIA III addressed macroeconomic policy convergence, as well as monetary and financial integration in the regional economic communities. ARIA IV focused on enhancing intra-African trade. ARIA V provided analytical research and empirical evidence to support the establishment of the Continental Free Trade Area and the benefits that African countries stand to gain from it.

ARIA VI, “Harmonizing Policies to Transform the Trading Environment,” carries forward the momentum of January 2012’s Decision and Declaration by addressing the issue of harmonizing rules of origin and trade facilitation instruments to facilitate Continental Free Trade Area negotiations by member States. The report starts with a brief overview of progress in regional integration, followed by discussions on the harmonization of three key prerequisites to pave the way for a meaningful continental market—namely rules of origin, trade facilitation instruments and cross-border linkages for information and communications technology.

It is our sincere hope that ARIA VI provides policy guidance to member States in their eventual negotiations on the rules of origin and ancillary trade facilitation instruments to kick start the continental market.



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# Chapter 1

## Introduction

African countries continue to pursue programmes and activities aimed at accelerating regional integration and cooperation arrangements on the continent. Regional integration has been part of the major agendas of African leaders in line with the objectives of the Treaty Establishing the African Economic Community, also known as the Abuja Treaty, promulgated in 1991 and in force in 1994. The ultimate objective of the Abuja Treaty is the formation of an African Economic Community.<sup>1</sup>

Regional integration in Africa therefore continues to hold a central place in the continent's endeavours to achieve economic transformation and attain sustainable socio-economic development. Africa has put in place functional regional economic communities (RECs) as building blocks for establishing the African Economic Community. The impetus for Africa's regional integration is reinforced by the Constitutive Act of the African Union (AU). And the momentum to accelerate the process is manifested by the Tripartite Initiative among the members of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC) to create a common free trade area (FTA), which will bring together 26 African countries with a combined gross domestic product (GDP) of more than US\$630 billion, and by the subsequent decision and declaration of the AU Assembly of Heads of State and Government in January 2012 on boosting intra-African trade and fast-tracking the establishment of a Continental Free Trade Area (CFTA) by an indicative date of 2017 (AU, 2012). Production at scale, competitiveness and intraregional trade are expected to be boosted through

these initiatives and thus help strengthen Africa's resilience to global economic and financial shocks.

But a single market cannot function optimally and seamlessly with different rules of origin and trade policy instruments. For the enlarged African market to be fully effective, it should be accompanied by harmonization of rules of origin and the trade facilitation environment in general. RECs invariably focus on developing and implementing their own rules of origin and trade facilitation schemes, but they are also conscious of the need to harmonize their efforts given their overlapping memberships, which is one reason they promote inter-REC projects such as one-stop border posts. The COMESA–EAC–SADC FTA and the CFTA initiatives also compel RECs to harmonize their trade liberalization programmes and instruments.

This publication is organized as follows. After this introduction, chapter 2—a recurrent part of the Assessing Regional Integration in Africa (ARIA) series—provides an overview of progress in regional integration. Chapter 3 discusses rules of origin among the RECs and makes recommendations on negotiating principles to harmonize them in the context of the CFTA. Chapter 4 analyses and makes proposals to harmonize trade facilitation instruments in areas such as customs clearance and transit regulations. Chapter 5 addresses automation and linkages in information and communications technology (ICT) that should underpin cross-border trade with an integrated border management system.



# Chapter 2

## Overview of Regional Integration in Africa

This chapter highlights developments in Africa's regional integration efforts in key areas across the RECs and broadly at the continental level. These include efforts towards continental market integration through the Tripartite FTA initiative involving COMESA, EAC and SADC, and more broadly through the AU Summit Decision to fast-track a CFTA; the Minimum Integration Programme (MIP); the Programme for Infrastructure Development in Africa (PIDA); continental financial institutions; the African Charter on Statistics; the Africa Mining Vision (AMV); the African common position on migration; and peace and security. The chapter concludes with a discussion on mainstreaming regional integration at the national level, which is an important catalyst for achieving Africa's regional integration.

### Developments in key areas across the RECs

#### Free movement of people and right of establishment

The free movement of people is a critical component of regional integration and could greatly affect millions of Africans. REC member States have adopted protocols bilaterally and regionally on the free movement of people, right of residence and right of establishment, and taken them to varying stages of implementation. For instance, the Economic Community of West African States (ECOWAS) and EAC are implementing common passports for travel, which could eventually replace the current system of national passports.

A few RECs have made strides to eliminate visa requirements, and countries still implement policies to remove entry visas bilaterally (box 2.1). Although African countries have taken appreciable steps to facilitate short-term stays for African citizens within the framework of the programmes of the RECs, visa restrictions still prevail in a number of countries, due to security and other concerns. Thus it may be easier for goods than people to move freely between countries.

Progress to liberalize rights of residence and establishment is also generally slow, due mainly to inadequate transposition of existing protocols into national law. A range of services are still closed to (or heavily restricted for) non-nationals in some countries, including telecommunications and hospitality. Non-nationals are sometimes not allowed to trade outside large cities. There are different requirements for the registration of foreign businesses and the recognition of relevant education qualifications obtained in other member States, as well as strict entry requirements in medicine and law.

Back in 2001 the Assembly of Heads of State and Government agreed to create a strategic framework for a migration policy in Africa. The framework required countries to address the challenges posed by migration and ensure the integration of migration and related issues into national and regional agendas for security, stability, development and cooperation; to work towards the free movement of people; to strengthen intraregional cooperation on migration issues; and to create a conducive environment for migrants and the Diaspora to participate in development. Moreover, a Common African Position on Migration and Development was adopted at the AU Summit in 2006, followed by the AU Convention for the Protection and Assistance of Internally Displaced Persons in Africa in 2009, known as the Kampala Convention. The former aims to combat illegal migration through effective border controls, while ensuring the humanitarian obligation to protect and provide security for legal migrants and avoiding encroachment on the free movement of people.

Member States should ensure the fulfilment of their commitments to these supplementary continental positions and instruments on migration and the free movement of people.

#### Macroeconomic policy convergence

RECs are making progress in implementing their monetary cooperation programmes. COMESA has established the regional payment system to facilitate intraregional trade

### Box 2.1

#### Promoting free movement of Africans

- COMESA is granting a 90-day visa on arrival to all citizens of its member States who are members of the FTA under Protocol CM/XI/60.
- ECOWAS is granting a visa on arrival to all citizens of its member States under Protocol A/P/.1/5/79 on the free movement of people and the right of establishment.
- The ECOWAS regional passport is a further boost to the free movement of people. ECOWAS countries are now converting their national passports to the ECOWAS passport, which has the ECOWAS emblem on the front cover. Benin, Ghana, Guinea, Liberia, Niger, Nigeria and Senegal have already changed their passports to conform to the ECOWAS version.
- Some SADC member States are granting a 90-day visa-free stay to citizens of other member States through bilateral agreements.
- In addition to removing all visa requirements to its citizens, all member States in EAC are granting a three-month visa-free stay for national passport holders and six months for EAC passport holders. The passport is valid for five years and is recognized by all member States.
- Some EAC countries, such as Kenya, Rwanda and Uganda, have a bilateral agreement to allow their citizens to freely establish themselves in the other EAC countries. The agreement also waives all work permit fees.
- Rwanda has revised its immigration policy and now issues visas on arrival to all African citizens.
- In a June 2013 meeting the Council of Ministers of the Central African Economic and Monetary Community (CEMAC) decided that from January 2014 citizens of the community will be free to move across borders without visas for 90 days with a national identity card or a passport and that during their stay they will be entitled to the same rights as nationals of the country of visit, except for political rights.

*Source: Best Practices on Regional Integration in Africa (2013).*

using local currencies. It is also working on a Multilateral Fiscal Surveillance Framework, a Financial System Development and Stability Plan, and an Assessment Framework for Financial System Stability. The COMESA monetary cooperation programme is run through its monetary institute, established in 2011 in Nairobi, Kenya. Preparations for the EAC Monetary Union are also advanced in terms of protocol negotiations and a review of macroeconomic convergence criteria. ECOWAS has plans to launch a second monetary zone by 2015 and a larger monetary zone by merging it with the CFA zone by 2020, while the SADC is assisting its member States in formulating their macroeconomic convergence programmes in the context of the Finance and Investment Protocol.

## Physical integration

Infrastructure is key to advancing Africa's integration agenda, supporting economic growth, reducing poverty and achieving the Millennium Development Goals. Africa's prospects for transformation will be brightened by investments in infrastructure, as now discussed.

### Roads

Major projects on improving the road network include the completion of the missing links of the Trans-African Highway (TAH), which entail various projects of road construction, rehabilitation and extension, such as the Bamenda–Enugu Transport Facilitation Programme. Financially supported by the African Development Bank (AfDB), the World Bank and the Japan International Cooperation Agency, once completed it can boost trade between West and Central African countries and strengthen their economic cooperation. Pre-feasibility studies of the missing links have been completed on the Dakar–N'djamena–Djibouti and Djibouti–Libreville transport corridors with funding from the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF). Feasibility studies are being carried out for the Tripoli–Windhoek and the Beira–Lobito transhighways and the bridge linking The Gambia to Senegal.

The Economic Commission for Africa (ECA) with the African Union Commission (AUC) has completed a study on the regional norms and institutional framework to foster the development of the various trans-African highways, which was reviewed by an expert group meeting in September 2011 in Addis Ababa. The meeting proposed an Action Plan, which was adopted by the African Ministers of Transport and subsequently endorsed by the AU Assembly of Heads of State and Government held in Addis Ababa in January 2012. An intergovernmental agreement for the development of trans-African highways and its

annexes (highway network routes, classification and design standards, harmonization of safety, social and environmental norms and standards) is in preparation and will be submitted to the third session of the Conference of the African Ministers of Transport in November 2013. The signing and roll-out of this agreement will be a tremendous step towards physically integrating the continent.

To take care of the current and increasing road infrastructure assets through proper maintenance and management, COMESA countries have reformed road sector management and funding. Several countries have set up road funds and road development agencies to maintain regional and national road networks, including the Democratic Republic of Congo (DRC), Djibouti, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia and Zimbabwe. The main source of funding for road maintenance is the fuel levy while construction and rehabilitation are funded through government budgets, loans from development banks and funds from partners.

SADC has taken great strides to deepen regional integration following the approval of the Regional Infrastructure Development Master Plan Vision 2027, a 15-year blueprint that will guide cross-border infrastructure projects during 2013–2027. The plan will serve as a key strategic framework in an integrated and co-coordinated manner in six sectors.<sup>2</sup> Resources will target the SADC Regional Development Fund, member States, the private sector and development partners. SADC is also implementing the Kazungula Bridge Project, which lies on the North–South transport corridor, a vital trade route serving major economies in the region.<sup>3</sup> The project is being implemented with a loan from AfDB and the Japan International Cooperation Agency.

ECOWAS has established national road transport and transit facilitation committees in member States composed of key public and private sector actors to ensure the free flow of trade and transport along the member States' corridors. ECOWAS is coordinating an AfDB-funded multi-national highway and transport facilitation programme between Nigeria and Cameroon (Bamenda–Enugu Road Corridor) and the construction of three important bridges in Sierra Leone (Sewa, Waanje and Moa). The commission is also facilitating the Abidjan–Lagos Road Corridor through its Abidjan–Lagos Trade and Transport Facilitation programme, which includes rehabilitating road sections in Ghana, Benin and Togo.

In the Intergovernmental Authority on Development (IGAD), various infrastructure projects are in progress,

including the Nairobi–Addis Ababa Corridor (Isiolo–Moyale–Addis Ababa Road); Kampala–Juba Corridor (Nimule–Juba under construction in South Sudan, Gulu–Nimule under procurement in Uganda); and Berbera Corridor (Somaliland–Ethiopia). EAC has identified five main corridors within the community (a total length of about 12,000 km), which constitute a strategic priority and require rehabilitation and upgrading to complete the Community's road network.

The projects include feasibility studies and a detailed design of the Arusha–Holili–Taveta Road, Malindi–Lunga Lunga Road and Tanga–Bagamoyo Road; a scoping study on the civil engineering contracting capacity in East Africa; and a study on the East African transport strategy, regional road sector development programme and East African transport facilitation project. Progress made in carrying out the Economic Community of Central African States (ECCAS) Consensus Blueprint on Transport in Central Africa and its priority projects is related to the implementation of the Fougamou–Doussala–Dolisie (Gabon–Congo) Highway project, the development of the Ouessou–Sangmelima Road project and the transport facilitation project on the Brazzaville–Yaoundé Road Corridor.

In North Africa, the countries of the Arab Maghreb Union (UMA) have in general a dense, diverse and constantly developing road network, with norms and standards that are essentially the same across countries. The network embraces national and local roads linking major cities and towns in countries and regional roads between them. The UMA network of supranational roads—the M Network—links UMA countries and these countries to Europe and the rest of Africa. The network also services major ports, airports and production facilities in UMA countries. To complete the connection of the M Network and ensure a better flow within the entire Maghreb region, a project is afoot to connect Mauritania: Nouakchott–Nouadhibou, Nouakchott–Attar and Zouirate–Attar, with a total length of 937 km. Construction of the Nouakchott–Nouadhibou and Nouakchott–Attar sections is complete, and funding for the rest is being sought.

### *Rail*

Many of the new railway development projects under way in Africa are based on the framework of the Union of African Railways, which encourages standard gauge railways. The networks planned for Eastern and Southern Africa within the adopted corridor approach include a rail link for Djibouti, Ethiopia, South Sudan and Sudan originating from Djibouti and terminating in Juba; a railway project linking Kenya, South Sudan and Ethiopia,

originating from Lamu Port and terminating in Juba with a link to the Ethiopia–Djibouti Corridor through Moyale; and the Kagera Basin Railway linking Tanzania, Rwanda and Burundi and originating in Isaka. In addition, Ethiopia, Djibouti and the five EAC countries have decided to develop standard gauge rail networks to replace existing narrow gauge systems. The main ECCAS regional rail project is to extend the Leketī–Franceville Railway between Gabon and Congo.

The Maghreb railway network has a length of 8,383 km, of which 5,587 km are standard gauge, serving major cities and ports of the region. The paucity of rail transport in Libya and Mauritania (apart from a 652 km track from Nouadhibou, mainly for minerals) has made it impossible to link all UMA countries. There is an initiative to build a high-speed train line connecting Casablanca, Algiers and Tunis. The terms of reference for its preliminary feasibility study, as well as the specifications, have been defined by the ministerial committee responsible for specialized infrastructure. Libya has a project to build a line from Rasjedir (the border crossing with Tunisia) through Tripoli to Mesrata.

### *Air*

The EAC Civil Aviation Safety and Security Oversight Agency has moved to permanent headquarters in Entebbe, Uganda. ECOWAS is focusing on implementing the Yamoussoukro Decision on air transport liberalization by adopting community acts on establishing a common air transport legal framework for ECOWAS member States. All ECCAS member States are covered by projects within the framework of the capacity-building programmes of the oversight agency. The Code of Civil Aviation of Central Africa was adopted by the ministers responsible for civil aviation in Bujumbura on 11 June 2012. A draft convention on the Maghreb open sky was finalized in 2009. During its 14th session in Nouakchott in March 2013, the UMA Council of Ministers of Transport decided to review the project, taking into account the legal and socio-economic developments over the last two years in the region. UMA countries have also signed two draft conventions, on air search and rescue and on coordination and cooperation in aviation.

The Yamoussoukro Decision has increased air links among many African countries (in particular capital cities) through operations of major African airlines. Its implementation was boosted by the decision of the third Conference of the African Ministers of Air Transport in 2007 in Addis Ababa to entrust to the African Civil Aviation Commission the role of executing agency. Thus AUC set up in 2012 a steering committee to promote and oversee harmonization of

competition rules, settlement disputes and the protection of consumers' rights. The committee is also in charge of reviewing the commission's structure and organization to enable it to cope with its new mandate.

At the subregional level, ECCAS and ECOWAS are developing joint regulatory texts modelled on existing COMESA–EAC–SADC arrangements, which include joint implementation bodies (COMESA Air Transport Regulatory Board and Joint Competition Authority) set up to harmonize technical, legal and institutional frameworks for accelerating the implementation of the Yamoussoukro Decision.

### *Energy*

COMESA has launched an initiative to promote regional cooperation in energy development, trade and capacity building and has developed a baseline renewable energy database for the region. The Eastern Africa Power Pool has adopted a 2025 strategic road map and regional market design. A regional power master plan and grid code have also been developed, and an independent regulatory body has been set up. SADC is operationalizing the Southern African Power Pool Inter-Utility Memorandum of Understanding for sharing the costs and benefits of energy generation. SADC member States are completing their energy projects, and the SADC Secretariat has the mandate to monitor power projects. The Secretariat has been requested to facilitate the adoption of the power pool plan to identify generation and transmission projects with regional impact.

The East African Power Master Plan was completed in May 2011 and approved by the EAC Sectoral Council on Energy in June. The plan outlines the least-cost generation and transmission programme for meeting the region's electricity demand for 2013–2038. It was drafted with an Interconnection Code, which will govern the transmission system's design and operational requirements for regional interconnection.

The West African Power Pool continued efforts to update the ECOWAS Master Plan for Production and Distribution, which was adopted in November 2011. The pool coordinated the actions undertaken in the emergency programme for the cities of Bissau and Conakry. The ECOWAS Regional Electricity Regulatory Authority effectively entered its operational phase for establishing a regional electricity market in January 2011.

ECCAS member States set up in April 2003 the Power Pool of Central Africa, one of the main achievements of which is progress toward the Grand Inga project.

## Developments at the inter-REC and continental levels

### Efforts at broader inter-REC and continental market integration

Work on setting up a Tripartite FTA has attracted considerable attention in recent years. It entails initiatives to harmonize policies and programmes of the three RECs in trade, customs and infrastructure development. The FTA is built on three main pillars—market integration, infrastructure development and industrial development—and will create a market of more than 527 million people in a major step towards realizing the African Economic Community. The initiative also aims to enhance trade facilitation to improve the flow of goods along transport corridors by lowering transit times and the cost of trading; promote joint planning and implementation of infrastructure programmes (road, rail, border infrastructure, and seaports, air transport, ICT and energy); simplify rules of origin; relax restrictions on the movement of business people; liberalize some priority service sectors; promote value addition; and transform the region into an information- and knowledge-based economy.

Task teams are working on different clusters. The Tripartite FTA is expected to improve intra-REC trade more. COMESA, for instance, saw its intraregional trade grow from US\$2 billion in 2000 to US\$18 billion in 2012. EAC's intraregional exports increased from about US\$500 million in 2000 to more than US\$2.4 billion in 2010.

The Tripartite FTA is a key stepping stone towards the CFTA and thus the African Economic Community. At its 18th Ordinary Session on 29–30 January 2012 in Addis Ababa, on the theme “Boosting Intra-African Trade,” the Assembly of Heads of State and Government of the AU adopted a decision and a declaration that reflected the strong political commitment of African leaders to accelerate and deepen the continent's market integration (AU, 2012). The Heads of State and Government agreed on a roadmap for establishing the CFTA by the indicative date of 2017. During its 19th Ordinary Session, the assembly adopted a decision that highlighted the gains from the CFTA for intra-African trade, particularly through the High-Level African Trade Committee and the consultations of the Committee of Seven Heads of State and Government, which addresses the challenges of intra-African trade, infrastructure and productive capacities.

Box 2.2 highlights some of the strides made in trade and market integration.

#### Box 2.2

#### Best practices in eliminating tariff and non-tariff barriers

- Elimination of tariffs in EAC member States is in full force. The duty- and quota-free trade regime is based on the principles of the World Trade Organization and has helped to bolster trade in the region to more than US\$3 billion in 2010, a 10.6 per cent increase from 2009.<sup>1</sup>
- The EAC Customs Union Protocol was modelled on the COMESA Protocol. EAC is a zero-tariff zone (from 2010). COMESA is also a zero-tariff zone, and of its US\$3 billion regional trade,<sup>2</sup> US\$2.6 billion is within the FTA.<sup>3</sup>
- Non-tariff barriers are being eliminated with the help of an online reporting scheme for COMESA, EAC and SADC. The Non-tariff Barrier Reporting and Monitoring Mechanism is designed to enable private and public operators to register complaints, which can then be resolved bilaterally. To date, 329 complaints have been registered, of which 227 (69 per cent) have been resolved.

#### Notes:

1. EAC (2011a).

2. COMSTAT (n.d.).

3. COMESA FTA participants are Burundi, Comoros, DRC, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Libya, Rwanda, Seychelles, Sudan, Zambia and Zimbabwe. Ethiopia, Eritrea, Swaziland and Uganda are not participants.

Source: *Best Practices on Regional Integration in Africa* (2013).

## MIP

MIP is a strategic framework to accelerate programmes and activities of the RECs to boost continental integration. It was developed by the AUC with the RECs on the basis of a study by the AUC in 2009. The concept of MIP was adopted by the African ministers in charge of regional integration at their fourth Conference at Yaoundé, Cameroon, in May 2009. The AUC and the RECs were requested to work out practical modalities for the MIP Action Plan. The AUC was also requested to review the costs of implementing the activities and projects of the MIP Action Plan, which it estimates at US\$111 million. Since the MIP Action Plan was adopted, the AUC has worked with the United Nations Development Programme (UNDP) to develop a mobilization strategy for the plan and to set up an integration fund. The two institutions are also making efforts to provide assistance for:



- A resource mobilization strategy for current and future MIP Action Plans.
- Technical assistance in drafting a feasibility study on an integration fund.
- The mobilization of catalytic resources within UNDP regional programme portfolios and strategic initiatives to support future MIP Action Plans.

## PIDA

PIDA, which was adopted by the Heads of State and Government in 2010, contains a framework for meeting infrastructure demand up to 2040 (2020 for ICT). It has components addressing projected infrastructure gaps and bottlenecks based on supply and demand forecasts, institutional deficiencies and options for identifying, preparing and funding projects. PIDA is organized on the basis of short- and medium-term targets running up to 2020 and 2030, as well as long-term projections to meet demand up to 2040. Short-term projects and programmes are in a Priority Action Plan, for which the capital cost over 2012–2020 is estimated at US\$68 billion (about US\$7.5 billion annually over the nine years). Mobilizing these funds is a huge challenge.

### Box 2.3

#### PIDA's expected benefits

- Growth in Africa's global competitiveness, including in agriculture and manufacturing.
- Growth in Africa's share of world trade, to at least twice today's 2 per cent.
- Creation of up to 15 million new jobs through construction, operation and maintenance of PIDA projects. Millions more will be created indirectly through these projects' economic activity.
- A doubling of intra-African trade shares from the current 11–12 per cent.
- The securing of water resources and basins for future generations.
- Access to electricity for more than 800 million people.

Source: <http://www.afdb.org/en/news-and-events/article/programme-for-infrastructure-development-in-africa-to-be-key-feature-of-au-summit-8781/>.

The following are critical factors in PIDA's success: finance and investment with the majority of funds mobilized in Africa; preparation of bankable projects to target external financiers and investors; strong local ownership; shared solidarity and responsibilities; and capacity of RECs to spearhead implementation. The expected benefits are in box 2.3.

## Continental financial institutions

In line with the Abuja Treaty, the Heads of State and Government of the AU approved the hosting of the African Investment Bank, the African Monetary Fund and the African Central Bank, by Libya, Cameroon and Nigeria, respectively. The status is as follows.

*African Investment Bank.* The Memorandum of Understanding between the AU and the host country was signed on 6 January 2008. The AUC has recruited the Technical Committee to carry out a study on establishing the Bank. It has also recruited support staff for the committee. The draft protocol and statute was finalized and adopted by the Heads of State and Government at the AU Summit of January–February 2009. Efforts are under way to get it signed and ratified, but to date only Libya has done so.

*African Monetary Fund.* Work on establishing the African Monetary Fund is ongoing. The Memorandum of Understanding between the AU and the host country was signed in June 2008, and a draft protocol and statute has been signed.

*African Central Bank.* Progress has been slow since the signing of the Memorandum of Understanding between the AU and the host country in April 2009.

## AMV

AMV—a transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development—was adopted by the Heads of State and Government at the February 2009 AU Summit following the October 2008 meeting of African ministers responsible for mineral resources development (AU, 2009a). AMV is a strategic document on the vital role that mining and minerals can play in helping Africa achieve its development goals. It is most likely that the booming mining sector in Africa will need more skilled human resources (it is short of them) and that AMV will play a critical role in providing them (box 2.4).

AMV will provide technical advice to member States to improve their mineral-resource policies; establish appropriate institutional, legal and regulatory



frameworks; and invest in the human resources, research and development, and geological and geophysical data that are critical for efficient and effective management of mineral resources. An African Mineral Skills Initiative has been launched to support AMV and has partnered with a gold-mining company, AngloGold Ashanti, and ECA. There are plans to integrate the Initiative into the African Mineral Development Centre, which was set up in 2013.

#### Box 2.4

#### AMV

AMV comprises:

- A knowledge-driven African mining sector that catalyses and contributes to the broad-based growth and development of, and that is fully integrated into, a single African vision.
- A sustainable and well-governed mining sector that effectively garners and deploys resource rents and that is safe, healthy, gender- and ethnically inclusive, environmentally friendly, socially responsible and appreciated by surrounding communities.
- A mining sector that has become a key component of a diversified, vibrant and globally competitive industrializing African economy.
- A mining sector that has helped establish a competitive African infrastructure platform, through the maximization of its propulsive local and regional economic linkages.
- A mining sector that optimizes and husbands Africa's finite mineral resource endowments and that is diversified, incorporating both high-value metals and lower value industrial minerals at both commercial and small-scale levels.
- A mining sector that harnesses the potential of artisanal and small-scale mining to stimulate local and national entrepreneurship, improve livelihoods and advance integrated rural social and economic development.
- A mining sector that is a major player in vibrant and competitive national, continental and global capital and commodity markets.

Source: AU (2009a).

## Peace and security

African countries are keen to tackle African conflicts, but serious threats remain in parts of the continent that require joint effort and funding from Africa and the rest of the world. A number of African countries, regional bodies and pan-African institutions are intensifying peace and security operations under the African Peace and Security Architecture. Initiatives include the Peace and Security Council, a 15,000-troop African Standby Force, a Special Peace Fund, a Panel of the Wise and a Continental Early Warning System.

Under the umbrella of the AU, African governments have adopted other common positions on peace and security, such as the Prevention and Combat of Terrorism; the Control of Illicit Proliferation, Circulation and Trafficking of Small Arms and Light Weapons; the Prevention and Control of Organized Transnational Crime; and the Protection of and Assistance to Internally Displaced People.

Development partners are delivering their commitments in peace building through providing training and supplies to peace-keeping forces; building capacities of African institutions; and providing financial support to enhance operations of these institutions.

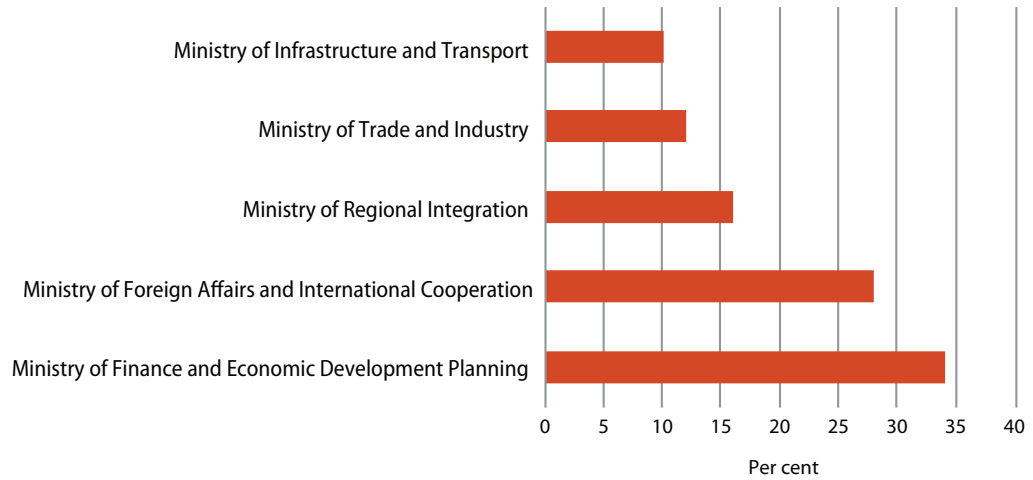
Individual partners are providing technical and financial support to some operational programmes of the AU, such as the AU Mission in Somalia, and the United Nations Mission in South Sudan. There has been a series of trans-border crimes in some regions in West Africa, and the Gulf of Guinea in particular, which have hurt economic growth and sustainable development there. Initiatives in response include a Memorandum of Understanding by ECOWAS and ECCAS to explore possibilities to combat piracy, armed robbery and other illicit activities committed at sea.

## Mainstreaming regional integration nationally

Regional integration initiatives require a large degree of public management and implementation at the national level. Without an absolute commitment at the national level, there can be little progress at the subregional level. Doing nothing or too little to implement agreed programmes can severely hamper the integration agenda. The RECs—the building blocks of the African integration agenda—are only as strong as their members. If member States proclaim a strong political commitment for integration, they should demonstrate it nationally through serious measures and programmes to implement—and be seen to be implementing—the RECs' decisions.

Figure 2.1

### National institutional arrangements for regional integration



Source: ECA (2012b).

Member States are expected to ensure coordination between the objectives and instruments of regional integration and national economic policy making—and to speedily ratify and implement decisions, agreed protocols and instruments. Member States also have other obligations, such as completing transport links attributed to the country as part of cross-border physical networks, adhering to convergence parameters of sound macroeconomic policy, and encouraging or institutionalizing parliamentary and public debate on integration nationally. Thus they should develop a coherent national strategy to ensure that all groups—civil society, the private sector, political parties, parliamentarians, and immigration and customs officials—are fully consulted and participate in formulating and implementing regional integration policies.

These and other key responsibilities of member States will ensure the initiatives' success. They are not always fulfilled, however, due largely to capacity deficits and resource constraints. Against this backdrop, the rest of this section provides some findings from a 2012 ECA survey.

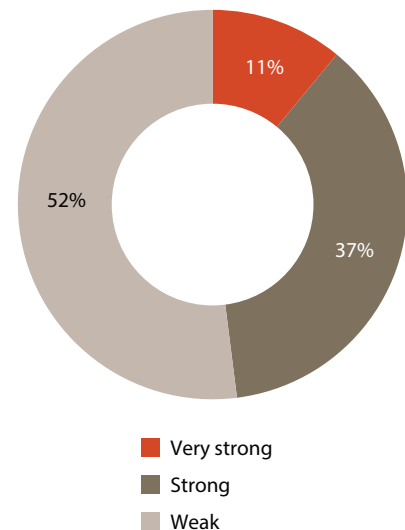
### National institutional arrangements to support mainstreaming

National coordination of regional integration programmes and activities remains a major challenge for many African countries. Even though each country has a designated ministry, department or unit in charge of regional integration (figure 2.1),

coordination mechanisms between that ministry and other stakeholders are inadequate (figure 2.2). Communication gaps in the flow of information between ministries and other stakeholders underlines the need for strengthening multi-stakeholder participation. Member States also lack the human

Figure 2.2

### Coordination between ministries responsible for regional integration and the private sector



Source: ECA (2012).

resources to coordinate implementation between that ministry and other stakeholders. Hence the AU has enjoined its members to strengthen national mechanisms, including ministries in charge of regional integration, for coordinating and advancing integration.

Regional integration activities and programmes require the collective participation of all stakeholders (governments, civil society, private sector, academia, the diaspora) supported by development partners. According to the ECA survey, the private sector is little involved in some key areas (see figure 2.2).

## What needs to be done at the continental, regional and national levels?

A mainstreaming framework at all levels is needed to accelerate regional integration, with five stages: formulation of decisions on regional integration; consultations among key ministries and stakeholders; domestication of agreed protocols into national plans; allocation of resources and implementation of programmes; and monitoring and evaluation of progress (ECA, 2012b).

The AU and the RECs remain the major bodies for the formulation and adoption of decisions on regional integration. Beyond formulation, some decisions and protocols need to be approved at the national level (either through parliament or through other established ratification processes) before being fully adopted, because some of them require the legitimization and buy-in of representatives of parliaments and other authorities. The framework on mainstreaming will also assist in enhancing coordination and consultation among line ministries in implementing key decisions, including those on regional integration. There is also a need to form a special committee among key ministries, including private sector representatives, that will meet regularly to review progress and address bottlenecks.

The framework should include a special committee reporting to the minister in charge of regional integration or to the focal ministry. The framework should develop strong links between the responsible ministries and the Ministry of Finance in preparing the budget to ensure that regional integration activities and programmes are incorporated into the national budget. Greater financial resources will make a large difference to national mainstreaming and will assist in increasing awareness of mainstreaming among all stakeholders, as budgeting is normally debated by parliamentarians and civil society. Rwanda's experience is shared in box 2.5.

## Way forward

Mainstreaming regional integration in national development plans and budgets is necessary to create ownership and commitment to the process, which requires systematic harmonization among regional and national development plans, policies and strategies. Countries therefore need to:

### Box 2.5

#### **Mainstreaming regional integration: The Rwandan experience**

Rwanda has mainstreamed regional integration, as seen in the national policy and strategy on EAC integration launched in February 2012. The implementation processes include popularizing the regional integration agenda, which assumes a participatory approach—through televised policy debates, radio messages and visits to border towns by high-level officials.

To ensure sustainability, Rwanda:

- Identified and aligned national and regional priorities, especially through the national policy and strategy on EAC integration.
- Included monitoring and evaluation indicators in the national strategy to ensure that actual mainstreaming work is accomplished during the span of the national development plan.
- Identified priority sectors and stakeholders.
- Instituted sector working groups to enhance national dialogue.

Rwanda has also launched the EAC Integration Clubs Project, which runs regional integration competitions in schools. At the policy level, mainstreaming was important to ensure that appropriate indicators were formulated and included in Rwanda's Economic Development and Poverty Reduction Strategy, 2013–2018. Although a work in progress, it highlights regional integration as one of the cross-cutting issues for long-term development, aimed at bringing about faster growth and poverty reduction.

*Source: ECA Subregional Office for Eastern Africa.*

- Accelerate ratification of treaties, protocols and decisions.
- Establish a special ministry in charge of regional integration (best option) or designate an existing ministry or a national mechanism as a focal point (second option).
- Provide adequate resources for the focal ministry or mechanism and for integration programmes.
- Set up national committees involving all stakeholders, including civil society, the private sector, the judiciary and academia, to promote consensus building and support for integration.
- Harmonize national laws and administrative rules with regional agreements and programmes (either by replacing national instruments with regional instruments or by adopting identical instruments for all partners).
- Share information on the costs and benefits of integration and on outcomes of statutory and

other meetings and conferences on integration, particularly at the level of RECs and the AU.

- Mainstream regional integration in educational curricula at all levels.

Functional capacities, including strong legal and institutional systems, are also required. The particular needs often depend on the level of ambition for integration and country circumstances. However, a degree of common institutions and competencies should be in place as the minimum to achieve commonly agreed regional goals and objectives. Competencies in policy development, forward planning, problem solving, and monitoring and evaluation all play major roles. Greater efforts by countries in fulfilling integration commitments at the national level will go a long way towards accelerating regional and continental momentum, which requires all parties to be consulted and mobilized.

The continued support of development partners is also crucial in trade and market integration, implementation of PIDA, MIP, AMV and the AU Summit Decision to fast-track the establishment of CFTA and implement a comprehensive action plan for boosting intra-African trade.

# Chapter 3

## Harmonizing Rules of Origin across Africa

The envisaged CFTA will be one market; one market needs one set of rules of origin. This chapter thus addresses the important issue of harmonizing rules of origin to anchor the CFTA. It examines the rules of origin regimes in five<sup>4</sup> of the eight main RECs and highlights the important COMESA–EAC–SADC Tripartite negotiations on rules of origin as a building block for crafting continental rules of origin. It also draws lessons from practices elsewhere in the world, particularly the EU.

### Defining rules of origin

Rules of origin were designed to determine the source of a product in a situation where it has accumulated value along the production cycle from producers in various countries. Establishing the country of origin of a product is a fundamental requirement in trade policy formulation and an integral part of preferential trade agreements, including FTAs.

Rules of origin can be preferential or non-preferential. Preferential rules determine whether the products imported are from a member country of a preferential trading area or an FTA; non-preferential rules are generally used to enforce all other restrictions, including antidumping duties and quotas. Preferential rules are more restrictive than non-preferential ones, as they must ensure that only the goods originating in FTA signatory territories qualify for preferential treatment.

In an attempt to curb trade deflection,<sup>5</sup> countries in RECs with reciprocal trade liberalization programmes have increasingly used strict qualifying criteria to determine product origin. As a general rule, the determination of origin is based on the division of goods into two broad categories:

- Goods produced entirely in one country, in the same geographical area and/or under one customs authority.
- Goods produced in multiple countries but with the last substantial transformation taking place in one country.

In the latter case, a complex set of tools is applied to decide the degree of transformation. The most common of these tools are:

- The Harmonized Commodity Description and Coding System (HS) to determine the change of tariff position within the framework of the classification.
- A value-addition percentage test.
- Requirements for specified processes, including more stringent special rules for strategic sectors.

The economic implication of rules of origin depends greatly on how restrictive they are. To measure the restrictiveness of such rules, Estevadeordal et al. (2009) developed a restrictiveness index that ranges from 1 (least restrictive) to 7 (most restrictive). The Australian Productivity Commission's (2004) restrictiveness score ranges between 0 and 1. In all cases, the rules of origin restrictiveness index is an indicator of how demanding a given rule of origin is for an exporter to comply with. Factors that are likely to make rules of origin more restrictive include more than single transformation requirements; lists of operations insufficient to confer origin; complex certification methods; and inefficient customs verification and administration.

Restrictive rules of origin are often used not only to protect the final goods producer but also to protect local producers of intermediate goods and to increase investment and employment. However, highly restrictive rules tend to be part of traditional non-tariff barriers to trade and could result in "trade diversion," reducing the total economic gains from FTAs. This term (and "trade creation") was coined by Jacob Viner in 1950 to highlight the effects of regional integration arrangements in general and the effects of customs unions in particular (Viner, 1950). Trade diversion is said to occur when trade is diverted from more efficiently to less efficiently produced goods, resulting in higher market prices and fewer welfare gains.

The application of stringent rules of origin brings forth real challenges to smaller members of FTAs with less or non-existent productive capacity. They might be detrimental to some of their industries, as the choices of sourcing their production inputs will be limited.

Furthermore, even in cases where rules of origin are not restrictive, the costs associated with implementing them could be burdensome to all stakeholders, including policy makers and private sector operators. These costs are particularly heavy on traders, as they bear the burden of proving compliance with the rules on sufficient processing. They can be even higher for smaller firms, stemming from their limited or low capacity to deal with divergences in rules of origin across FTAs and international trade rules.

Rules of origin should therefore be designed to minimize their use for protectionist purposes and promote trade creation and market integration. On the one hand, stringent rules of origin can stimulate regional value chains provided that countries have domestic productive capabilities and the preference is large enough. On the other, although lax rules of origin may mean that third countries not belonging to the FTA will also benefit, one advantage might be increased employment generated through local processing enabled by foreign imports. (This is exemplified by Singapore's FTAs, which allow for outward processing.) Thus the exact design of rules of origin depends on the nature of countries and products involved and should be revised over time, subject to regular review.

## Rules of origin in selected African RECs

### The main thrusts

To be eligible for preferential community tariff treatment, RECs have established rules of origin by which products would have to meet origin requirements generally defined as follows: the goods must be "wholly obtained"; a certain proportion of domestic capital (usually higher) must be used in their production; the proportion of imported inputs used in producing the good must not exceed a certain percentage (usually lower); and there must be a certain minimum domestic value addition in the total value of the product. The value added in the transformation process is usually calculated on the basis of the value of the local inputs used to manufacture the product as a share of the value of the finished product. The calculation thus determines the contribution to the imported input arising from the use of local materials, labour and other inputs.

The RECs generally have similar rules of origin based on wholly produced goods, a general import content

rule of 40–60 per cent and a value-addition rule of 30–35 per cent of ex-factory costs of imported materials.

The wholly produced criterion is relatively simple and straightforward and usually applies to goods that are not manufactured but extracted from the ground (such as minerals) or grown from the soil (such as maize and wheat). The rules of origin also tend to establish a list of products that should qualify for community tariff treatment, and the approved products must be accompanied by a certificate of origin. RECs' specific rules of origin (where they exist) are described in box 3.1.

#### Box 3.1

#### RECs' rules of origin

##### *West and Central Africa*

Rules of origin in ECOWAS are based on the following criteria: the goods have been wholly produced in member States with a minimum of 60 per cent raw materials local content in accord with the provisions of Article 3 of the protocol; the goods are not wholly produced in member States, but their production requires the exclusive use of materials classified under a tariff subheading different from that of the finished product; the goods are not wholly produced in member States, and their production requires use of materials that have received a value added of at least 30 per cent of the ex-factory price of the finished goods. The rules of origin in this regional grouping are considered to be among the simplest and least restrictive.<sup>1</sup> However, there is a sensitive product exclusion list designed to protect infant industries, which tends to muddy the rules' apparent simplicity.

ECCAS applies rules of origin based on the following criteria: wholly produced goods, such as products in the crude state of animal, vegetable or mineral extraction and products of traditional crafts; a minimum raw materials local content in goods of 40 per cent; and goods that are produced with raw materials entirely or partially of foreign origin and that generate value added of at least 30 per cent of the ex-factory price of the finished goods.

*Continued*

### Box 3.1

#### RECs' rules of origin (continued)

##### *Eastern and Southern Africa*

COMESA's rules of origin have five criteria under which goods can be accepted in the importing country as having been produced or manufactured within the common market. First is the *wholly produced rule*: the goods should be produced totally in the exporting member State such that there are no foreign materials added to the manufacturing process. These include live animals and agricultural produce such as maize, cotton and so on. Second is the *material content rule*: when the goods are being made with some foreign materials added to the manufacturing process, those foreign materials should not be more than 60 per cent of the CIF (cost, insurance, freight) value. Third is the *value-addition rule*: when the goods are being made and the raw materials are foreign, then in the course of the manufacturing process there should be at least 35 per cent value addition. Fourth is the *change in tariff heading rule*: when the companies manufacture the goods and the raw materials are foreign, during the manufacturing process the tariff heading of the final product should be different from the tariff heading of the foreign raw materials. And fifth is the *goods of particular economic importance rule*: the goods are in the list approved by the ministers in charge of trade in COMESA member States (also called the Council of Ministers) and are regarded as very important in the economic development of either the exporting member or the region. In the process of manufacturing, there should be at least 25 per cent value addition (for example, goods such as minibuses that are assembled in some member States).

In EAC goods are accepted as originating in a partner state where they are consigned directly from a partner state to a consignee in another partner state and where: they have been wholly produced; or they have been produced in a partner state wholly or partially from materials imported from outside the partner state or of undetermined origin by a process of production that results in a substantial transformation of those materials. In such a transformation, the CIF value of those materials must not exceed 35 per cent of the total cost of the

*Note: 1. Esteveordal et al. (2009); Choi (2009).*

materials used in the production of the goods; the value added resulting from the process of production must account for at least 35 per cent of the ex-factory cost of the goods; and the goods must be classified or become classifiable under a tariff heading other than the tariff heading under which they were imported.

The EAC rules of origin (and indeed those of ECOWAS and COMESA) also include a cumulative treatment that stipulates that, for implementing these rules, the partner states shall be considered one territory and that raw materials or semi-finished goods originating in any of the partner states shall be deemed to have originated in the partner state where the final processing or manufacturing took place.

The rules of origin in SADC are very different. Initially, they were as simple as those of COMESA and EAC, but when the SADC FTA Protocol was launched they became a bit tighter and were crafted under the principle of encouraging optimum utilization of regional resources and promoting backward and forward linkages in production chains. Hence SADC adopted rules of origin that are largely product-specific, with much-increased value-added requirements and much-decreased import content. (The results of a review of these rules of origin in 2004 led to some reform of the rules to relax some of the product-specific criteria.)

##### *North Africa*

A draft FTA agreement among the UMA countries was signed by their Ministers of Commerce in June 2010. The agreement provides for the adoption of a Maghreb Protocol on rules of origin that will form an integral part of the FTA. A working group has been meeting since 2011 to develop the draft protocol. It is looking into various rules of origin scenarios in terms of general and specific rules, as well as trading relationships (intra-Maghreb, EuroMed and Africa). The multiple rules include rules depending on the type of agreement that bind the partners (for example, generic rules with the League of Arab States, which includes UMA countries, specific rules with some countries on a bilateral level within the framework of the Agadir Agreement and different rules with the EU).



## Challenges of implementation of rules of origin

The above rules of origin apply to different but overlapping trade regimes, as well as to varying levels of country development in RECs. Evaluations of FTAs (EAC in 2009, SADC in 2011 and COMESA in 2012) also point to a number of implementation issues and challenges including:

- Capacity and competence of issuing authorities.
- Limited understanding and grasp of the rules of origin, particularly for companies producing and selling in the REC market.
- Administration of certificates of origin. It is often plagued by illicit practices, such as the presentation of fake or fraudulent certificates of origin by traders.
- Concerns among some industry players over the impact of restrictive rules of origin, including the impact that substantial transformation requirements can have on regional trade and development.
- Customs agents' frequent resistance to and/or limited understanding of rules of origin and trade facilitation requirements.
- Imposition of administrative and other unnecessary barriers to prevent the entry of foreign products. Impediments include mounting numerous checkpoints and road blocks and demands for excessive documentation. Such barriers are likely to be even more pernicious without dispute settlement mechanisms and with the imposition of non-tariff barriers.
- Administrative costs for certificates of origin. These can reach nearly half the value of the duty preference.

Field visits and consultations with stakeholders show that the private sector feels that rules of origin in the RECs have a limited impact on boosting intraregional trade and trade competitiveness and have not markedly helped generate downstream processing industries.

Some partnership arrangements, such as European Partnership Agreements and the US African Growth and Opportunity Act, contain complex rules of origin that are at odds with those of the RECs. Traditional and emerging trading relationships with external trading partners are also perceived as a factor complicating the effectiveness of the rules of origin in some regional trading blocs. For instance, some industrialized economies in Africa produce

a lot of the components that go into the manufacture and assembly of vehicles, and therefore would like to insist on a high percentage of value addition as originating criteria. The same argument applies to textiles, where the country would like to forestall the possibility of trade deflection, whereby cheap textiles and garments from outside the region could be transhipped and end up parading as originating goods within the REC. Concerns over trade deflection that is tantamount to dumping are real.

The RECs are striving to address some of these challenges through measures that include issuing electronic certificates of origin to make the implementation of rules of origin more effective, efficient and transparent; simplifying the trade regimes to enable small-scale cross-border traders to avoid being subject to complex rules of origin; and establishing customs–business partnerships to enhance private involvement in the regional integration process, including institutionalized public–private dialogue on customs matters.

## Rules of origin: Experiences and lessons from outside Africa

This section examines rules of origin regimes in regional integration arrangements outside Africa, particularly the EU, the world's largest trading bloc.

With few exceptions, the principles underlying the rules of origin in the EU are similar to those in Africa's RECs. The key elements are:

- *Wholly obtained goods.* These are goods whose production does not involve any relation with any other country outside the EU. The product is obtained by processing carried out only in the EU and without incorporating materials of any other country outside the EU. It covers plants, minerals and live animals, among others.
- *Sufficiently transformed goods.* This principle refers to any product whose production involves countries outside the EU. The product is produced using materials of third countries or was partially processed abroad. In such a case, the rules of origin included in EU FTAs contain a long list that establishes, for each product defined by its tariff classification and its description, the needed processing to be carried out in the EU to consider the product as "originating." There are three basic criteria used to determine if a product was sufficiently transformed in the EU: *a value-added rule in which the value of all the materials used does not exceed a certain percentage of the ex-works price of the product.* If the value of the materials does not exceed



the threshold fixed by the rule, the good is admissible. The remaining criteria are explained below.

- *A change of tariff classification.* In a case where a good is produced from materials of any heading except that of the product, the tariff classification of the non-originating materials used (four digits) needs to be compared with the tariff classification of the good. If the tariff classification of both is not the same, the rule is succeeded. If a product is *manufactured from yarn*, for instance, the rules permit use of the quoted non-originating material. That is, you may import yarn and the material in a previous state of production (fibres), but you may not import the material in a later state of production (fabric). Some FTAs have an annex that provides for an alternative rule, more flexible for some products and sometimes under quotas.
- *Minimal operations.* In addition to the specific rule of origin attributed to a product, there is a need to verify that the operation that was carried out in the EU goes beyond the minimal operations listed in the specific set of rules of origin related to the EU. There is a provision listing a series of operations (packaging, simple cutting, simple assembling, simple mixing). If the production carried out in the EU is one of those listed and nothing else was made there (no material was produced or transformed), the product cannot be considered as originating.
- *Cumulation.* In case the rule of origin attributed to a product is not admitted, the product may still be considered originating if the value of the non-originating materials that did not manage to fulfil the rule does not exceed a concrete threshold specified in each set of rules of origin (normally 10 per cent or 15 per cent of the ex-works price of the good).
- *Direct transport rule or non-manipulation rule.* Even if the product is originating (wholly obtained or sufficiently transformed as specified), there is still a need to verify that the product was sent from the EU to the partner country without being manipulated in a third country, apart from the mere operations needed for keeping the product in good condition. The specific conditions on this issue and documents needed to demonstrate the fulfilment of this rule contained in the relevant rules of origin need to be verified.
- *Prohibition of duty drawbacks.* In some sets of rules of origin, there is a provision that impedes the use of duty drawbacks on the materials imported into the EU that are used in the production of a good intended to receive preferential treatment in a partner country.

Duty drawbacks permit one not to pay at import or to recover the duties paid at import on the materials that are used for further processing while final goods using those materials are exported. The specific conditions on this issue and documents needed to demonstrate the fulfilment of this rule contained in the relevant set of rules of origin need to be verified.

Moving towards a single transformation rule for textiles and clothing increases trade between FTA partners. In addition to the significant effect of the shift from triple to single transformation in the case of the African Growth and Opportunity Act (de Melo and Portugal-Perez, 2011), the change-in-tariff classification criteria at the six-digit level was found to be more helpful in promoting trade through international production networks in low-value components such as auto parts (Nag and De, 2011).

Cumulation between FTA partners increases trade. These results confirm the findings of an impact evaluation of the EU system of cumulation, which appeared to directly increase trade between EU partners by about 22 per cent, while the lack of cumulation between EU partners could impede trade by 25–70 per cent.

With respect to harmonizing rules of origin, the 1997 EU Single List establishes the foundation of the harmonized (uniform) rules of origin of the EU's FTAs. This single list was later integrated into the Euro-Mediterranean Association Agreements between the EU and various southern Mediterranean countries, the Western Balkan countries and other FTAs.

## Harmonizing rules of origin to anchor the CFTA

### Principles and recommendations

The regional integration landscape in Africa is characterized by multiple RECs and overlapping memberships, making the process and cost of implementing and administering different rules of origin very complex, particularly for countries belonging to two or more RECs. A functional CFTA unifying all the RECs therefore requires that the same good not have different rules of origin. Divergent rules due to multiple and intertwined RECs constitute a stumbling block to the continental project.

Harmonizing rules of origin is therefore imperative in any inter-REC FTA and is certainly a prerequisite for a meaningful CFTA. It requires introducing uniform or essentially similar rules of origin across RECs.

Harmonization can be conceived in two ways: consolidation of rules of origin of different RECs into continental rules using the COMESA–EAC–SADC negotiated rules of origin as a building block; or application of diagonal or full cumulation between the rules of origin in existing RECs to build bridges towards continental rules of origin.

There is an emerging common understanding among theorists and practitioners that continent-wide common rules of origin that are simple, less restrictive and accommodative of asymmetries can be instrumental in expanding intra-African trade within the CFTA. It is also important to emphasize that rules of origin in whatever form they are designed can be compromised if they are not effectively administered by customs and border administrations. There should therefore be provisions and mechanisms to guard against potential abuses, such as fraudulent certificates of origin, trade deflection and circumvention. Efforts to harmonize rules of origin should also address the lack of capacity to implement and enforce them.

From the review of the rules of origin in the RECs and judging from the work within the three Tripartite secretariats (COMESA, EAC and SADC) on rules of origin, easy consensus on the criteria relating to wholly produced goods may be anticipated. As already stated, the wholly produced criterion applies to goods that are not manufactured but extracted from the ground or grown from the soil. There is also very little controversy about the fact that certain simple operations such as labelling, repackaging or simple mixing of chemicals cannot be sufficient to confer origin. The challenge arises where a good is manufactured using imported components. This can be a complex issue, on which hard negotiating is likely as the RECs move towards the CFTA.

The following seven steps are therefore put forward as guiding principles for negotiating harmonized rules of origin for the CFTA (figure 3.1).

#### *Step 1*

Negotiations should consider the imperative for Africa's structural transformation through upscaling value addition to Africa's abundant natural resource endowments that are predominantly exported in raw form. Several AU decisions and initiatives enjoin African countries to lay a solid foundation for industrial development and integration at the subregional and regional levels. The key message is that instead of exporting raw materials in an unprocessed form, processing, upgrading and diversification of products

will ensure maximum use of Africa's indigenous factor endowments and natural resources. Taking into account the comparative strengths of countries in natural and other enabling resources and infrastructures, as well as the existing and potential linkages of these resources across national frontiers, such an industrial development and integration strategy can help trigger a transformation by promoting linkages among various industrial subsectors and between industry and other sectors at both the national and regional levels.

#### *Step 2*

At the same time, CFTA rules of origin should consider the reality of Africa's overwhelming dependence on imports—particularly capital and intermediate goods for manufacturing—as well as imbalances in development stages and productive capacities. Some African countries are more industrialized and can produce many of the components that go into the manufacture of goods (assembly for vehicles, for instance) and would want to insist on a high percentage of value addition as an originating criterion. The same argument could apply to textiles, where a country may like to forestall the possibility of trade deflection. Other countries are less endowed with production capacity and could be hard pressed to benefit from rules of origin that insist on very high value addition and local content requirements. Priority should therefore be given to affording adequate industrial policy space to those countries that may benefit from existing preferential treatment only if they are unable to source materials from their domestic market or a wider regional space. Furthermore, all efforts should be made for ensuring that such countries are linked to production in regional value chains.

The rules of origin need to be realistic and fair by matching the existing manufacturing capacity of both the least and most industrialized members on a complementarity and comparative advantage basis to ensure that the rules are “owned” and so implementable. They should focus not on the protection of customs revenue but on regional integration, trade and partnership-development results, to ensure that they help harmonize FTA and development partnerships. And they should be business-friendly, making sufficient provisions for full participation of small-scale industries that form the large majority of Africa's businesses, thus enhancing vertical and horizontal business integration.

#### *Step 3*

Countries should encourage private sector interests to shape negotiating positions. In some countries, the views

**Figure 3.1**  
**Steps for negotiating harmonized rules of origin**



Source: Authors' illustration.

of the private sector are consistently sought to shape the national negotiating position. One should therefore expect vested interests not only at COMESA–EAC–SADC negotiations, but also at the continental level.

*Step 4*

CFTA rules of origin should be simple, transparent and less restrictive. They should not be used directly or indirectly as instruments to pursue protectionist

objectives, and they should not have a distortive or disruptive influence on trade.

*Step 5*

Generic rules of origin should be the entry point in negotiations and draw on the arrangements in RECs in Eastern, Southern and Western Africa, because consensus is likely to be less contentious. The wholly produced goods rules would certainly fall under this

category; these will be goods whose production does not involve any relation with any third country outside the CFTA (plants, minerals and live animals). It is in this area where the potential for exploiting the creation of regional value chains along corridors should be explored.

#### *Step 6*

The “wholly produced” rule can be combined with product-specific rules of origin that would cover a list of products whose production involves countries outside the CFTA. In this case, the CFTA negotiating countries could agree and establish for each product defined by its tariff classification and its description the required processing to be carried out in the FTA to consider the product as originating. To determine if a product is sufficiently transformed in the region, it will be incumbent upon the negotiating partners to agree on the value-added percentage of the value of all the materials used relative to the total value of the product. The determination of this value-added percentage needs to strike a balance between the structural transformation objectives and the imbalances in countries’ development and productive capacities (as mentioned above).

#### *Step 7*

The use of *de minimis* and cumulation provisions could be applied within agreed thresholds (normally 10 per cent or 15 per cent of the ex-factory price of the good). Such provisions could provide some flexibility for non-originating materials to qualify. Empirical studies and their theoretical predictions suggest that full convergence/cumulation (as opposed to bilateral and diagonal cumulation) should be the instrument of choice for harmonizing rules of origin. This would allow for the sourcing of goods continentally through cumulation of origin whereby a commodity may be progressively processed in more than one CFTA partner state before being exported. Unfortunately, with the exception of the new draft EAC rules of origin

(September 2012), *de minimis* and cumulation beyond REC members are not widely used in Africa. There are, however, indications that the draft rules of origin of the COMESA–EAC–SADC Tripartite FTA are likely to address the issue of cumulation to encourage deeper integration by introducing an “outward process” provision.

Indeed, the continental rules of origin can use the negotiated Tripartite rules of origin as a starting point. The FTAs of the other RECs would be consolidated into a second trade bloc, which would then merge with the COMESA–EAC–SADC Tripartite FTA into a single CFTA (figure 3.2). Based on the principle of the “*acquis*,” the negotiated Tripartite rules of origin would be the building block for the fusion between the Tripartite and the second trade bloc.

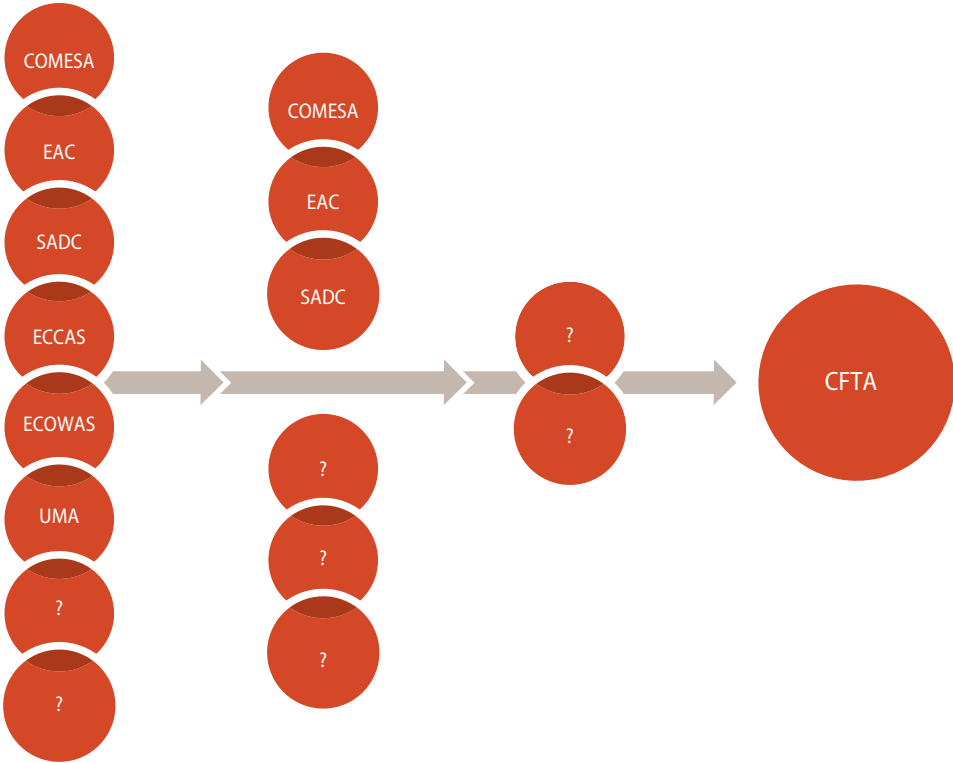
### Operational issues

The certification process must be cost-effective for rules of origin to achieve their expected development results, and for the CFTA this would require common forms and certification procedures for rules of origin. It would also require a dispute-settlement mechanism, which should have the authority to impose sanctions for infringement of the rules.

From a business perspective, one of the main obstacles in applying FTA preferences is a lack of information on FTAs, confidentiality of information required in certificate of origin forms, and delays and administrative costs of preparing applications for the certificates. Hence the need to establish a continental information system on rules of origin that will link certificate-issuing authorities and customs border posts—and that will enable certification procedures such as application and clearance of consignments to be conducted online.

Capacity building will be required for personnel dealing with issues within governments and business. It should include awareness campaigns among stakeholders on the full range of technical and administrative issues involved in an African continental market.

Figure 3.2  
Accelerating the consolidation of RECs to facilitate continental rules of origin



Source: Authors' illustration.



# Chapter 4

## Harmonizing and Strengthening Trade Facilitation Measures and Programmes

Africa's dependence on overseas trade of more than 80 per cent, and intra-African trade of just 10 per cent, contrast sharply with other regions: intraregional trade in North America is 40 per cent and in Western Europe is 60 per cent. If Africa trades more with itself, it can take advantage of shorter travel distances, but to make good on this natural advantage it must do more to remove tariff and non-tariff barriers and boost its industrial base.

Africa's physical infrastructure (rail, roads, communications and power) is inadequate, deterring regional trade. Africa needs to upgrade its infrastructure, fix institutional and organizational systems, and scale up its managerial and skilled labour.

Such upgrades are addressed within the framework of continental programmes, notably PIDA, the TAH Network and regional infrastructure programmes that are increasingly being harmonized, as in ECOWAS–Union Economique et Monétaire Ouest Africaine (UEMOA), the Tripartite countries and COMESA–EAC–IGAD. RECs have adopted their FTA regimes and a broad range of measures and programmes for trade facilitation—a definition of which is hard to pin down, although the benefits are clearer (box 4.1).

Yet transport costs remain the highest in the world. It costs, for example, US\$5,000 to ship a 20-foot container from Durban to Lusaka—far more than the US\$1,500 it costs to ship the same container from Japan to Durban (TradeMark Southern Africa, 2011). They stay this way largely because, although Africa's programmes are well conceived, implementation is poor. Inadequate resources and lack of skills, as well as lack of political will, all contribute. Exogenous factors, notably poor security, also weaken implementation.

It is dear to facilitate trade and transport, given the considerable costs of buying equipment and training staff. Even so, studies demonstrate that benefits outweigh the costs. A study by the Organisation for Economic Co-operation and Development (2005) illustrates that there is a link among increased trade flows, government revenue and improved trade facilitation, and that the last also has a positive effect on countries' attractiveness to foreign direct investment (FDI).

This chapter first examines key strategies within RECs, comparing trade facilitation measures and identifying common threads and differences, best practices and gaps,

### Box 4.1

#### Trade facilitation—definition and benefits

A broad definition of trade facilitation encompasses policies to reduce trade transaction costs, including “behind-the-border” policy reforms and the reduction of transaction costs resulting from cumbersome administrative customs, documentary requirements and border procedures that affect cross-border movement of goods and services. The term also covers simplification of the logistics, documentation and customs procedures involved in transiting goods through ports and land borders. It refers, too, to “domestic” policies and institutional structures that create an enabling environment for trade. Finally, it can take in harmonization of national and regional standards with international standards.

ARIA IV and V looked closely at trade facilitation issues. ARIA IV identified the key non-tariff barriers and trade facilitation gaps that still impede intra-African trade. ARIA V, using computable general equilibrium modelling, found that in a CFTA scenario intra-African trade would increase from 10.2 per cent in 2010 to 15.5 per cent in 2022. Improved trade facilitation and tariff reductions would more than double such trade in the period, to 21.9 per cent. A similar study by the Asia-Pacific Economic Cooperation (2002) using such modelling found that reducing trade costs by 6 per cent through trade facilitation measures would raise the region's GDP by 0.9 per cent.

with an eye on achieving a CFTA by 2017. It then looks at rail, ports and the main missing road links, which are crucial as road transport already carries more than 80 per cent of regional trade. Traditional funding for infrastructure has limitations, so the chapter reviews other options. Subsequently, the chapter focuses on one-stop border posts and their management systems, underlining the importance of automation and training. It ends with recommendations, primarily for RECs and member States, that envisage strong cooperation among public and private agents.

## Trade facilitation measures and programmes to underpin the CFTA

This section presents a comparative analysis and assessment of trade facilitation approaches in RECs. They have already been designed by RECs, but as RECs operate independently and their implementation rates differ by measure or programme, the point of departure for the CFTA is to borrow from the best that RECs can offer. In other words, their task is to harmonize, refine and enhance these approaches.

### Acceptance of basic international rules in trade facilitation

The rapid growth of international trade after World War II brought with it (and was itself boosted by) the need to establish global rules of trade and harmonize customs procedures and documentation. Reforms were championed by international organizations and secretariats, notably the General Agreement on Tariffs and Trade, which eventually became the World Trade Organization (WTO); the World Customs Organization (WCO), including the Kyoto Convention; and the United Nations Economic Commission for Europe (UNECE).

#### WTO

WTO deals with global rules of trade among nations. At its heart are WTO agreements negotiated and signed by the bulk of the world's trading nations, including most of the RECs' member States (table 4.1). A full member of WTO must fulfil the conditions of membership laid out in the WTO agreements.<sup>6</sup>

Article V (Freedom of Transit), Article VII (Valuation for Customs Purposes), Article VIII (Fees and Formalities Connected with Importation and Exportation) and Article X (Publication and Administration of Trade Regulations) of the General Agreement on Tariffs and Trade, 1947, are particularly relevant to trade facilitation. Articles V, VII and X form part of the current WTO negotiations on trade facilitation that began in 2004. Negotiations to clarify and

update these provisions are in advanced stages, as reflected in members' textual proposals prepared by WTO (2006).

#### WCO

The WCO is the global centre for customs expertise and plays a leading role in discussions and promotion of modern customs systems and procedures. Key international agreements include the HS Convention; the International Convention on the Simplification and Harmonization of Customs Procedures (the Revised Kyoto Convention—box 4.2); the ATA Convention on Temporary Admission (the Istanbul Convention); the Arusha Declaration on Customs Integrity; and the SAFE Framework of Standards to Secure and Facilitate Global Trade.

The HS multipurpose nomenclature is used as the basis for customs tariffs and for the compilation of international trade statistics. It includes about 5,000 commodity groups, each identified by a six-digit code arranged in a legal and logical structure with well-defined rules to achieve uniform classification. The HS is used in freight tariffs, internal taxes, transport statistics, compilation of national accounts and so on. The HS has been amended occasionally, the last time in 2012.

#### Box 4.2

##### The Revised Kyoto Convention

The Revised Kyoto Convention came into force in 2006. It comprises several key governing principles: transparency and predictability of customs controls; standardization and simplification of the goods declaration and supporting documents; simplified procedures for authorized persons; maximum use of information and technology; minimum necessary customs control to ensure compliance with regulations; use of risk management and audit-based controls; coordinated interventions with other border agencies; and a partnership with trade.

#### UNECE

UNECE has produced more than 50 agreements on transport and trade facilitation, including the TIR Convention (discussed more in the following subsection).

UNECE membership is confined to Europe, but international agreements elaborated under its auspices are open for signature, ratification or accession by other countries. African states have shown little enthusiasm (table 4.2), however,



Table 4.1

## Ratification or accession by African states to key international conventions

Country	WTO ratification	WCO Revised Kyoto Convention	WCO HS Convention
Algeria		●	●
Angola	●		●
Benin	●		●
Botswana	●	●	●
Burkina Faso	●		●
Burundi	●		
Cameroon	●		●
Cape Verde	●		●
Central African Republic	●		●
Chad	●		●
Comoros			
Democratic Republic of Congo	●	●	●
Republic of the Congo	●		●
Côte d'Ivoire	●		●
Djibouti	●		
Egypt	●	●	●
Equatorial Guinea			
Eritrea			●
Ethiopia			●
Gabon	●	●	●
The Gambia	●		
Ghana	●		
Guinea	●		
Guinea-Bissau	●		
Kenya	●	●	●
Lesotho	●	●	●
Liberia			●
Libya		●	●
Madagascar	●		●
Malawi	●		●
Mali	●	●	
Mauritania			●
Mauritius		●	●
Morocco		●	●
Mozambique	●	●	
Namibia	●		●
Niger	●		●
Nigeria	●		●
Rwanda	●	●	●
São Tomé and Príncipe			
Senegal	●	●	●
Seychelles			
Sierra Leone	●		
Somalia			
South Africa	●	●	●
South Sudan			
Sudan		●	●
Swaziland	●		●
Tanzania	●		●
Togo	●		●
Tunisia	●		●
Uganda	●	●	●
Zambia	●	●	●
Zimbabwe	●	●	●

Note: States with WTO observer status are Algeria, Comoros, Equatorial Guinea, Ethiopia, Libya, São Tomé and Príncipe, Seychelles and Sudan.

Source: Compiled by ECA consultants from published sources.

Table 4.2

## Ratification or accession by African states to international conventions recommended in various REC treaties

Country	Road Traffic 1968	Road Signs 1968	Harmonize Frontier 1982	Temp. Import Private 1954	Temp. Import Commercial 1956	Touring Facilities 1954
Algeria						
Angola						
Benin						
Botswana						
Burkina Faso						
Burundi						
Cameroon						
Cape Verde						
Central African Republic	●	●		●		●
Chad						
Comoros						
Democratic Republic of Congo	●	●				
Republic of the Congo						
Côte d'Ivoire	●	●				
Djibouti						
Egypt						●
Equatorial Guinea						
Eritrea						
Ethiopia						
Gabon						
The Gambia						
Ghana				●		●
Guinea						
Guinea-Bissau						
Kenya	●					
Lesotho			●			
Liberia	●	●	●	●		●
Libya						
Madagascar						
Malawi						●
Mali				●		
Mauritania						●
Mauritius						
Morocco	●	●		●		●
Mozambique						
Namibia	●					
Niger						
Nigeria	●					●
Rwanda						●
São Tomé and Príncipe						
Senegal	●	●		●		●
Seychelles	●	●		●		
Sierra Leone					●	●
Somalia						
South Africa	●					
Sudan				●		
South Sudan						
Swaziland						
Tanzania						
Togo				●		●
Tunisia						
Uganda				●		●
Zambia						
Zimbabwe	●					

Note: Full names of conventions are Convention on Road Traffic, 1968; Convention on Road Signs and Signals, 1968; International Convention on Harmonization of Frontier Controls of Goods, 1982; Customs Convention on Temporary Importation of Private Vehicles, 1954; Convention on Temporary Importation of Commercial Vehicles, 1956; and Convention Concerning Facilities for Touring, 1954.

Source: UNECE Transport Agreements/Conventions, status at 11 November 2010.

despite REC treaties having borrowed liberally from UNECE agreements. Accession to UNECE agreements is recommended.

The acceptance of common international trade rules coupled with the introduction of automation has created a positive environment for cargo handling and improved the relationship between customs and the trading community. More standardized and simplified documents and procedures recommended by WCO improved cargo clearance times. Automation has helped minimize human contact and rent seeking, as traders can submit customs declarations from their offices, assess customs duties payable and make payments online. Risk management and audit-based controls, too, have expedited cargo clearance times.

Global changes to customs formalities have also affected port operations. Automation has enabled port authorities, shipping agencies, freight forwarders, customs bureaux and transporters to exchange information online. (Two examples—the Kilindini Waterfront Automated Terminal Operating System in Kenya and single-window systems in Ghana and Mozambique—are boxed in chapter 5.)

As the continent moves towards the CFTA, the remaining member States should consider joining WTO and acceding to key conventions. The latter include Road

Traffic, 1968; Road Signs and Signals, 1968; Harmonization of Frontier Controls of Goods, 1982; Temporary Importation of Commercial Road Vehicles, 1956; Temporary Importation of Private Road Vehicles, 1954; and Touring Facilities, 1954. ECOWAS decision A/Dec 2/5/81 on Harmonization of Highway Legislation urges member States to ratify the 1968 Road Traffic and Road Sign Convention. This is echoed in the COMESA Treaty (Article 85). The EAC Treaty also urges the ratification of the United Nations Convention on Multimodal Transport and the Customs Convention on Containers, 1972.

## Regional customs transit systems

The treaty establishing ECOWAS in 1975, the Preferential Trading Area (PTA) Treaty of 1981 and other treaties that followed later embodied Africa's desire for and expression of economic cooperation and integration. The PTA Treaty had four protocols: Customs Cooperation (Article II); Transit Trade (Article V); Transport and Communication (Article VII); and Simplification of Trade and Documents and Procedures (Article X). Based on such protocols, RECs created trade facilitation instruments: the ECOWAS Convention on Inter-state Transit of Goods (ISRT), the PTA Road Customs Transit Declaration and the UDEAC Inter-state Transit Regime (TIPAC).

UMA, in contrast, has acceded to the TIR Convention (table 4.3).

Table 4.3

### Ratification or accession by UMA countries to international agreements adopted under the auspices of UNECE, as of 30 December 2011

Number	International agreements and conventions	Algeria	Morocco	Tunisia
1.	Road Traffic, 1949	●	●	●
2.	Road Signs and Signals, Protocol, 1949			●
3.	Road Signs and Signals, 1968		●	●
4.	Contract Road Goods Transport, 1958		●	●
5.	Contract Road Goods Transport, Protocol, 1958		●	
6.	Touring Facilities, 1954	●	●	●
7.	Touring Facilities, Protocol, 1954	●	●	●
8.	Temporary Importation of Private Road Vehicles, 1954	●		●
9.	Temporary Importation of Commercial Road Vehicles, 1956	●		
10.	Temporary Importation of Aircraft Parts, 1956	●	●	
11.	TIR Convention, 1954		●	●
12.	TIR Convention, 1975	●	●	●
13.	Customs Container Convention, 1972	●	●	●
14.	Dangerous Goods by Road, 1957		●	●
15.	Liability Dangerous Goods by Road, 1989		●	
16.	Perishable Foodstuffs, 1970			●
17.	Vehicle Regulation, 1998			●
18.	Global Vehicle Regulation, 1998			●
19.	Harmonization of Frontier Controls of Goods, 1982			●
20.	Customs Container Convention, 1954	●		
21.	Issue and Validity of Driving Permits		●	

Note: Libya and Mauritania have signed none.

Source: [www.unece.org](http://www.unece.org).

These regional customs transit systems were inspired by prevailing best practices exemplified by the operation of the TIR Convention. However, while the PTA Regional Customs Transit System mirrors the traditional customs approach of separating customs declaration procedures from customs bond or guarantees procedures, ECOWAS in ISRT and CEMAC in TIPAC follow the TIR Convention according to which the carnet serves both customs procedures.

The pillars of the TIR Convention (also mentioned in the ISRT and TIPAC conventions) are that goods should travel in secure vehicles or containers; duties and taxes at risk should throughout the journey be covered by a regionally valid guarantee mechanism; 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; and customs control measures taken in the country of departure should be accepted by the countries of transit and destination.

Admittedly, the TIR Convention system that embraces the customs declaration and guarantee in one document is more attractive than the two-tier PTA version. However, the challenge it poses is that the entire system falls apart if member States fail to put in place any one of its pillars. The sticking point is a regionally valid guarantee mechanism.

ECOWAS made attempts to push through with ISRT. A supplementary convention on guarantee mechanisms was adopted in 1982. According to the 1982 A/P4/5/1982 Convention on Road Transit, security for duties and taxes was to be provided by a guarantee from reputable financial institution affiliated with the West African Clearing House or any government-approved institution in member States.

In Directive C/DIR3/12/88 on the Implementation of the Land Transport Programme, the Council of Ministers directed the Executive Secretariat to accelerate the setting up of a single guarantee system for goods in transit.

In 1990, the “urgent necessity” to establish a satisfactory mechanism led to the signing in Banjul of the A/SP1/5/90 Supplementary Convention according to which the mechanism for ISRT should consist of a chain of national bodies responsible for the guarantee, each national body being designated by each member State.

In response to these directives, some member States (such as Burkina Faso and Mali) designated their shippers councils as national guarantee bodies, but the absence of action from other member States meant that

a chain of guarantee institutions was lacking. And the limited financial capacity of shippers councils inspired little confidence that such institutions could be credible interlocutors for the ISRT (de Matons, 2004).

In the 1990s, COMESA focused its efforts on the Regional Customs Transit Declaration, which paid off. The declaration became widely accepted in Southern Africa (Simuyemba, 1994). Recent efforts by COMESA to implement its Regional Customs Transit Guarantee scheme was launched against the backdrop of ECOWAS and CEMAC experience, which shows that national tracking associations and shippers councils alike are too weak (financially and managerially) to manage regionally valid guarantee systems (LOGISTRA Consulting, 1999).

COMESA's subsequent idea to enlist the insurance industry has the merit that the industry already manages third-party motor insurance schemes, which although not perfect are among RECs' more successful projects. Participating states establish national sureties that are regionally bound through “inter-surety agreements.” At the apex are the Council of Sureties, which manages the scheme, and an insurance pool, which underwrites the operations of the Regional Customs Transit Guarantee scheme. The scheme is acquitted in national customs ICT systems in a manner similar to how national bonds are acquitted.<sup>7</sup> Acquittal of the Regional Customs Transit Guarantee Bond in Kenya, for example, is reported to be faster than acquittal of national bonds.<sup>8</sup> About 200 carnets were issued in 2012. Participating sureties are Burundi, Kenya, Rwanda and Uganda. Djibouti, Ethiopia and DRC have expressed interest in joining.

If the COMESA trials of national sureties are successful, the model can be rolled out beyond COMESA. However, if more UMA member States accede to the TIR Convention, two parallel systems in Africa will emerge—an issue to be tackled in the run-up to the CFTA.

A continent-wide customs transit regime is therefore both necessary and within reach. As discussed earlier, after years of procrastination and tinkering with ideas on regional customs, transit-system test results in the Northern Corridor and elsewhere indicate the feasibility of rolling out a regional customs transit regime. Any of the existing schemes (Customs Convention on Interstate Transit of Goods, TIPAC or COMESA) can provide the basis for such a regime. What is now required is the political will to act.

A regional customs transit system would yield tangible benefits, particularly for landlocked developing

countries (LLDCs), because of their impact on overseas shipments and their intraregional trade.

## Market access and services

Transport is an important sector recognized in all the treaties establishing RECs. Policy convergence among the RECs embraces cross-border movement of vehicles that are registered in member States; adoption of regional regulatory instruments, such as third-party motor vehicle insurance; and adoption of common technical standards for vehicles, including vehicle load control.<sup>9</sup>

### *Vehicles in cross-border trade*

The licensing of vehicles engaging in cross-border trade is generally left to member States. The ECOWAS Convention on Inter-state Road Transport<sup>10</sup> states that the conditions of delivery of licences shall be defined in bilateral and multilateral agreements. The CEMAC Inter-state Regulation on Licensing of Road Carriers<sup>11</sup> states that road carriers for their own account or for professional purposes need to be licensed.

In the ECOWAS and CEMAC/ECCAS regions, bilateral agreements contain freight-sharing arrangements. The Abidjan Protocol on Inter-state Road Transport stipulates that freight is distributed between countries, two-thirds for Niger and one-third for Togo for goods carried through ports and half each for other goods. Passenger traffic is split 50/50. Freight forwarders and other shipping agents adhere to the distribution of freight as stipulated in the agreement. The 1983 bilateral agreement between the Central African Republic and Cameroon allocates 40 per cent of transit cargo to Cameroon and 60 per cent to the Central African Republic.

Although in COMESA–EAC–SADC licensing of vehicles is also a government responsibility, it is not based on reciprocal quotas but rather on consideration of operators' fleet capacity and related criteria. The COMESA Carriers Licence Scheme goes one step further, seeking to replace various trip permits and other national licensing requirements for foreign carriers with a common regional standard. It also envisages replacing national with regional payments, permits and licences (Simuyemba, 1994). Under this scheme, transporters procure regional licences issued by authorities in their own countries, thus avoiding the hassle of obtaining licences at each border crossing and in foreign currency. (Although few countries have ratified the scheme, its logic and potential still resonate and its positive impact on trade facilitation cannot be denied.)

The ECOWAS–ECCAS quota system in contrast, particularly how it is managed by the authorities (shippers councils), has been criticized for contributing to inefficient transit transport in West and Central Africa (de Matons, 2004; LOGISTRA Consulting, 1999).

Across the continent, therefore, the regulatory framework governing transit transport is still unsettled. Attempts at a regional regime have secured only modest results, while policy and domestic legislation are incompatible—not conducive to the CFTA. The multilateral permit scheme in Europe offers a useful example of best practice that Africa can adopt. Permits are based not on quantitative criteria but on qualitative criteria relating to the financial and managerial capacity of operators.

### *Third-party motor vehicle insurance*

Vehicles in transit must either purchase insurance at each border crossing or arrange for a regional third-party motor vehicle insurance scheme. RECs have adopted regional schemes for this purpose, including third-party motor insurance schemes in ECOWAS (Brown Card), COMESA (Yellow Card) and CEMAC (Pink Card), as well as the Fuel Levy Scheme of the Southern African Customs Union (SACU). Some countries in UMA have opted for the Green Card, which is valid for European and Mediterranean countries.

The overarching objective of the regional schemes is to compensate victims of traffic accidents caused by vehicles in transit. However, funding modalities differ. In the SACU, the Fuel Levy Scheme, as the name suggests, is based on taxes levied on fuel purchases, while card systems are based on premiums. The advantage of the fuel levy is that the fuel price includes taxes, collected and consolidated in a special fund for victims of traffic accidents. However, the system works well for domestic traffic but is hardly suitable for vehicles in transit, which may purchase little or no fuel and yet cause traffic accidents involving huge compensation claims. For that reason, the card schemes based on the European Green Card appear to be better designed for regional and continental transit traffic.

The ECOWAS, CEMAC, COMESA and UMA schemes work on a collaborative arrangement between member States and insurance organizations to ensure that victims of road traffic accidents caused by transit vehicles are compensated and that medical expenses of drivers and crew are settled. When an accident occurs in the territory of a participating state, a national bureau of the state concerned takes responsibility on behalf of the equivalent bureau of the state in which the card is issued. This chain is backed up by repayment and settlement mechanisms as well as reinsurance.

The strength and sustainability of card systems, however, depends on the number of participating member States and insurers; the commitment of member States to support the system; member States or insurance associations meeting their obligations, notability and payments of contributions to the guarantee fund; solid sales of insurance cards; and fast settlement of claims. Performance of the systems may differ substantially depending on the financial and managerial capacity endowment of individual card systems. The UMA member States (Green Card) are no doubt well served, and the COMESA Yellow Card system (11 participating member States) appears to be in a fairly good financial position (COMESA, 2012).

Except for the SACU Fuel Levy Scheme, the card schemes share common features, making it easy to establish a continent-wide system—perhaps dubbed the “Black Card.”

#### *Vehicles: Technical standards*

All the RECs have established regional technical standards for vehicles, notably permissible axle-loads, maximum laden weights and vehicle dimensions (height, width and length). The rationale is to strike a balance between facilitating transit traffic and preventing road damage. The adoption of technical standards for vehicles in the different RECs (table 4.4) is evidence of convergence of views on the need to address this issue. The main area of divergence relates to maximum laden weights. ECOWAS and EAC have upper limits of 56 tonnes, more than the 50 tonnes for CEMAC and 46 tonnes for COMESA. CEMAC has a lower permissible vehicle length of 18 metres, while the other RECs allow up to 22 metres.

#### *Vehicles: Load control*

RECs have for many years adopted the same approach of harmonizing axle-load and vehicle standards while

leaving the vehicle load control to member States. However, the COMESA–EAC–SADC Tripartite Initiative has this on its agenda. The common procedures and regulations contained in the EAC Vehicle Overload Control Bill 2012 appear to reflect the outcome of the Tripartite Initiative, providing for:

- Weighbridge approval, calibration, verification and audit standards.
- Identification and conspicuous sign marks for weighing stations and weighbridges.
- Standardized forms for weighing operations.
- Regional weighbridge certificates acceptable to all national road authorities.
- Linking of weighbridge certificates with customs.
- Identification of authorized officers.
- Use of modern ICT in operation of weighbridges.
- Obligatory training of weighbridge and weighing station staff under a regionally prescribed training syllabus at accredited institutions.<sup>12</sup>

RECs’ vehicle technical stands are converging, despite some way to go on overloading. But this is not insurmountable, as the result of the Tripartite Initiative indicates agreement on a possible common regulatory framework.

### Road user charges

Efforts to generate revenue for road construction and maintenance in the RECs are apparent in the specialized road agencies and dedicated road funds in many member States. The convergence of views is that road

Table 4.4

#### Technical standards for vehicles in different RECs

REC	Axle-load limit (tonnes)			Maximum load (tonnes)	Maximum length (metres)	Maximum height (metres)	Maximum width
	Single axle	Tandem axle	Triple axle				
CEMAC	13	21	27	50	18	4	2.5
ECOWAS	12	21	25	56	22	4	2.5
COMESA	10	16	24	46	22		2.5
EAC	10	18	24	56	22	4.3	2.65

Source: Compiled by ECA.

user charges should be ploughed back into maintaining and improving road networks. Road users also caution against the proliferation of charges, fees and taxes to minimize administrative costs and delays.

RECs have left it to individual member States to determine the composition and rate of user charges, which therefore differ by state. COMESA produced a formula in 1991 to harmonize road user charges for its member States: US\$10 per 100 km for heavy goods vehicles, US\$6 per 100 km for rigid heavy goods vehicles and US\$5 per 100 km for big buses carrying more than 25 passengers.

The recognition by RECs that proliferating charges constrain regional trade has not led to an agreement on common user charges, but criteria and guidelines for them should be set. It may be possible, for example, to agree that they should be consolidated and collected by one authority to reduce costs and delays associated with current payment approaches.

## Visas and free movement of people

Intraregional trade is fuelled by traders, transporters (crew) and tourists. Traders not only need minimum interference, they also may find it necessary to establish branch offices to promote their business. Free movement of people is enshrined in RECs treaties. Special protocols such as the ECOWAS Protocol on Free Movement of Persons, the Right of Residence and Establishment detail provisions (and a phase-in plan for implementation to avoid unintended consequences; see ECOWAS, 2008). The convergence of views in many RECs, as discussed in chapter 2, is that the free movement of nationals of member States within the region is the essence and rationale for the establishment of the community—but that the implementation of this objective must be phased in to avoid unintended consequences. Accordingly, RECs have moved at different speeds to achieve their goals.

## Banking and payments

Most of the RECs envision the progressive development of their communities from FTAs to customs unions with the ultimate aim of becoming monetary and economic unions with a single currency. A single currency lowers transaction costs, eliminates exchange risks and lessens price instability, facilitating trade between countries of the region.

Although the RECs have yet to establish monetary and economic unions, the situation on the ground is more nuanced. The ECCAS member States that also belong to CEMAC<sup>13</sup> use the Central African CFA franc as a common

currency. The ECOWAS member States that also belong to UEMOA<sup>14</sup> use the West African CFA franc as a common currency. And the four SACU member States that also belong to CMU<sup>15</sup> have established a common currency area. The four countries retained their currencies, but they have fixed-ratio value among them.

The above picture implies that trade transactions among CEMAC and UEMOA member States benefit from the existence of common currencies, but beyond such common currency areas the need for a functioning payment system remains acute. Hence the steps to minimize the negative effects of exchange risks and price instability through convergence programmes (AU, 2009b).

ECOWAS member States outside the monetary union have over the years shown keen interest in establishing comprehensive payment systems based on “real-time gross settlement systems.” Institutions established to advance the initiative include the West African Monetary Agency, the West African Monetary Institute, the West African Bankers’ Association and central banks.

COMESA launched its much anticipated cross-border payment system on 3 October 2012. The regional payment and settlement system registered its first transactions between Bramer Bank of Mauritius and Fina Bank of Rwanda through the countries’ central banks. The system paves the way for trading on open account, the predominant method of payment within the EU and other parts of the world. The CFTA may call for continent-wide banking and payment systems, hence adjustments to RECs’ current systems or even new mechanisms.

## Corridor initiatives

### *A framework*

The corridor provides a good framework to consider transport infrastructure needs and logistical issues and challenges. The African Action Plan, adopted at the African Preparatory Meeting to the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and Financial and Development Institutions on Transit Transport Cooperation in 2003, lists the main corridors in Africa (table 4.5). Africa has 16 landlocked countries with a population of more than 200 million, which face distances to ports of 1,000–1,500 km.

### *Permanent secretariats*

RECs intergovernmental meetings provide opportunities to review physical and non-physical barriers along

Table 4.5

**Main corridors in Africa**

Corridor	Distance	Remarks
Dakar–Mali	1,250 km	Rail
Abidjan–Burkina Faso–Mali	1,200 km	Multimodal options to Ouagadougou, then road
Tema/Takoradi–Burkina Faso–Mali	1,100 km to Ouagadougou	Road
Lomé–Burkina Faso–Niger/Mali	2,000 km	Road
Cotonou–Niger–Burkina Mali	1,000 km up to Niger	Multimodal options
Lagos–Niger	1,500 km	Road
Port Harcourt–Chad		
Doualas–Central African Republic–Chad	1,800 km	Multimodal
Pointe Noire–Central African Republic–Chad	1,800 km	Rail/river
Lobito–DRC–Zambia	1,300 km	Not currently used
Luanda–DRC–Ruanda–Burundi		Not currently used
Walvis Bay–Zambia–DRC (Trans Caprivi)	2,100 km to Lusaka	Road
Walvis Bay–Botswana–South Africa (Trans Kalahari)	1,800 km	Road
Durban–Zimbabwe–Zambia–DRC (North–South Corridor)	2,500 km to DRC	Multimodal options available
Maputo–South Africa	600 km	Multimodal options
Beira–Zimbabwe–Zambia (DRC)	1,500 km	Multimodal options
Naccala–Malawi–Zambia–DRC	1,800 km to Lusaka	Multimodal options available
Mtwara–Malawi–Zambia–DRC		Not yet used for transit
Dar es Salaam–Zambia–DRC (TAZARA Corridor)	2,000 km to Lusaka	Multimodal options available
Dar es Salaam–Rwanda–Burundi–Uganda–DRC (Central Corridor)	1,400 km to Kigali 1,600 km to Kampala	Multimodal options available
Tanga–Uganda	1,500 km	Not yet developed
Mombasa–Uganda–Rwanda–Burundi–DRC (Northern Corridor)	1,200 km to Kampala 2,000 km to Bujumbura	Multimodal options available
Berbera–Ethiopia	840 km	Road
Djibouti–Ethiopia	900 km	Multimodal options available
Assab –Ethiopia	900 km	Not currently used
Massawa–Ethiopia		Not currently used
Port Sudan–Ethiopia		Not currently used
Lagos–Niger–Mali–Lagos–Chad as part of Central Corridor Light Rail Transit	8,000 km	Multimodal options available

Source: ECA (2003).

corridors,<sup>16</sup> but the need to pay closer attention to the problems and needs of particular corridors has led some member States in ECOWAS, COMESA and EAC to establish permanent secretariats to help overcome non-tariff barriers along the corridors. Port congestion leading to demurrage charges, transit delays and cumbersome border-crossing formalities are issues of particular concern to LLDCs.

The Northern Corridor, established in 1986, and those more recently set up (table 4.6) have brought institutional, legal and organizational solutions to bear on logistical problems.

The opportunity they offer to transit operators, enabling them to participate in corridor meetings, helps identify real problems and solutions, thereby facilitating effective implementation of measures and programmes.

#### *Spatial development initiatives*

Although transport corridors are important in improving logistics, their effectiveness is undermined by their inability to improve corridor infrastructure and facilities, which remain under the responsibility of individual member States.



Table 4.6

**Transport corridors with permanent secretariats**

Corridor	Member States
Northern	Burundi, DRC, Kenya, Rwanda, Uganda
Central	Burundi, DRC, Rwanda, Tanzania, Uganda
Djibouti	Djibouti, Ethiopia
Lagos–Abidjan	Benin, Côte d'Ivoire, Ghana, Nigeria, Togo

Source: Compiled by ECA.

The SADC development corridor initiative tries to address this weakness through its regional and international financing strategy. Dating back to the years when South Africa was under apartheid and when the front-line member States (Angola, Mozambique, Tanzania and Zambia) with help of development partners invested heavily in alternative transport corridors—notably the Dar es Salaam (TAZARA) and Beira corridors—to free Zambia and Zimbabwe from dependence on South African ports and corridors, the development corridor initiative has mobilized large investments for infrastructure. Identified priority infrastructure projects for 2012–2017 cost US\$50 billion (*Southern Africa Today*, 2012).

The spatial concept views corridor development in an integrated manner, upgrading transport corridors with simultaneous exploitation of other opportunities. The Maputo Corridor is the only corridor that has reached its full potential. SADC has identified eight corridors for development and investment (table 4.7).

The corridor concept—whether viewed as a platform to address logistical issues and problems or a framework for investments in transport and other areas—blends well with the notion of regional trade and integration, because both concepts focus on the interests of more than one

country. The corridor approach will thus be highly relevant to the CFTA.

*Monitoring mechanisms*

In spite of improvements in road infrastructure and adoption of a broad range of trade facilitation measures, transit traffic along many corridors in RECs still encounters many obstacles. RECs try to address them, but because of their wide-ranging nature and because many are corridor-specific, corridor initiatives have come to play an increasingly important role in problem resolution.

An ad hoc Task Force on Seamless Transport Services along the Northern Corridor between Mombasa, Kenya, and Bujumbura, Burundi, established in 2005, has been transformed into a regular Seamless Transport Committee. It works under the framework of the East African Trade and Transport Facilitation Project. The committee has considered issues on reducing transit times; implementing cargo-tracking systems to eliminate police/customs convoys; increasing port security in accordance with the International Ship and Port Facility Security code; reducing dwell time at Mombasa Port; decreasing border-crossing times; and establishing a port community base system at Mombasa Port.<sup>17</sup>

In the ECOWAS–UEMOA region, the proliferation of checkpoints, bribes and delays has been the subject of decisions. ECOWAS Resolution C/RECs4/5/90 urged partner states to reduce their number.

Decision A/DEC/8/94 on the Creation of National Committees for Monitoring the Effective Implementation of Decisions and Protocols in the Matter of Transportation also refers to the issue of proliferation of official or abusive checkpoints on interstate roads. The matter reached the heads of state in Decision

Table 4.7

**Development corridors in SADC**

Corridor	Origin–destination	Mode
North–South	Durban, Gaborone, Harare, Lusaka, Lubumbashi	Rail, road
Maputo	Maputo, Johannesburg, Harare, Manzini	Rail, road
Beira	Beira, Lusaka, Livingstone, Blantyre	Rail, road
Nacala	Nacala, Lilongwe, Blantyre	Rail, road
Dar es Salaam	Dar es Salaam, Lusaka, Lilongwe	Rail, road
Trans-Kalahari	Walvis Bay, Pretoria, Johannesburg	Road
Trans-Capriivi	Walvis Bay, Lusaka	Road
Lobito	Lobito–Shaba–Zambia	Currently closed

Source: Compiled by ECA.

A/DEC 13/01/03, relating to the establishment of a Regional Road Transport and Transit Programme, which established joint border posts and observatories to identify bad practices along corridors.

Since then a special project, the West African Trade Hub, has provided support to ECOWAS–UEMOA, providing data on three indicators: road checkpoints; delays en route; and corruption. The project covers all the major corridors of West Africa. For three corridors, bribes are declining, but the number of checkpoints has remained almost constant (table 4.8). Along single corridors, the Tema–Ouagadougou Corridor appears to have made progress by reducing delays, but the Lomé–Ouagadougou Corridor has seen delays worsen.

ECOWAS–UEMOA is aware of the bad impact that excessive checkpoints, delays and bribes have on regional trade and integration. These bad practices increase the cost of goods to the detriment of consumers and trade in general, and the unfair and ill-treatment of transitors can provoke violence, as happened in Cameroon (box 4.3).

The observatories launched by RECs will remain relevant when the CFTA comes into force. However, as the observatories are provided under technical assistance programmes, their continuation has to be addressed. Accordingly, consideration should be given to incorporating observatories in the work programmes of corridors or RECs.

## Lagging rail and port development, missing road links, mobilizing funds

Trade-related infrastructure embraces maintenance, improvement and construction of new facilities in rail, ports and roads (as well as air, inland transport, inland container

### Box 4.3

#### Douala–N'djamena Corridor services resume

A dispute that had disrupted transport services between Cameroon and Chad has been resolved. Consequently, the movement of goods between Douala Port and N'djamena, Chad's capital, are expected to resume soon. The disruption occurred following clashes between Chadian drivers and Cameroonian security officials on 14 February.

Among the decisions arrived at was that the number of security checkpoints between Douala and N'djamena be reduced to three, and that a special task force—Red Brigades—be set up within the next few days to ensure that the decision on checkpoints is respected.

Chadian transporters who carried goods from Douala have over the years been complaining that each trip to and from Douala to N'djamena cost them US\$1,000 in bribes to Cameroonian officials, even when they had all the necessary transportation and identification documents. This bribe cost was in turn passed on to consumers in Chad. This issue has been the subject of discussions in several meetings between officials of the two countries and meetings of ECCAS, leading to the institution of a number of regulations.

Source: Etahoben (2012).

depots, dry ports, storage, ICT, and energy generation and transmission). They are all needed to ensure the seamless movement of traded goods and services from centres of production to centres of consumption. The radial nature of transport corridors in Africa, with no or little connection between corridors (particularly railways also built according

Table 4.8  
Checkpoints, delays and bribes along three ECOWAS corridors

Corridor	Distance (km)	Checkpoints (controls per 100 km)		Delays (minutes per 100 km)		Bribes per 100 km (XOF)	
		2007	2011	2007	2011	2007	2011
Bamako–Ouagadougou via Heremakono	934	2.6	2.6	25	21	7,184	5,365
Lomé–Ouagadougou	1,020	1.7	1.6	12	18	2,695	1,532
Tema–Ouagadougou	1,057	2.2	2.2	48	27	2,412	1,480

Source: USAID/UEMOA reports on road governance.

to different gauges and without interconnections except in Southern Africa) underscores the critical need for constructing “missing links.”

## Rail and ports

Railway transport infrastructure in Africa is inadequate. With a surface area of 30.2 million km<sup>2</sup>, Africa has only 89,390 km of rail, or 2.96 km per 1,000km<sup>2</sup>, compared with 60 km per 1,000km<sup>2</sup> in Europe. Regional disparities are enormous. Southern Africa has the lion's share of Africa's railway network (38,513 km), followed by North Africa (19,931 km), East Africa (19,293 km), West Africa (9,717 km) and Central Africa (2,536 km).

Most networks outside South Africa operate with their original structures and tracks, which are more than 100 years old (with few upgrades). The low axle-load, low speeds, and small, undercapitalized networks have been under increased pressure from road transport, which benefits from improved technologies in road construction and vehicle design. In an attempt to improve railway capacity and performance, railway concessioning beginning in the mid-1990s became a major policy instrument. The concessioning of the Abidjan–Ouagadougou route in 1995 was followed by initiatives in 14 African countries.<sup>18</sup> There have been reports of success (Cameroon) and of failure and cancellation of concessions (Tanzania, Zambia; box 4.4).

Port development and services in the RECs present many challenges. The rapid evolution and increase in container traffic calls for expanding container storage space and

handling equipment. Ports also must improve safety, security and the environment to meet international standards.

Improving cargo clearance from ports requires joint efforts to improve port efficiency and productivity and to strengthen the take-off capacity of transport operators, and so the decline of rail transport has hurt port operations in RECs, except UMA and Southern Africa, where railway transport is still strong.

## Missing road links

Given the radial nature of many of the transport corridors, the missing links in road transport should narrow as the TAH takes shape. Indeed, Northern Africa, with only 1 per cent of the TAH network unpaved, has made real efforts, while other regions, notably Eastern and Central Africa, whose shares of missing links are still 17 per cent and 65 per cent, need to redouble their resolve (table 4.9).

## Mobilizing funds

Resource mobilization faces many challenges. Official development assistance, FDI and loans from international financial institutions are the main sources of financing, each with its own limitations. African countries therefore need to consider public–private partnerships (PPPs) and other innovative financing mechanisms.

### *Official development assistance*

Africa (excluding North Africa) received US\$20 billion in official development assistance in 2009.<sup>19</sup> Divided by

#### **Box 4.4**

### **Zambian government “grabs” assets**

Alexander Chikwanda, Finance Minister, disclosed that the government had acquired concession rights granted to Railway Systems of Zambia when he addressed the nation on Zambia National Broadcasting, saying that the compulsory acquisition of the concession rights had been necessitated by the consistence of Railway Systems of Zambia acting in a manner prejudicial to the interests of Zambians.

Mr. Chikwanda said the compulsory acquisition of the concession rights had been carried out because of unacceptably high derailments, as well as loss of life and property. In announcing the “nationalization,” he also cited mismanagement of infrastructure and

rolling stock, which led to the deterioration of assets and loss to the country as a whole.

He stated that the decision had been arrived at in accordance with the cabinet's mandate to safeguard the interest of the people of Zambia, adding that Zambia Railways Limited would take over the operations and management of the railway network, which was subject to a concession agreement in 2003.

President Michael Sata directed that the railways be “grabbed” and declared that he was ready to be taken to court if need be.

*Source: City Press (2012).*

Table 4.9

**TAH missing link indicators, 2008**

Region	Total TAH network (km)	Paved roads (km)	Missing links (per cent)
Northern Africa	13,292	13,195	1
Eastern Africa	9,932	8,201	17
Southern Africa	7,988	6,817	15
Central Africa	11,246	3,891	65
Western Africa	11,662	10,561	9
Total Africa	54,120a	42,665	21

a. Total distance does not include overlaps and extensions to Cape Town.  
Source: NEPAD Infrastructure–MLTSF Study, 2008.

the number of recipient countries and spread over many sectors (education, agriculture, infrastructure), it can only be a limited source of infrastructure financing.

*FDI and international financial institutions*

FDI potential as a source of financing for transport infrastructure is greater, but as investment is predicated on traffic volumes, which are low for most of the missing links across an empty country, the role of FDI is also likely to be limited.

Loans from financial institutions present similar challenges, as most of the potential borrowers are least developed countries. These countries are eligible only for International Development Association resources of the World Bank and the African Development Fund, which are limited. Least developed countries' access to commercial bank lending is hamstrung by their inability to bear high interest rates.

For these reasons, African states should request AfDB to raise its capital fund to enable it to increase the resource base of the African Development Fund window, which provides grants and loans to the majority of African states. Africa should also request the World Bank to step up its aid to Africa by increasing resource allocation to infrastructure development and expanding co-financing arrangements with other financial institutions, notably AfDB and development partners.

RECs and member States should make the fullest use of development aid, including aid for trade as demonstrated by the North–South Aid for Trade Programme (EAC, 2011b).

*PPPs*

Although the role of PPPs in infrastructure-related activities in Africa has so far been limited and the

results in certain sectors such as railway mixed, potential can be enhanced if high-level advocacy aimed at increasing awareness and understanding of policy and decision makers is made; if greater networking of PPPs and programmes aimed at sharing information and experience is promoted; if comprehensive PPP training of policy makers and practitioners is undertaken; and if academic and national training institutions (particularly those engaged in training civil servants) offer regular short- and long-term training programmes on PPPs. Existing institutional and regulatory arrangements to assess PPP readiness and standardize project development and implementation processes are being reviewed and strengthened.

*Development corridors and spatial development*

Given the natural resource endowment of Central African countries, such as DRC and Central African Republic, where most of the missing links are found, an approach involving development corridors and spatial development can be adopted. The Inga Dam project, for example, could be used as an anchor project for other economic projects, justifying the development of transport infrastructure and ensuring its sustainability. Countries could also use their natural resources as collateral or outright exchange for infrastructure development funds.

*Innovative financing mechanisms*

The international community should consider new modalities of financing, including:

- *Regional venture funds*—grants from multilateral organizations to pay development and management fees for selected countries or projects and to help promote interest in riskier infrastructure projects by reducing development risk.

- *Equity participation in local financial institutions*—when a foreign institution purchases shares in a selected bank that lends to small infrastructure projects.
- *Co-financing*—parallel loans to an infrastructure project by a multilateral financial institution and a local bank.
- *Bank-to-bank loans*—a foreign institution making a long-term loan to a local bank for forward lending to small projects.

sometimes found it convenient to use nearby border posts in the United States. In time, the concept evolved and spread to Europe and Latin America.

In Africa, the SADC Protocol on Transport Communications and Meteorology foresees the establishment of more OSBPs. The Chirundu OSBP between Zambia and Zimbabwe was one of the first such posts in Africa, opening for business in 2009 after years of negotiations (figure 4.1). OSBPs are now operating or under construction in ECOWAS, COMESA and EAC.

## One-stop border posts and border-post management systems

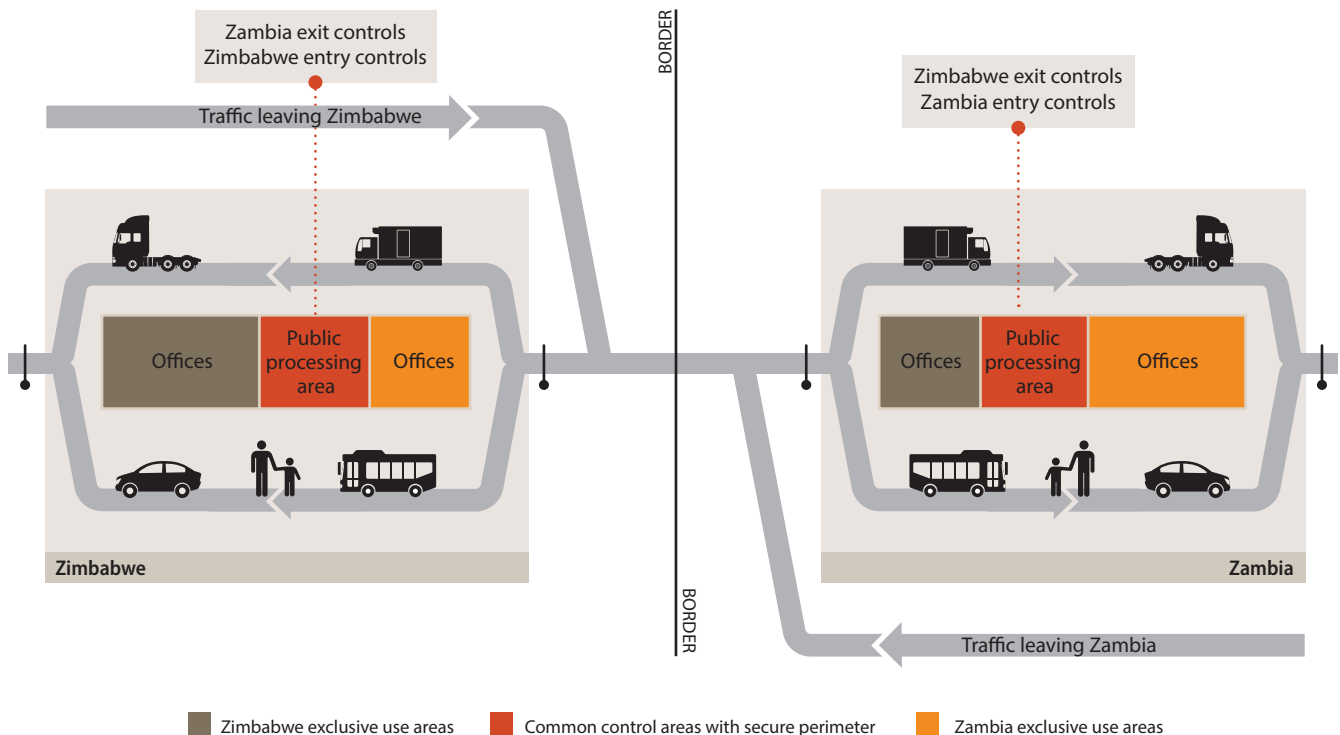
Goods in transit traditionally stop at both sides of the border to comply with exit procedures in one country and import or transit procedures in the other. One-stop border posts (OSBPs) are intended to provide space and facilities where transit traffic stops once for both inspection and clearance by the authorities of the two countries.

Some of the early OSBPs came about purely for convenience. Remote border posts in Canada, for example,

## Financing

Momentum for OSBPs gathered speed with financing from the European Development Fund (€44.5 million) to ECOWAS–UEMOA. Detailed engineering designs were prepared for five OSBPs: Noepe (Ghana/Togo); Seme/Krake (Nigeria/Benin); Malanville (Benin/Niger); Paga (Ghana/Burkina Faso); and Kouramalé (Mali/Guinea). For budgetary reasons, only the first three OSBPs were funded. ECOWAS–UEMOA is securing more funds for OSBPs, while the European Development Fund is financing OSBPs in East Africa.

Figure 4.1  
Impact of Chirundu OSBP



Source: Adapted from [www.translogafrica.com/page/border\\_posts\\_osbp](http://www.translogafrica.com/page/border_posts_osbp).

## Layout

OSBPs can be built on the border (figure 4.2), on each territory (figure 4.3) or on the territory of one country. The Chirundu (Zambia/Zimbabwe) and Noepe/Elubo (Ghana/Côte d'Ivoire) OSBPs are built on each territory, while the Séme/Krake (Benin/Nigeria) OSBP is being built on the territory of the country (Benin). Member States are taking steps to pass legislation and sign bilateral and inter-agency agreements to build and operate OSBPs.

## Facilities

The facilities to be installed depend on the volume of transit traffic and the structure of trade, which in turn determines the type of checks needed. Facilities should take into account future needs. The layout should bear in mind the requirements for pedestrians, passenger vehicles, goods vehicles and livestock.

OSBPs require adequate facilities for their functions. Large OSBPs need the following: two entry/exit gates with separate lanes for pedestrians and vehicles; a main building that would host offices of police, immigration, customs, health, and phytosanitary and veterinary agents; separate buildings for the customs inspection unit; stores; a scanner; a weighbridge; a building for transit operators (freight forwarders, insurance transporters, banks); a parking lot for all categories of vehicles; a garage for firefighters; toilet blocks; a covered area serving as a rest zone; a road network system and various networks; a borehole and water tower; an internal part made of wire mesh; a double security fence with an external part made of masonry, 3 metres high; and a livestock enclosure, 3 metres wide and opening directly to the area between the two fences and made as a passage for livestock.<sup>20</sup>

## Cargo-clearance systems

Cargo handling and the performance of import, export and transit activities at OSBPs bring together a host of public agents on both sides of the border (customs, immigration, policy, phytosanitary, health, veterinary, bureau of standards and licensing authorities) and private operators (transporters, insurance, banks, freight forwarders, pedestrians and tourists). OSBPs need to coordinate all of them.

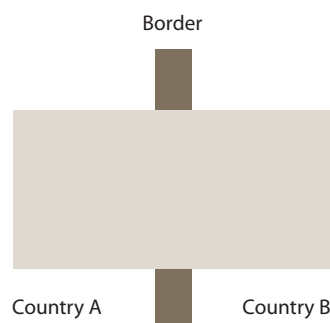
As certain functions, such as the collection of taxes and arrest of offenders, may require extension of national laws to a partner state, OSBPs will have to adopt laws (bi- and multilateral) to empower foreign public agents to exercise these powers outside their home territory.<sup>21</sup>

Most OSBPs use one of three systems of cargo clearance: sequential (more the traditional way of doing things), simultaneous and single-window (more used with OSBPs). When goods arrive in OSBPs (figures 4.4 and 4.5), one system is applied.

With sequential inspection, goods must be cleared by the agents of the country of exit before the agents of the importing country intervene. Harmonizing procedures are unnecessary. Vehicles may share a common parking facility, but clearance is done separately by agents of the two countries. In other words, there is not much to be gained from the traditional sequential inspection model.

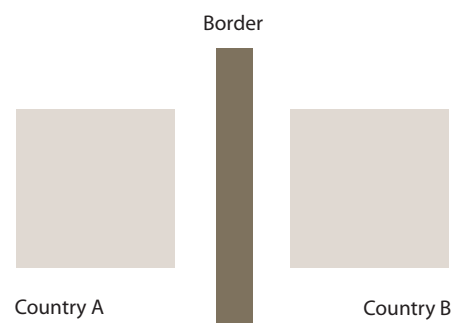
With simultaneous (or near simultaneous) inspection, procedures of the two countries have to be harmonized. The two countries' customs agents, for example, cannot conduct simultaneous inspections if their procedures are incompatible. How, say, can they work together if one

Figure 4.2  
OSBPs built on the border



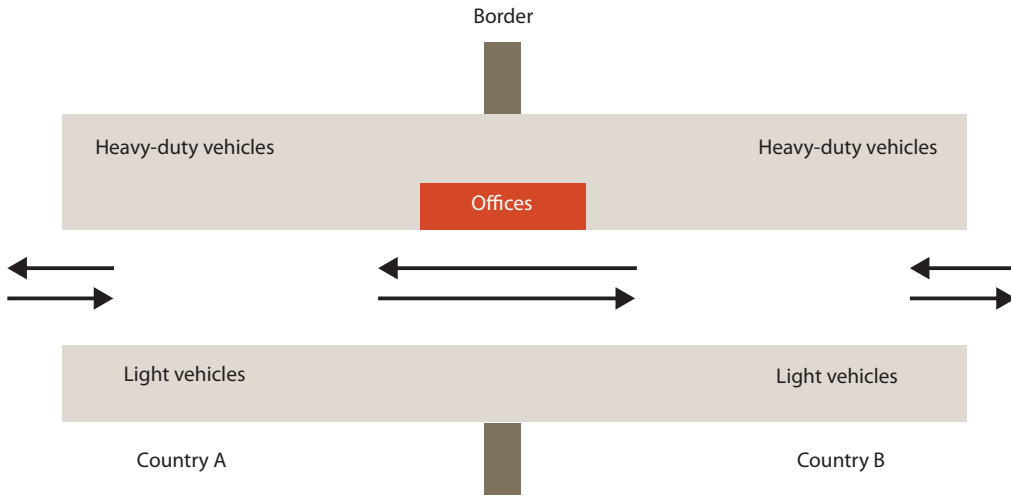
Source: Authors' illustration.

Figure 4.3  
OSBPs built in each territory



Source: Authors' illustration.

**Figure 4.4**  
**OSBPs at the common border**



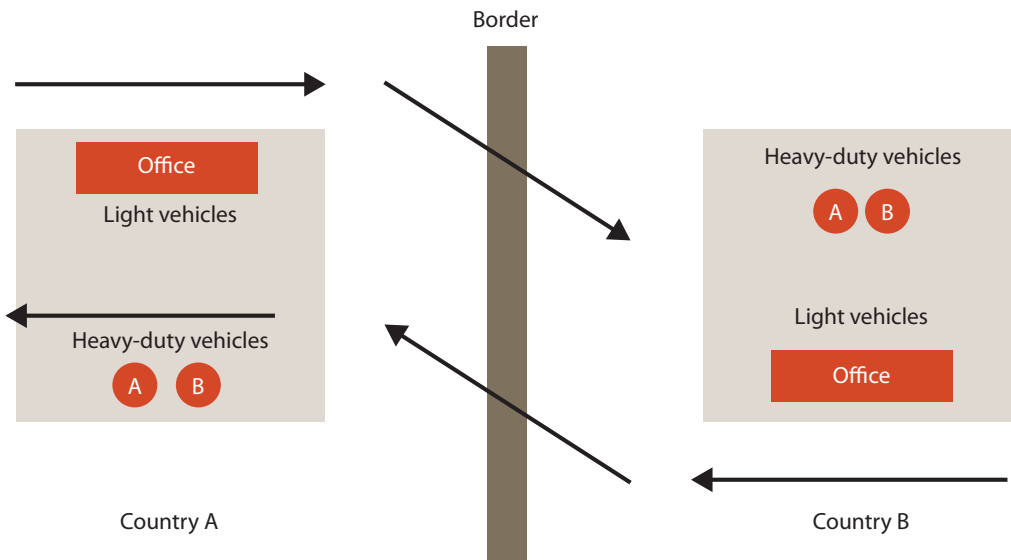
Source: Authors' illustration.

requires all containers to be opened for inspection while the other (applying risk management techniques) requires only 5 per cent of them to be opened?

The simultaneous inspection model covers not only customs but all public agents with their procedures and

formalities (police, immigration, phytosanitary, health). It changes not only procedures and documents but also the way of doing business. Equipment will have to be standardized and working hours harmonized, all requiring comprehensive inter-agency cooperation (OSCE, 2012).

**Figure 4.5**  
**OSBPs on the territory of member States**



Source: Authors' illustration.

With single-window inspection, the services of the two countries are not only in the same building but also in the same area. To accomplish import or transit formalities, the transitors (pedestrian, buses, goods vehicles) make only one stop at the desk where all the information is recorded. Agents of the two countries then access the information they need and take the necessary steps to clear goods or issue visas. (Automation, as chapter 5 discusses in detail, has made single-window systems far easier to run.)

## Harmonizing approaches

If clearance is based on simultaneous or single-window inspection, the two neighbours must work out modalities for cooperation and coordination. They should harmonize procedures, standardize equipment and adopt common operating methods.

Bilateral agreements would provide the framework for the type of system and prescribe the institutional and organizational entities for the clearance system. Most are supervised by ministerial committees (which provide policy guidelines and which are supported by chief executives or permanent secretaries), but the real work falls to joint border operations committees (JBCs), composed of the two countries' public agents. A customs agent usually chairs the JBC alternately—good practice given the key role that customs plays in clearing cargo. JBCs are responsible for day-to-day operations and prepare business plans and budgets.

How the JBCs in different countries finance their budgets is yet to be seen, as many JBCs are not yet operational and the matter has not been treated in bilateral agreements available to researchers. In the SADC region, operational budgets are likely to be financed from service charges levied from JBC users. The alternative is for governments to shoulder the cost of building and operating JBCs. But even then a distinction could be made between operational activities (with responsibility vested in JBCs) and management of OSBP infrastructure (turned over to separate public or private organizations). Agreements would of course spell out the duties on each side.

Although OSBPs are being developed with state funds, both the public and private sectors are important. Joint decision making would not only facilitate mechanisms and modalities for coordination and cooperation but also secure commitment for effective implementation.

### *Role of automation*

Automation plays a crucial role in speeding up cargo clearance at OSBPs: online information makes

preclearance of goods possible; application of risk management techniques minimizes the number of physical inspections; customs bonds can be retired as soon as goods exit the territory; and interface and connectivity with other relevant partners, such as freight forwarders and other customs administrations, facilitate cargo monitoring and clearance.

### *Training and certification*

Training of managers and operational staff must embrace both skills enhancement and instillation of a new culture of cross-border cooperation in harmonized, standardized and simplified procedures among public and private operators.

A training programme for OSBP operators in RECs is likely to call for heavy financial and human resources given the broad range of public and private agents at each OSBP and their number. Financially, the best way to estimate a figure is, say, a proportion of the cost of construction. To take an example from the ECOWAS–UEMOA OSBP project: the cost of building the Akuna–Noepe OSBP is €9 million; 5 per cent of that cost for training is €450,000. Perhaps inadequate for all training needs, €450,000 is still a good start and would boost OSBPs' effectiveness.

Certification of operators, such as freight forwarders and transporters, based on technical and financial capacity requirements may well eliminate small players, but the policy should yield efficiency gains and contribute to regional trade and integration.

### *Impact of customs transit systems*

Regional customs transit systems will facilitate OSBPs because a single regional customs bond will replace many national bonds, and goods will travel in secure vehicles or containers in line with regional transit regimes, thus obviating the need for physical inspection (unless seals have been tampered with).

### *Impact of cargo tracking*

Cargo tracking has been introduced in countries like Ghana and Kenya as a substitute for customs- or police-organized convoys to the borders. As many trucks arriving at OSBPs at the same time puts pressure on systems, cargo tracking helps promote smooth operations.

## Conclusions and recommendations

The Directive of the Heads of State and Government calling on RECs to strengthen and harmonize their programmes



ahead of the CFTA in 2017 is valid, given variability between successes and deficiencies. Getting regional customs transit systems up and running effectively is crucial.

The construction of OSBPs across the continent is a good strategy, but OSBPs are more than an exercise in infrastructure provision—they are a unique opportunity to simplify border crossing. They should have clearance systems that, preferably, apply simultaneous or single-window cargo clearance.

The effective implementation of the CFTA will depend not only on the tariff reductions and uniform rules of origin to be negotiated but also on good infrastructure

and elimination of non-physical barriers through full implementation of trade facilitation.

As trade-related infrastructure deficiency in Africa touches on the whole spectrum of infrastructure, PIDA, RECs and member States should make every effort to mobilize funds. The financing gap after traditional sources of funding have been exhausted calls for innovative ideas.

In sum, the task ahead entails all actors working collaboratively to harmonize, enhance and align policy and procedure to make trade facilitation serve the CFTA, such that all Africans gain.



# Chapter 5

## ICT for Regional Trade and Integration in Africa

ICT has the potential to transform business in Africa, driving entrepreneurship, trade, innovation and economic growth. This chapter offers a brief sketch of recent trends and the potential of ICT in several areas, by reviewing e-commerce in Africa and the barriers to developing it nationally and regionally. It looks at regional integration initiatives outside Africa and in RECs to see how they incorporate ICT into trade facilitation. The chapter concludes with examples of successful application of ICT in fostering trade and with policy recommendations for African governments, RECs and development partners.<sup>22</sup>

Poor interconnectivity and infrastructure, as well as long distances, hinder trade growth among African countries and between them and the rest of the world (Freund and Rocha, 2011; Brenton and Isik, 2012; World Bank, 2008). Moreover, rent seeking, distorted transport markets and lengthy dwell times at border crossings reduce productivity and inflate prices (especially for road transport), which are compounded by cumbersome transit procedures, overregulation, multiple checkpoints along corridors and poor data management (Freund and Rocha, 2011; Bromley and Foltz, 2011; AU and ECA, 2010). The upshot is that African countries lack competitiveness (Arvis et al., 2012). By contrast, transit in Europe—which provides a comparative yardstick—has transformed into a seamless network over the last five decades.

Cheaper and faster ICT connectivity has created the conditions for increasing trade while reducing transport and logistics costs, particularly for LLDCs (UNESCAP, 2006). Under the CFTA, Africa's long-term goal is to establish a network of interoperable automated and standardized customs-clearance systems that connect all participants engaged in trade and logistics. This will enable information to flow seamlessly—with limited manual interventions in clearing goods—increasing efficiency while reducing transit costs. Yet the key challenges to applying ICT in trade are not technical, but infrastructural and institutional—as the boxed case studies illustrate.

Most African countries have already begun introducing ICT in customs clearance and logistics across borders, and broadband networks and web-based applications have

increased access to trade information for businesses and governments. But the degree of ICT use in trade facilitation (and e-commerce) varies widely, raising concerns over the degree of convergence required for successful integration under the CFTA. Thus, as the last decade saw Africa focus on building ICT connectivity and access, future policy ought to focus on aligning ICT in trade among countries and regions as an engine of structural transformation.

### The power of e-commerce

#### Africa's next growth frontier

Industry experts point to e-commerce as the next frontier in global expansion, with developing markets, largely in Asia, Latin America and the Middle East, having the greatest potential for growth (AT Kearney, 2012).<sup>23</sup> Global e-commerce has grown 13 per cent a year over the past five years, and sales are expected to surpass US\$1.25 trillion in 2013. This growth can be attributed to the progression of enabling ICT infrastructure, regulatory frameworks and evolving consumer preferences.

The number of internet users is also forecast to grow—from around 2.2 billion at the close of 2011 to some 3.5 billion within the next decade (IMRG, 2012). Likewise, e-commerce through mobile devices is projected to reach US\$730 billion in the next five years (Juniper Research, 2012).

In major developed countries, domestic and cross-border retail is expanding through online channels as retailers invest less in traditional brick and mortar outlets (box 5.1). Such multichannel approaches are a novelty to most African markets, where the regulatory and ICT framework for e-commerce is still in its infancy, if existing at all. Progress is hampered by a lack of consumer trust, limited variety in inventory, and weak ICT and distribution infrastructure—which are critical ingredients for e-commerce retail.

The enabling framework also covers encryption and decryption; data confidentiality and security—for example, to process online payments (which also involves financial regulators); digital signatures, electronic contracts and

### Box 5.1

#### EU approaches

With its 60-year history of incremental integration towards a single economic space, the EU can provide useful pointers for African RECs on developing successful regional approaches to e-commerce.

The EU Single Market Act and the Digital Agenda for Europe recognize that information-society services such as e-commerce are key to boosting economic growth in the 21st century. By 2015, the bloc aims to have 33 per cent of small and medium-size enterprises conducting online purchases and sales and 20 per cent of the population buying goods on line (up from 9 per cent in 2010) from cross-border providers.<sup>1</sup>

E-commerce is a key tool for transcending national borders, giving EU consumers and firms access to a broader range of goods and services. The EU adopted the Internal Market Directive on Electronic Commerce in 2000. The directive aims to boost cross-border e-commerce (which stood at 4 per cent in 2010) and to provide legal certainty for online commerce vendors and consumers. Legislation was added on data protection and consumer affairs—to avoid having to constantly make amendments in the rapidly changing world of e-commerce. The legislation harmonizes certain information requirements, electronic contracting and liability for online intermediaries, but it does not cover taxes, online gambling, standards for goods, conditions for delivery or the transport of goods purchased on line.

*Note: 1. European Commission (2012).*

other forms of consumer protection; and protection for intellectual property rights (ECA, 2005). High levels of informality (accounting for 20–75 per cent of employment in some African countries) also constrain the growth of structured retail and the use of ICT in doing business (AU and ECA, 2010; Blades, Ferreira, and Lugo, 2011).

#### Africa-wide initiatives

African ministers responsible for ICT adopted the Tunis Declaration on Electronic Commerce for Development (2003), which recognizes ICT and e-commerce as powerful tools in productivity and trade. The ministers agreed to:

- Formulate and implement national and regional e-strategies and plans of action to develop ICT, e-business infrastructure and the environment.

- Integrate ICT and e-commerce strategies into national economic development plans.
- Adopt legislation to create a secure legal environment for electronic transactions, which is critical given e-commerce's rapid technological changes.
- Promote the use of e-commerce by firms to enhance efficiency and competitiveness.

The Tunis Declaration's objectives complement Africa's Information Society Initiative (1996), the African Regional Action Plan on the Knowledge Economy (2005) and the AU/NEPAD African Action Plan (2010–2015): Advancing Regional and Continental Integration in Africa. The latter calls for African governments to each deploy at least one flagship programme in e-government, e-education, e-commerce and e-health by 2015. PIDA has committed to developing an enabling environment for completing the regional fibre-optic and backhaul infrastructure and for installing internet exchange points in countries without them. Each country will connect with at least two submarine cables in order to expand broadband capacity.

#### Selected regional initiatives

Some regions have begun taking steps in line with the above initiatives. For example, ECOWAS ministers adopted the Supplementary Act on Cyber Crime (2008), a model ICT framework and an act on e-commerce, to fill the gaps in data protection. With World Bank support, ECOWAS has launched an integrated payment system and strengthened the regulatory framework for cross-border payments.

In the SADC region, work on ICT initiatives began in the 1990s. Most recently, following a review process supported by the ECA, ministers responsible for ICT approved the SADC e-commerce Strategic Framework (2012) as part of a broader "e-SADC" strategy. The Strategic Framework seeks to promote regional trade through e-commerce, focusing on harmonizing regulatory frameworks and trade facilitating infrastructure, supporting conducive business environments (at the national level) and building trust and confidence in the system's security among consumers and businesses. One proposal under the framework is to set up an SADC e-commerce observatory made up of focal points from each member State to coordinate and drive the e-commerce agenda while monitoring e-commerce flows on a quarterly basis (USAID, 2012a; ECA, 2012a).

The EAC Common Market provides opportunities to develop long-term, vibrant e-commerce among the five partner states. The EAC adopted a regional e-government

programme in 2006 (as part of a broader EAC development strategy) with support from ECA, aimed at using ICT to accelerate public service delivery and e-commerce (UNCTAD, 2012). Improved fibre-optic links to the region have slashed costs and increased bandwidth over the last decade. Subject to an enabling legal framework, this opens up immense possibilities for e-commerce (including cross-border trade) and other ICT-enabled activities in the region.

One of EAC's key challenges has been to harmonize member States' divergent cyber legislation and initiatives around themes such as electronic transactions and signatures, data and consumer protection. A second phase of reforms will look at issues such as intellectual property rights, competition and taxation.

Experience in East Africa has shown that sustained ICT reforms require committed resources, local ownership and a dedicated lead agency to constantly mobilize and coordinate stakeholders. Developing a critical mass of policy expertise is critical for advancing policy measures and regulations in line with international best practice. The need to build capacity is therefore continuous. The experience also shows that developing an e-commerce business in Africa presents unique challenges not seen in more mature markets (Koutonina, 2013). For example, the business model that has allowed e-businesses like Amazon and eBay to thrive would not work in many African countries, where key ingredients like consumer trust, sound electronic payments systems, adequate inventory, and solid distribution and warehousing are missing.

Most policy discussions on e-commerce in Africa emphasize the missing infrastructure, including backbone ICT, payment systems and distribution services (Murray, 2012). But policy makers must also understand how to develop a "market" that can incubate and sustain viable e-commerce. This market includes a middle class of 313 million Africans—those living on US\$2–US\$20 a day (AfDB, 2011). Based on an analysis in comparative markets,<sup>24</sup> the typical consumers engaged in e-commerce earn at least US\$800 a month, which is out of reach for most Africans, including some classified as middle class under the above definition.

Still, there remains some degree of optimism for the long-term. While industry figures vary, Nigeria's e-commerce sales are expected to double by 2014—having grown 25 per cent from N49.9 billion (US\$305 million) in 2010 to N62.4 billion (US\$381 million) in 2011. The government forecasts that roughly 6.2 million e-commerce-related jobs will be created by 2015. Online retail sites such as DealDey, Konga, Jumia.com and Nigeria's own eBay, Kaymu, have emerged despite limited ICT infrastructure, relatively small structured retail and a large informal sector. DealDey

#### Box 5.2

### Shoppers.co.ke

Launched in 2011, shoppers.co.ke is lauded as a breakthrough for e-commerce that is tailor-made for urban Kenyan internet users looking for anything from IT to clothing and accessories. Most of the inventory is sourced from local distributors.

The website provides all the essentials of an e-commerce retailer, including a shopping cart, checkout, a secure payment gateway via PesaPal and an order delivery system. In addition to major credit cards, the website allows shoppers to pay for products on line using mobile money accounts, including M-Pesa, Airtel Money and YuCash.

and Konga eventually established their own distribution systems using motorbikes and sourced IT support from outside the country. To combat the risk and lack of trust in online retail, Konga has opened several "pick-up stores," where customers can call in to order and pick up. Similarly, Jumia.com, which recently entered into a strategic partnership with mobile giant MTN, opened more than two dozen "cash-on-delivery centres." On the other side of the continent is another success (box 5.2).

In January 2013, the Kenyan government launched the first phase of the 250-acre Konza Technology City, outside Nairobi. Konza Technology City is expected to create more than 20,000 IT jobs by 2015 and around 200,000 jobs by the time it is complete in 2030. The 20-year project forms part of Vision 2030, aimed at positioning Kenya as East Africa's technological hub. It will be developed as a PPP and is expected to attract major global IT companies and incubate local IT start-ups. The goal over the next decade is for ICT-enabled services to contribute at least 25 per cent of Kenya's GDP. Kenya's ICT entrepreneurs have been urged to move from relying on grant funding towards approaching venture capital and other financiers with profitable business models. To develop a pool of highly skilled IT professionals, three of Kenya's leading universities have partnered with IBM to improve advanced training courses for IT engineers and for areas such as analytics, cyber security, social business and cloud computing. The national strategies undertaken by Kenya might provide lessons for countries interested in promoting ICT-enabled growth.

Gradual growth in household income, consumption and the use of social media in Africa has created a nascent market for e-commerce in the long term. Trust in structured online retail services in some jurisdictions is likely to gradually increase, as is demand for e-commerce among Africa's

youth. Yet given the large informal sector in some regions, many African countries will have to first complete traditional structured retail before making the leap to e-commerce. Indeed, not until the last decade did some regions witness the entry of large regional or international retailers, with the policy framework often containing gaps for traditional retail, wholesale and distribution (Dihele, 2011).

Building on continental and regional ICT objectives, RECs should ramp up their work to build regional and member States' e-commerce capacity, regulatory frameworks, and payment and logistics systems, though a culture of e-commerce needs time to take root.

The explosive growth of mobile technology in Africa over the past decade demonstrates the transformative power of ICT. In 2000, Africa, excluding North Africa, had fewer than 9 million fixed lines, with penetration of just over 2 per cent (Williams, Mayer, and Minges, 2011). By 2012, there were more than 650 million mobile subscriptions in Africa (AT Kearney, 2011), more than in the United States or the EU, making Africa the world's fastest-growing mobile phone market (figure 5.1; Yonazi et al., 2012). Few imagined that such demand existed, let alone that it could be afforded.

Africa's mobile decade has inspired the continent's economic growth, which averaged 5 per cent in the 2000s

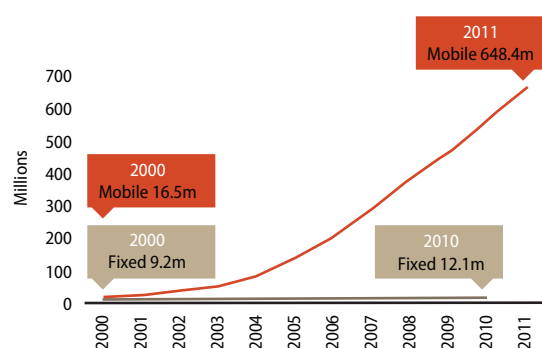
(AfDB et al., 2012). Between 2000 and 2008, Africa's early ICT reformers enjoyed an extra 1.2 per cent in GDP growth over later reformers (Williams, Mayer, and Minges, 2011; Waverman, Meschi, and Fuss, 2005; Qiang and Rossotto, 2009). Between 2000 and 2010, investment in ICT jumped more than fourfold, from US\$27 billion to US\$122 billion, though it later declined in North Africa due to the fallout from the Arab Spring (AfDB et al., 2011). Improved connectivity has made doing business easier, and today ICT contributes around 7 per cent of Africa's GDP—higher than the global average.

## Trade facilitation

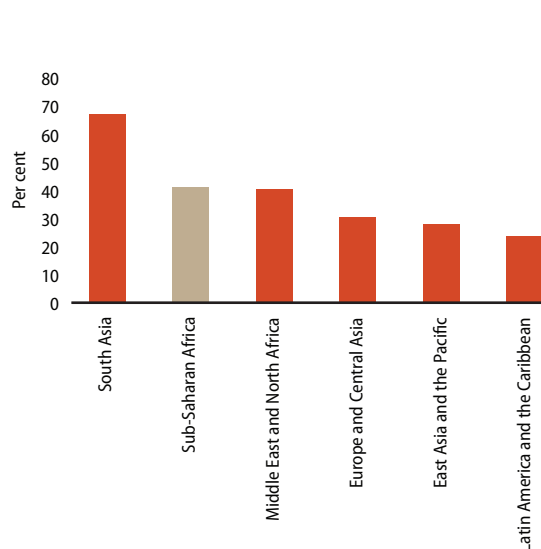
Similar to the impact of removing tariffs and quantitative restrictions, trade facilitation reforms can promote trade by reducing transport and transit costs and by improving overall competitiveness in the supply chain. One study projected that a global reduction in waiting times at ports or customs by one day would cut landed costs of goods by 0.5 per cent.<sup>25</sup> This would save developing countries US\$240 billion annually. ICT is a powerful complement to the traditional trade facilitation measures that deal with infrastructural and non-tariff barriers to trade, as countries and regional trade agreements (RTAs) around the world focus more on harmonizing and integrating trade and transport.

**Figure 5.1**  
Africa's mobile revolution, 2000–2011

Mobile phone and fixed line subscriptions



Average mobile phone growth rates by region



*Note: Regions in the right-hand chart cover developing countries only.*

*Source: World Bank, Wireless Intelligence and International Telecommunication Union.*

## International bodies and African trade reforms

International bodies have developed an array of technical instruments to support trade facilitation. Some of them are described below.

### *WTO*

Negotiations on trade facilitation under the Doha Development Agenda have a narrower focus than the development approach to trade facilitation. The WTO negotiations are aimed at clarifying and improving GATT Article V (Freedom of Transit), Article VIII (Fees and Formalities Connected with Importation and Exportation) and Article X (Publication and Administration of Trade Regulations).

GATT Article VIII, for instance, states that: “[the] contracting parties recognize the need for minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements.” Addressing these issues will help enhance transparency, predictability and due process and reduce arbitrary discrimination. The negotiations are also aimed at making provisions for technical assistance and capacity building for developing countries to support implementation of commitments and improve inter-agency cooperation between trade officials.<sup>26</sup>

Although trade facilitation is one of the more active areas of the Doha Round, African countries have expressed concern with the idea of developing binding multilateral disciplines on trade facilitation with the potential for disciplinary action for non-compliance. There have also been concerns over the unquantified costs of implementing obligations for trade facilitation, which has led to calls for developed countries to make binding commitments to fund implementation activities in developing countries (possibly as part of an “Aid for Trade Facilitation” package).

### *WCO*

The WCO is focused on increasing efficiency in customs administrations across the world and plays a critical role in trade facilitation in customs procedures. The Kyoto Convention aims to promote the global standardization and simplification of customs procedures.<sup>27</sup> The WCO has developed global standards under the Revised Kyoto Convention (RKC) for harmonized and simplified procedures, classification of goods, and data in IT systems. The RKC also promotes ICT in customs procedures. Some countries are interested in incorporating the RKC’s main principles into the binding and enforceable framework of

the WTO in areas such as transparency, predictability, standardization and simplification of goods declarations and supporting documents.

### *United Nations Conference on Trade and Development*

Since 1981, the United Nations Conference on Trade and Development (UNCTAD) has expanded the Automated System for Customs Data and Management (ASYCUDA)—a computerized customs management system that handles manifests, customs declarations, accounting procedures, and transit and suspense procedures. There are currently three versions (ASYCUDA World, ASYCUDA++ and ASYCUDA v2) used in more than 90 countries, territories and regions, including 42 in Africa. Assisted by the French government, some French-speaking countries opted for SOFIX—a French customs-management software suite.

Since the emergence of commercial Windows-based software and with cheaper bandwidth, countries can now develop in-house systems, outsource development to a third party or acquire an existing system like ASYCUDA from the market. Kenya, Mauritius, Senegal and South Africa have opted for customized solutions (discussed later in this chapter).

### *UN Centre for Trade Facilitation and E-business*

The last in this short list—the UN Centre for Trade Facilitation and E-business (UN/CEFACT)—is a key player in promoting harmonization and automation of customs procedures, as well as information requirements using international standards for transport and trade facilitation. It has made 35 recommendations on transport and trade facilitation, including recommendations 33 and 35 on the establishment of a single window.<sup>28</sup>

### *African trade reforms*

The first generation of trade reforms—measures to ease border restrictions to merchandise trade and to liberalize foreign exchange markets—are under way in most African countries. The next phase is to address the complex, behind-the-border measures. At a technical level, the global experience of ICT in trade facilitation centres largely on the development and implementation of national single window (NSW) principles, which enable data to be shared among traders and government and private sector actors. Africa’s experience with NSW principles is gradually increasing, augmented by the roll-out of ICT in border and port operations.



Some countries like Rwanda are making progress in establishing NSWs, integrating domestic agencies and stakeholders. The World Bank's *Doing Business* (2013) found that 71 countries have introduced NSWs. Of these, 18 have a NSW that links all relevant government agencies, while 53 have a system that does so partially. The ultimate objective should be to form a regional single window system (box 5.3; see Koh Tat Tsen, 2011).

Technology provides only a partial solution, of course, and must be backed up by reforms to inefficient or complex customs procedures. Regulations on data management, confidentiality, access and distribution are also vital. The legal framework, too, is important for structuring and operating national or regional single windows, in order to safeguard data transparency and security. The United Nations Commission on International Trade Law has prepared conventions, model laws and legislative guides that can help African countries and regions make rules for trade facilitation. It also offers technical assistance.

## Issues specific to LLDCs

During 1960–2000 LLDCs registered slower per capita income growth than their coastal neighbours and were characterized by low participation in regional and global trade. According to the World Bank, being landlocked adds roughly four days to the time for exports to reach a port and around nine days for imports. Transport costs to ship a container measured on six corridors from a developed country port to an LLDC averaged about US\$4,500, roughly 20 per cent more than from coastal countries (World Bank, 2008). Landlocked distance has a steep cost (box 5.4).

The Almaty Ministerial Conference (2003) was one of the first multilateral initiatives aimed at addressing the trade facilitation and transport challenges facing LLDCs—16 of which are in Africa (UNESCAP, 2011). The conference adopted seven objectives, which include securing access to and from the sea; reducing transport costs as well as loss, damage and deterioration of cargo en route; and improving competitiveness and transport safety. It also adopted an implementation programme of action highlighting five priority areas for landlocked and transit countries. Development partners responded by scaling up support and technical assistance for corridor and transport infrastructure projects, as well as customs and trade facilitation reforms, including transit systems. The World Bank reports that since the Almaty Conference, the export performance of LLDCs improved 24 per cent in each year, more than the 19 per cent for transit countries.<sup>29</sup>

Most countries begin by trying to address cumbersome procedures, rent seeking, trucking and logistics services

### Box 5.3

#### The Association of Southeast Asian Nations Single Window

The Association of Southeast Asian Nations (ASEAN) Single Window is one of the first attempts at regional connectivity, which will develop and interconnect NSWs by 2015 to allow the clearance of goods through a single submission. USAID is supporting ASEAN countries in developing an application for processing ASEAN certificates of origin—a model for harmonized data and documentation—and in assessing the readiness of national legal frameworks to accommodate the Single Window. While the hardware and software components are fairly straightforward, the supporting legal reforms are more complex—and expected to take more effort and time to implement.

*For more information, see <http://advanceiqc.com/category/advance/asw>.*

### Box 5.4

#### DHL Global Connectedness Index

The 2012 DHL Global Connectedness Index examines global connectedness at the industry level across 140 countries, finding that distance and borders matter, even online. But there has been progress: during 2005–2011, and despite being in the least connected region, African countries enjoyed the greatest average gains in connectedness, driven by trade growth. Top performers included Ghana, Guinea, Mozambique, Togo and Zambia. By comparison, North Africa and countries like Botswana, Burkina Faso, Burundi, the Central African Republic and Rwanda saw their rankings fall, due largely to little regional integration or being landlocked. The index argues that all countries have the potential to improve their attractiveness to foreign direct investment and competitiveness if they address their transport infrastructure and regulatory framework.

*For more information, see [www.dhl.com](http://www.dhl.com).*

in the transit/coastal country, whose impact reverberates on the LLDCs and distorts the supply chain. More efficient and lower cost transit will help both the transit country and neighbouring LLDCs. Designing and implementing efficient regional transit regimes across the continent is thus a priority. In addition to road transport, LLDCs need



to be supported in rail and air freight, through regional air hubs for example.

Several UN organizations, such as the Economic and Social Commission for Asia and the Pacific, have designed methodologies to measure corridor performance and demonstrate the costs and benefits for coastal countries providing transit services. They have also conducted diagnostic audits of facilitation problems in both LLDCs and coastal countries. These tools have been used to prioritize transit reforms.

Still, gaps remain in Africa. Despite the existence of regional transit agreements, the continent labours under weak institutional capacity. The involvement of multiple agencies and development partners leads to a range of diverse and sometimes conflicting approaches to facilitation, which must be addressed through coordination.

## RTAs

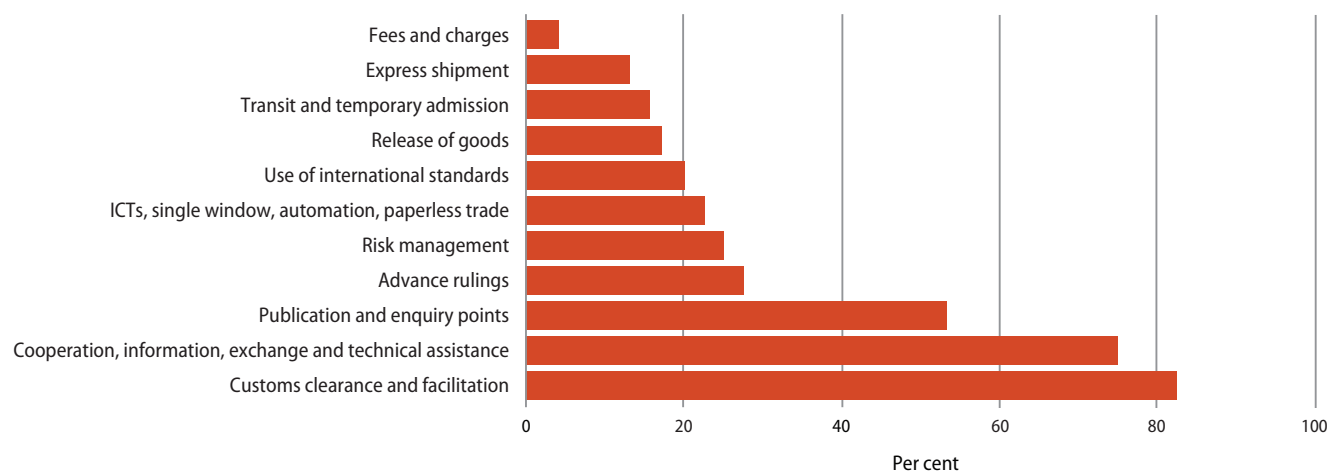
By 2010 more than 120 RTAs included provisions on trade facilitation—but with wide variation in scope, depth and detail (UNCTAD, 2011). Initially, such provisions were included within general principles on customs procedures (which have changed), but the scope of trade facilitation has since expanded to include transparency, simplification and harmonization of trade documents, as well as better coordination between government agencies and the private sector. Figure 5.2 provides a breakdown of trade facilitation provisions appearing frequently in RTAs, based on an analysis of 118 RTAs.

The provisions on trade facilitation found in RTAs are included rarely as enforceable commitments but usually as a programme of action. Comprehensive provisions on trade facilitation are typical in RTAs involving developed countries such as the United States and its agreements with third countries, the Japan-Singapore Economic Partnership Agreement and agreements within ASEAN (UNCTAD, 2011).

Trade facilitation is addressed in the interim Economic Partnership Agreements between the EU and the five African groups. Their focus is on harmonizing customs legislation, regulations and procedures; mutual recognition of authorized economic operators such as the US Customs-Trade Partnership Against Terrorism; customs modernization; ICT deployment; and international transit in accordance with international standards, for example, under the RKC. The agreements encourage improved transparency in making information available (in accordance with GATT Article X). They also emphasize cross-border and bilateral cooperation, with (non-binding) provisions on EU support to help African customs administrations effectively implement their trade facilitation commitments.<sup>30</sup>

RTAs are increasingly incorporating WCO- and WTO-type trade facilitation measures and principles from the RKC on simplified and harmonized customs procedures. Such internationally agreed benchmarks can provide useful convergence criteria between the RECs in pursuing the CFTA. Moreover, there is clear evidence of increasing convergence between regional provisions on trade facilitation and various multilateral principles driven by

**Figure 5.2**  
**Breakdown of WTO-type trade facilitation provisions in RTAs**



Source: UNCTAD analysis, 2011.

the WTO, WCO and UN/CEFACT. Both the Southern African Customs Union and SADC agreements, for example, call for non-discriminatory treatment of vehicles transporting goods in transit.

## Two regions' experiences

The following subsections highlight the experiences of two regions.

### *Asia-Pacific Economic Cooperation*

The 21 member economies of the Asia-Pacific Economic Cooperation (APEC) account for 54 per cent of global GDP and 44 per cent of world trade (WTO, 2012). Over the past two decades, the region has enjoyed an average of 10 per cent growth while cutting average applied tariffs from 16.9 per cent to 5.8 per cent (WTO, 2012). APEC has seen some success in organizing regional trade facilitation initiatives for its members under the Osaka Action Agenda (1996). A key objective is using new technology to achieve shorter clearance times, lower costs and increased business efficiency.

Under the Trade Facilitation Action Plans (TFAP I and II), APEC has sought to better focus and coordinate its trade facilitation work. By the end of TFAP I in 2006, APEC economies had managed to complete 62 per cent of more than 1,400 targeted trade facilitation actions and measures. At least 17 economies were also involved in the APEC Business Travel Card Scheme, which extends visa exemptions to business travellers from partner countries.<sup>31</sup> TFAP II aimed to further reduce transaction costs by 5 per cent between 2007 and 2010, with a revised menu of trade facilitation actions for member economies and a critical focus on providing capacity building and technical cooperation to support implementation within APEC's least developed countries.

### *Latin America and the Caribbean*

Trade facilitation reforms are a priority in Latin America and the Caribbean,<sup>32</sup> as seen in free trade agreements and strengthened market arrangements.<sup>33</sup> Close to half the 27 member States of the Latin American and Caribbean Economic System have implemented or are implementing NSWs. The region is also working on a digital system for signing and transmitting certificates of origin to provide greater security against fraud. Regional agreements on mutual recognition of authorized economic operators help facilitate efficient transit formalities relying on the certifications made by the customs of origin, thereby safeguarding the security of the cargo while circumventing the need for double customs control.

Several gaps have been identified in the region's trade architecture—which are relevant for African countries. For example, the inventory of member States' progress in implementing trade facilitation reforms needs to be updated and placed in a regional context. Capacity-building needs, lessons learned and best practices in regional cooperation also need to be systematically captured—also relevant for African countries.

## Measuring progress in trade facilitation

Three international indexes on trade facilitation (described below) can help guide reforms in Africa. Moreover, African governments can learn valuable lessons from strong performers like Mauritius, a good model for their own regulatory reforms (box 5.5).

### *Doing Business*

The World Bank's annual *Doing Business* report provides a reasonable measure of business regulations in 185 economies using 11 indicators.<sup>34</sup> The report's "cross-border trade" indicator is relevant for measuring a country's performance in trade facilitation across key fundamentals like time, cost (excluding tariffs) and number of documents and procedures involved in importing and exporting. *Doing Business* also examines logistics criteria such as the time and cost of inland transport from the port. In the 2013 edition, one-third of the 50 economies with the greatest improvements since 2005 are from Africa, though several African countries still score poorly on some indicators.

Over the last decade, the report notes that the most common features of trade facilitation reforms in all regions were (in order of importance) introduction or improvement of electronic submission and processing of customs declarations (110 economies); improvements to customs administration (61 economies); improved port procedures; and improvements to risk-based inspection systems (especially in Latin America and the Caribbean, APEC and the Organisation for Economic Co-operation and Development). These areas are where African countries need to further improve in order to enhance their competitiveness.

### *Global Enabling Trade Report*

The World Economic Forum's *Global Enabling Trade Report*<sup>35</sup> measures the quality of economies' critical physical and soft infrastructure for enabling trade and identifies areas for improvement. It has become a crucial reference tool for measuring national competitiveness and influencing investments decisions. It profiles 132 economies using the Enabling Trade Index and includes a survey of business executives identifying the most problematic export and

### Box 5.5

#### Emulating Mauritius

SADC ICT officials met in Mauritius in October 2012 to develop a SADC Customs ICT Strategy that would prioritize and harmonize regional ICT activities in accordance with the SADC Protocol on Trade. This represents a shift from the current regime, which comprises national or bilateral initiatives in customs modernization and e-commerce. The meeting involved a study tour to allow SADC officials to learn from the experience of the Mauritius Revenue Authority, which has successfully implemented such ICT initiatives as an NSW, an electronic certificate of origin, a cargo community system, a customs enforcement network and a paperless environment. As part of government reforms and technological modernization aimed at reducing the cost of doing business, aligning with international best practices and positioning the island as a major trans-shipment hub between Asia–Africa and Asia–Europe, the Mauritius Revenue Authority was established in July 2006 to amalgamate the previously separate departments of customs, large tax payers, income tax and value-added tax.<sup>1</sup>

The automation of customs was initiated in the early 1990s through the introduction of ASYCUDA and subsequent implementation of a Customs Management System (including risk management) under the Tradenet project. Tradenet is a single window network that allows traders, customs brokers, shipping agents and freight forwarders to submit declarations to customs without the requirement of physical copies, within a 15-minute

#### Notes:

1. Rajcooar (2011).

2. OECD (2013).

Source: USAID (2012a).

timeframe. The system has evolved over the last two decades, and today Mauritius provides for electronic submission of the customs declaration and bill of lading, thus speeding up trade process. The government established a Committee on Trade Facilitation under the Ministry of Foreign Affairs, International Trade and Regional Cooperation—whose work was guided by legislative changes relating to trade facilitation as a result of accession to the RKC in 2008. At the same time, the government set about eliminating import quotas, non-tariff barriers and customs duties on approximately 87 percent of tariff lines. Despite the tariff reductions, overall revenue collection (especially value-added tax at import and excise duty) growth remained above target over the last few years. Today, Mauritius performs better than average upper middle-income countries and the rest of Sub-Saharan Africa in information availability, advance rulings, appeal procedures, harmonization and simplification of documents, automation and internal border agency cooperation.<sup>2</sup> Political will has been a key ingredient to success. Meanwhile, a major threat to the reform process was the fear of job losses due to automation and limited financial resources against a need for extensive capacity building and purchase of equipment, structures and software. Therefore, the government had to engage staff representatives and trade unions throughout the change process, while using technical assistance from development partners like UNCTAD and the government of Singapore.

import areas out of a list of 10. The index looks at tariff issues, non-tariff barriers, customs services, time taken to export and transport infrastructure.

The report also looks at economies integrating into global value chains, identifying supply chain constraints and domestic governance reforms that can propel countries beyond their current reliance on preferential trade arrangements towards sustainable competitiveness in the global economy. Top-performing countries typically demonstrate high levels of transparency, due process, an enabling business environment, efficient border administrations and developed infrastructure.

The 2012 report identifies a high degree of diversity for enabling trade among North African countries, with Tunisia

ranking highest at 44 and Algeria remaining at 120. Key challenges for this region include restrictive trade policies and business environments and poor regional connectivity. Trade liberalization in recent decades has failed to substantially improve the trade performance of Africa as a whole. Despite enjoying trade preferences in several key markets, major improvements in trade facilitation have yet to be realized. It thus remains much more expensive to trade with Africa than with other regions.

#### *Logistics Performance Index*

Logistics services are a critical component of trade facilitation and the mainstay of global trade. They involve freight transportation, warehousing, border clearance and payment systems (among other operations). Logistics encompass

private service providers (acting on behalf of traders) and government agencies at ports and customs, among others. The World Bank's Logistics Performance Index, which comes out every two years, is based on a global survey of transport operators and freight forwarders and measures effectiveness of logistics. The index also provides quantitative data on the performance of six critical elements within the logistics chain in 155 countries. The index allows policy makers to measure a country's improvements in logistics over time. Developed countries continue to hold the top rankings in the 2012 edition, while 8 of the bottom 10 countries are in Africa, underlining the challenge still ahead.

## ICT, automation and trade facilitation in Africa

The automation of customs administration dates to the 1980s, when the first ICT applications expedited clearance and transit. It also enhanced security in the clearance process while increasing revenue collection rates. In recent times, networked ICT has become more integrated with trade facilitation. Given that ICT allows data to be stored, it is important in trade facilitation for the following three reasons (Yonazi et al., 2012):

- It enhances efficiency by reducing human interfaces, eliminating delays and the scope for corrupt interactions between traders and officials.
- It improves coordination among various agencies and customs administration involved in the trade process, especially national and regional government agencies.
- It expands the quality of information available to the private sector on trade processes and targeted markets, allowing them to mitigate risks in market entry and to manage shipments more efficiently.

Today, ICT is deployed in African trade facilitation initiatives, predominantly in customs automation and various aspects of the supply chain. This includes consignment tracking and port management in countries with major seaports, such as Kenya, Senegal and South Africa. Newer customs automation programmes seek to increase emphasis on paperless trade supported by data exchanged using single windows, as well as to incorporate online payments.

### Integrated management and single-window systems

International border posts, ports and airports are multifaceted communities that bring together customs, immigration, quarantine and security agencies, shipping

lines and agents, freight forwarders, brokers, port authorities and transport operators.

Customs and related border procedures are at the heart of the transit process and key to the relationship between ICT and trade facilitation. Clearance procedures were once conducted manually—and still are at many African border crossings. However, ICT has enabled these processes to be coordinated electronically, increasing efficiency while reducing delays and costs.<sup>36</sup> It has also reduced the need for human interactions and the chance of human error or corruption. Ideally, the RECs should operate as a single homogenous space (with no internal borders in the case of customs unions). However, various considerations (such as security) necessitate the retention of borders in some conflict-prone regions.

According to a USAID survey (2012b), 58 per cent of border delays are due to poor inter-agency collaboration. As a response in East Africa, for example, with USAID support, countries have initiated reform by forming JBCs consisting of various government agencies and private sector operators responsible for clearing goods on one side of the border. The stakeholders meet regularly to try and resolve issues. These JBCs are forerunners of more sophisticated integrated cross-border management mechanisms, but they provide a useful operational platform for like-minded development partners to train government and private sector officials and to kick start reforms such as the implementation of a code of conduct for clearing and forwarding agents, simplified certificate of origin applications and OSBP legislation.

Integrated cross-border management involves ICT-enabled data sharing and coordination among the customs, immigration, quarantine and security agencies on both sides of a shared border, and Africa is showing a growing trend in this direction, especially with OSBPs.

As stated above, the key innovation in global trade facilitation is the gradual integration of regional countries' systems within an NSW. Migration towards an NSW typically begins with a common data-gathering and -sharing approach for single-window processes, maturing over time to cover key areas along the supply chain and culminating in a fully integrated system (boxes 5.6 and 5.7).

Transport corridors (table 5.1) are integral to trade logistics for both landlocked and coastal countries (Teravaninthorn and Raballand, 2009). Yet Africa's foremost transport corridors still have high costs to move cargo to and from the ports, especially for LLDCs. Apart from poor infrastructure, multiple inspections lead to

Box 5.6

### Case study on the Kilindini Waterfront Automated Terminal Operating System

The Kilindini Waterfront Automated Terminal Operating System (KWATOS) is an NSW run by the Kenya Ports Authority (KPA). KWATOS is designed to automate key port operation areas, including container, conventional cargo and marine operations, and inland container terminals in Nairobi and Kisumu. The initiative began in 2005 when Total Soft Bank Ltd from the Republic of Korea—a company specializing in developing and operating port management and planning software—was contracted. KWATOS became operational in 2008.<sup>1</sup>

To run KWATOS well, the KPA has trained more than 2,000 people, including more than 900 clearing and forwarding agents, more than 500 container terminal personnel and 300 conventional cargo staff.

#### Challenges

Some of the key challenges in getting KWATOS up and running include:

- *Migration from SAP to KWATOS.* Before KWATOS, the port was using SAP, a financial billing system that lacked the ability to track movements of cargo in and out of the port. Data had to be uploaded to the new KWATOS system, leading to duplication and errors that required a system clean-up. This prevented users from lodging documents for a time.
- *Staff learning.* Staff at KPA had difficulties adjusting to the new system.

#### Changes in Mombasa Port due to KWATOS

Before KWATOS	After KWATOS
Manual documentation for cargo clearance and manual intervention by regulatory agencies.	Electronic documentation (paperless environment) requiring less physical displacement, use of pick-up orders for import and pre-advice for exports. Electronic intervention by regulatory agencies through KPA web portal.
Use of stand-alone internal systems requiring dispatch of manual papers between operations and finance leading to insecurity in the documentation process.	Interface of KWATOS and SAP's internal systems leading to fast, efficient and secure documentation processes.
Manual exchange of documents between regulatory agencies leading to delays and corruption.	Integration of KPA and stakeholder systems allowing for the exchange of electronic messages.
High cost in documents' security features.	Cost reduction with paperless environment—more secure.
Manual and laborious container inventory recording.	Automatic, accurate and real-time update on container location—faster turnaround.
Inefficiency of operation planning and procedures based heavily on manual systems.	Adequate planning and real-time operation allow for operational efficiency, increased throughput and shorter cargo dwell time.
Ship turnaround time averaged three days.	Ship turnaround time cut heavily.
Truck turnaround time averaged 12 hours.	Truck turnaround time averages four hours.

Note: 1. International Harbour Masters Association (2010).  
Source: Kenya Ports Authority, Kilindini Waterfront Project (2010).

- *External user adaptation.* External users had difficulties adapting to lodging documents electronically.
- *Information from shipping agents.* Shipping lines are expected to lodge electronic documents through KWATOS, including manifests, delivery orders and storage plans. However, shippers had a hard time adhering to the submission deadlines.
- *Integration with customs systems.* KWATOS's success relied on full integration with the Kenya Revenue Authority customs management system. Full integration of the two systems is critical for fully benefitting from automation. The systems have yet to be fully integrated, and there are too many manual interventions, leading to delays.
- *Network instability.* The system relies on the stability of internet and wireless networks, as it depends heavily on accurate information on "yard" inventory. Poor network stability has been a constant challenge.

#### Benefits

Despite its early teething problems, KWATOS has allowed for faster and more efficient processes, including faster delivery of cargo and reduced cargo dwell time, fewer displacements and resources required from port users, and enhanced efficiency of port infrastructure and human resources (box table).

### Box 5.7

## Case studies on NSWs in Ghana and Mozambique

Ghana was the first African country to launch an NSW.<sup>1</sup>

Aiming to become a gateway to West Africa, Ghana undertook an institutional audit in 1998 that identified a host of constraints in clearing goods. Customs regulations involved numerous and cumbersome procedures, causing clearance delays. Frequent human interactions resulted in many errors in import entries and provided fertile ground for corruption.

The response—in 2002—was to set up an NSW managed by Ghana Community Network Services Limited (GCNet), an incorporated PPP with shareholders that include Ghanaian customs, the Ghana Shippers' Council and private banks. The system is based on the Singapore model and has similarly been deployed in Madagascar and Mozambique. GCNet operates two integrated systems: the Ghana Customs Management System and the electronic trade portal Ghana TradeNet. GCNet connects all parties involved in processing trade-related documents through an electronic platform. On the capacity-building side, it supports customs modernization, training for the system's users among government and private sectors, and improvement of data management and revenue reporting.

The system was rolled out gradually, beginning at Kotoka International Airport and customs headquarters, followed by Tema Port, the Aflao border and Takoradi Port in 2003. Today the system handles 98 per cent of declarations. The new system allows traders to clear goods through a single electronic submission 24 hours a day, seven days a week. Entries are verified through a centralized platform, which also provides a risk profile and continuous monitoring of consignments.

The automated system has resulted in improved trade statistics, as well as greater transparency and efficiency. Government officials report that in the automated system's first year, customs revenue grew almost 50 per cent, with a substantial reduction in clearance times owing to less paperwork and fewer human interactions. Revenues have averaged annual growth of 23 per cent due to reduced corruption and greater efficiency. Clearance times at Kotoka International Airport fell to 1 day from 2–3 days before the NSW, while clearance times at Tema and Takoradi Ports fell to 1–3 days from 2–3 weeks. Infrastructure upgrades have also vastly improved working conditions.

Mozambique launched its own NSW in December 2011<sup>2</sup> and is sharing its experiences with other countries, including Botswana, Namibia and Malawi. Mozambique's customs reforms followed a diagnostic study in 2004 and study visits by customs officials to Ghana and Mauritius. The Mozambique Community Network (MCNet), which operates the NSW, is similarly a PPP, whose mandate is to facilitate international trade and enhance the business environment through innovative solutions. Like GCNet, under the NSW, MCNet offers two systems for the exchange of information between private users and government entities, with submissions and responses sent simultaneously and automatically except where human interaction is required.

The systems were developed for an investment of US\$15 million. The Mozambique TradeNet server is an ICT platform that allows information sharing among parties, including to terminal operators; and the Mozambique Customs Management System is a computerized system for processing goods-clearance operations. Users can electronically submit goods manifests and customs declarations 24 hours a day, seven days a week, while validation is done automatically.

The NSW provides a useful monitoring tool for customs and an integrated database of more accurate trade statistics. It also allows for an Integrated Risk Assessment Module for customs, automatic clearance of goods, and payment of any applicable duties and taxes through banks connected to the system. Implementation of the NSW has reduced the time and cost involved in clearance while removing the need for government officials to travel to where the goods are stored. The new system has the capacity to process 400,000 customs declarations per year, or about 1,500 a day.

Mozambique's case is noteworthy given the formidable infrastructure challenges at remote land borders. Resistance to change from certain stakeholders had to be surmounted<sup>3</sup> as the new NSW requires specialized training for change management for all stakeholders over 18 months. In addition, legislative reforms were necessary to ensure data security and privacy and to make possible the electronic submission of customs declarations and related processes. The integrity of the ICT platform was also critical, with data security provided through selected restrictions on user access rights, confidentiality agreements, high-security firewalls and data encryption.

*Continued*



Box 5.7

**Case studies on NSWs in Ghana and Mozambique (continued)**

Mozambique plans to incorporate additional services to provide for international data exchange. This is important given that Mozambique is a transit country to Malawi, South Africa, Swaziland, Zambia and Zimbabwe. The NSW was designed to improve revenue collection

by reducing the revenue leakage that occurs in transit. Special features of the NSW include GPS tracking and management of consignments in transit, as well as automatic detection of breaches in the consignment integrity along transit corridors.

*Notes:*

1. See [www.gcnet.com.gh/home](http://www.gcnet.com.gh/home). See also UNECE and UN/CEFACT (2006).
2. See [www.mcnet.co.mz](http://www.mcnet.co.mz).
3. See UNECE (n.d.).

*Source: Based on presentations made by GCNet and MCNet at the USAID/WCO Southern African regional conference, "21st Century Trade Facilitation Tools: Increasing International Competitiveness," 10–11 September 2012, Johannesburg.*

long delays and add to transport costs.<sup>37</sup> Key ports such as Durban (South Africa), Lagos (Nigeria), Mombasa (Kenya) and Tema (Ghana) experience congestion amid growing container traffic volumes, estimated at 7–14 per cent a year. The lack of a coordinated and regional approach to trade facilitation and transport, weak implementation of harmonized and coordinated border procedures, and poor risk management and controls are just some of the obstacles to be overcome.

ICT can help remove trade barriers along transport corridors in various ways. For example, advance information on shipments (coupled with tracking processes) eliminates the need for multiple inspections. Box 5.8 describes how ICT is used along the Trans-Kalahari corridor.

As box 5.9 illustrates, tracking systems along corridors also help focus limited inspection and control resources, resulting in fewer delays for transit cargo. Officials are able

to use targeted intelligence-based inspections in place of random or universal examination of consignments.

**ICT in evolving payment systems**

Trade transactions and related shipping and clearance processes require an efficient payment system. Payments include transactions between the buyer and seller (which may involve letters of credit); between the seller and various private intermediaries who arrange shipment, clearance and insurance of the goods; and to government agencies for customs duties, bonds and other charges.

Inadequate payment systems create bottlenecks and raise transaction costs for other activities along the supply chain. Bank charges can be fairly hefty, for example, where currencies are not freely convertible or manual systems are involved (AU and ECA, 2010). ICT can be a

Table 5.1

**Development corridors in SADC**

Corridor and selected ports	Market structure	Trucking characteristics
West Africa (Abidjan, Tema, Lomé, Cotonou, Dakar)	Strong regulation using freight bureaux and shippers' councils. Many small seaports	Poor transport and safety, old vehicles, low prices
Central Africa (Douala)	Region with the least transport infrastructure. About 80 per cent of people and goods are transported by road, but asphalt roads account for less than 20 per cent of the regional road network. Limited port capacity contributes to high freight costs, and transit can be up to 80 per cent of the total delivery period	Trucking cartels prevalent, low-quality service, high prices
East Africa (Mombasa, Dar es Salaam, Djibouti)	Competitive and mature market	Big trucking firms account for roughly 20 per cent of the market, with modern fleets and lower prices
Southern Africa (Durban, Maputo, Beira, Walvis Bay)	Most advanced region for regulatory framework and efficient logistics. Competitive market and slightly better controls on loads	Convergence towards harmonized rules, modern fleets and low prices

*Source: Teravaninthorn and Raballand (2008).*

#### Box 5.8

### The Trans-Kalahari Corridor e-customs and e-trade pilot project

The Trans-Kalahari Corridor is one of the key arteries for regional integration in Southern Africa. It provides a 1,900 km link between the Port of Walvis Bay, Namibia, on the west coast of Southern Africa, to Gaborone, Botswana, and the economic hub of Gauteng, South Africa. It then connects to the Port of Maputo, Mozambique, on the east coast of Southern Africa. It was jointly built and opened by the governments of Botswana and Namibia in 1998 and is managed by the Walvis Bay Corridor Group under a PPP.

The corridor's success has been attributed to the presence of political will and collaboration among the participating governments and the private sector parties of the managing PPP. It has achieved a degree of harmonization among cross-border customs and administrative procedures (the Single Administrative Document 500), as well as legislation aimed at facilitating transit traffic along the corridor. Operating hours for border posts and axle-load limits have been harmonized, while a common "through bond" has replaced the previous requirement for multiple bonds.

*Source: Walvis Bay Corridor Group (2011a,b); presentations by USAID and Microsoft at the USAID/WCO Southern African regional conference, "21st Century Trade Facilitation Tools: Increasing International Competitiveness," 10–11 September, Johannesburg; www.wbcg.com.na/corridors.*

Border clearance times have been reduced to 30–60 minutes, down from more than several hours, while traffic has grown from just 10 trucks a day leaving the Port of Walvis Bay in 2003 for other SADC countries to more than 1,000 vehicles entering or leaving the port every month. The corridor launched an e-customs and e-trade pilot project in January 2011 to:

- Allow for electronic data interchange of customs and other documents and information.
- Enable the electronic submission of supporting documents to customs and relevant stakeholders, and avoid the repetitive submission of the same information to multiple parties.
- Reduce transaction costs on traded goods and increase efficiency in the customs service.
- Create a single window and provide a platform for automating the Trans-Kalahari Corridor performance monitoring system.

#### Box 5.9

### Senegal's electronic cargo tracking system

Since 2008, COTECNA Inspection (a global company that provides customs inspection and transit-monitoring services for countries) has provided transit-monitoring services to the government of Senegal, including preshipment and destination inspection and installation of scanners and transit-monitoring systems (known as Cotrack) at various inspection points to regulate cargo along the transport corridors connecting Senegal, Mali and Mauritania, and at Dakar airport.

Cotrack allows Senegal authorities and private businesses to better manage cargo in transit while reducing corruption, smuggling and unlawful diversion of goods in transit. Efficiencies introduced by the system allow for faster processing of vehicles and cargo, alleviating congestion at checkpoints. Cotrack

*Source: COTECNA (n.d.); AfDB and World Bank (2011).*

uses GPS devices that detect and transmit data on a vehicle's location, speed and direction and reports on predefined events.

Customs officials can ensure compliance with transit regulations and identify any irregularities during transit, such as unduly long stoppages or route deviations. The officials have installed 670 tracking devices linked to six border posts along the Dakar–Bamako (Senegal–Mali) and Dakar–Nouakchott (Senegal–Mauritania) corridors. These devices have improved information and the regulation of goods in transit while reducing the incidence of fraudulent declarations and transit delays. Customs officials now focus their resources on shipments with irregular incidents during transit.



critical means to provide a platform for cross-border payments, cutting costs and time.

The first adjustment would be to introduce online payment options for official government fees using an NSW. Online payments ensure a record of transactions is maintained for audits, while mobile-phone transfers can be used for smaller amounts.<sup>38</sup> Cross-border mobile payments have already become a reality, though the enabling legal framework still needs work. In South Africa, for example, First National Bank's Pay2Cell service allows cross-border mobile payments for individuals to Swaziland and Lesotho of up to ZAR1,500 a day.

For clearance, an online payment system typically permits traders to submit electronic applications and pay customs duty and other fees online.<sup>39</sup> In Central Africa and UEMOA, the regional single currency has allowed for advances towards cross-border electronic payment systems using a regional administrative order.<sup>40</sup>

In East Africa, the One Point Regional Duty Payment Project enables banks linked to the port of entry to transfer duties and taxes to the revenue authorities from the country of customs declaration. This has reduced fraud while streamlining customs procedures along the northern corridor and allowing for revenue sharing among authorities in the region.

The five central banks of Burundi, Kenya, Rwanda, Tanzania and Uganda are piloting the East Africa Cross Border Payment System (EAPS), one of the building blocks of a regional monetary union. Regional banks have so far used a time-consuming and costly process involving overseas correspondent banks. The EAPS will use the real-time gross settlement system of partner states to allow the region's commercial banks to settle intraregional cross-border trade and financial transactions using the five domestic currencies—though Burundi is yet to establish an operational system along these lines.

The EAPS is expected to cut transaction costs sharply (with an estimated 60 per cent of payments in East Africa currently conducted in cash), as debits and credits are made instantly. It is also expected to eliminate the multiplicity of banking regimes and foreign exchange fees. Consumers will be able to engage in electronic transactions in the region from a single bank account without having to open multiple accounts across the region.<sup>41</sup>

Although intraregional trade in COMESA grew impressively over 2000–2011, from US\$3.1 billion to US\$18.8 billion, traders continue to experience high transaction costs in clearing goods. In 2012, COMESA launched its regional

electronic payment and settlement system to help increase regional trade. The system is expected to cut transaction costs from 5 per cent to 1 per cent and reduce transfer times from 5 or 10 days to a same-day service. This is already the case between Rwanda and Mauritius. Nine central banks have signed up for the system and deposited funds in their accounts held at the Bank of Mauritius, which also serves as a clearinghouse. Savings from settling payments under the new system are estimated at US\$45.8 million, while intra-COMESA trade is expected to increase as much as US\$229 million.<sup>42</sup>

## Opportunities and challenges

The opportunities for Africa arising from the ICT trends described above are considerable, but there are also substantial challenges. New ICT-based systems take time to deploy and could require substantial investments in hardware, software, training and maintenance. In particular, new systems are unlikely to be effective if they are not associated with reforms to simplify border procedures and eliminate bureaucratic inefficiencies.

The value of ICT in trade facilitation derives, to a larger extent than in most development sectors, from the implementation of large-scale systems that are increasingly networked and thereby leverage the efficiency and coordination gains that can be achieved through system-wide data sharing and data management. The engagement of all stakeholders in the trade environment is required to maximize these gains. Experience worldwide suggests, for example, that complex applications are often best implemented as PPPs that draw on expertise, address needs and secure the support of government agencies and trading businesses.

Businesses gain value from exploiting the potential of ICT within their own systems—for example, by using electronic transactions and by enhancing communications with employees and business partners. They further benefit from ensuring that their systems are compatible with official applications for cargo tracking, customs administration and e-commerce.

The adoption and gradual implementation of NSW processes offer the greatest potential value for ICT-enabled trade facilitation in Africa. The structural and infrastructural deficits of African trade are currently exacerbated by inefficiencies that result from poor data sharing, inadequate coordination and low standards of administrative practice, including corruption. By building trade processes around a single platform that governs progress of a consignment along the supply chain, single windows reduce the number of interventions and

inspections required from government agencies, eliminate many of the errors that appear in manual documentation, allow resources to be targeted on suspect consignments, enable more secure collection of fees and customs revenue, and reduce the time required for transit.

While single windows have value at a national level, they have even greater value at a regional level, where transport costs are much higher and a single point of data entry and data sharing can cover the entire transit route for goods with regional destinations and transit between countries.

The development of regional single windows will require heightened intergovernmental cooperation. Some RECs, depending on their capacity, might be better suited to move faster towards establishing the building blocks for a regional single window. Progress towards regional ICT-enabled trade is evident in COMESA, EAC, ECOWAS and SADC. Where RECs do achieve progress in trade facilitation, this can provide a model for ICT-enabled integration in other economic and social sectors, particularly where it builds on improvements in regional communications infrastructure.

## Conclusions and recommendations

ICT cannot transform trade performance on its own. The benefits described above depend on other factors, such as the quality of data input into single-window processes, the compliance of trading businesses and the modernization of administrative systems. Further, the value of ICT in trade facilitation can only be realized if it is integrated with broader cross-cutting reforms by governments and development partners. As Mauritius demonstrates, such reforms must be ongoing and sustained over a long time, so political will is critical. The necessary supporting environment (figure 5.3) needs to

be in place if the potential benefits of ICT—particularly from single windows—are to be realized. See box 5.10 for a summary of conclusions and general recommendations.

## On financing ICT

The upfront costs of introducing ICT solutions to customs and trade facilitation could be high in the initial phase, as dual systems need to be operated during the transition from paper-based to paperless trade. High costs are also incurred in retraining staff—in both government agencies and user enterprises. Operations and maintenance costs need to be considered alongside the capital costs of deployment, and a total cost of ownership approach should be adopted in making financial projections.

The shortage of funding for trade automation projects is often apparent when projects that were initially financed by donor agencies need to be upgraded, as with ASYCUDA to ASYCUDA++, and then to the latest standard, ASYCUDA World.

The value of ICT in trade facilitation can be realized only if it is integrated with broader cross-cutting activities by governments and development partners. These include:

- Development of trade and industrial policies aimed at economic diversification.
- Investment in power and transport infrastructure.
- Establishment of an enabling environment for communications investments and an enabling legal and regulatory environment for e-commerce.
- Greater attention to regional integration and economic partnership by governments.

Figure 5.3

### ICT and trade: The supporting environment



Source: Authors' illustration.

### Box 5.10

#### Summary conclusions and general recommendations

- Africa lags behind other world regions in deploying ICT infrastructure, particularly broadband. More investment is needed in regional backbones, communications networks and related energy infrastructure to enable all trade posts to be integrated into single windows and to ensure continuity of data transmission.
- Liberalization of communications markets and the deployment of new international submarine cables around the African coast have improved the continent's global connectivity and encouraged investment in inland broadband infrastructure. The advent of mobile transactions and low-cost mobile roaming has affected transactions and cross-border business interaction in some regions.
- Regional integration and single windows require standardization of non-tariff regulations and documentation along trade routes. This includes adopting standardized digital formats for data entry, interoperable systems for data interchange (based on globally agreed standards) and reliable processes for authenticating documents and signatures. The quality of data input also needs to be improved. Legislation enabling e-commerce still needs to be enacted in some countries.
- There is a serious shortage of ICT skills in developing and managing distributed data networks. Complex systems like NSWs require specialist ICT skills, and governments and businesses need to invest in training in ICT capacity to secure the benefits of ICT-enabled trade.
- Business, administrative and legislative systems also need to be redesigned to take advantage of ICT-enabled trade—transiting, for example, from paper-based to paperless record keeping and from full to intelligence-led inspection regimes. Cohesive decision making, appropriate fee structures and integration along the supply chain are critical. The efficiency and coordination gains achievable through ICT in customs administration can only be unlocked if underlying bureaucratic systems are simplified. The transition to a new regime also requires a change in mindset among officials.
- A high level of commitment is required, at the national and regional levels, by governments and trading businesses alike. Political leaders must be prepared to address the sovereignty challenges and partnership requirements of regional integration. Users must have confidence in the integrity and value of the systems being introduced, especially regarding privacy and data protection. Issues of corruption need to be addressed. A high degree of cooperation between government and business, including PPPs in the management of systems, has proved beneficial, as demonstrated in Ghana, Mauritius and Mozambique.
- Major ICT systems (such as single windows) involve substantial capital investments. While the benefits of automation can be considerable, some governments are reluctant to spend resources on costly ICT solutions and associated capacity building, particularly in regions where government resources are limited or where regional integration is not particularly advanced. Development partners can thus play a critical supportive role.

- Adoption of common standards for data interchange and non-tariff requirements.

#### To governments

Governments are especially concerned with efficient revenue collection, compliance and trade promotion leading to economic growth. The starting point for government engagement with ICT and trade should be a national policy framework based on a critical assessment of trade barriers and opportunities, through

which the most effective points of implementation for ICT can be identified. Governments should also invest in infrastructure improvements, without which ICT-enabled trade facilitation will have limited impact.

Governments need to prioritize the following ICT-enabled interventions, building sequentially from points 1 to 7:

1. Adoption of international standards for non-tariff barriers and for trade documentation, and

harmonization of both across land borders.

2. Adoption of single-window principles and development of a strategy for gradual implementation of them, based on a needs assessment and stakeholder participation.
3. Upgrading of integrated customs management and the development of collaborative government/business-led port and cargo community systems at ports and airports.
4. Introduction and development of intelligence-led inspections with high levels of data integrity.
5. Integration of compatible border management systems aimed at minimizing clearance time at border crossings.
6. Procurement and implementation of an NSW that is consistent with automated customs management—and that will integrate ICT-enabled applications at particular locations and that may be jointly managed through a PPP).
7. Experimentation with bilateral OSBPs with neighbouring countries where harmonization of non-tariff structures has been achieved.

In addition, from an early point in the sequence just described, governments should address issues of transaction and information access through:

- Enactment of legislation and implementation of regulations and procedures that enable e-commerce and electronic transactions.
- Implementation of portals that provide information on national trade processes—including rules, regulations and procedures—and on business opportunities.

Implementation must be sequenced, in prioritized and manageable stages that can be properly resourced, with the consent and engagement of all stakeholders, particularly trading businesses. Retraining and capacity building will be critical, and progress should be monitored and evaluated.

## To RECs

RECs have an important role in enabling regional integration using ICT and find themselves moving at varying speeds in the implementation of trade facilitation reforms such as the single window. For UMA,

the Community of Sahel-Saharan States, ECCAS and IGAD, the priority should be to better coordinate the regional integration and trade facilitation agenda. For COMESA, EAC, ECOWAS and SADC emphasis should be on maintaining existing momentum (including under the COMESA–EAC–SADC Tripartite FTA) by:

- Implementing the regional vision for trade facilitation, building on the single-window concept.
- Focusing on the infrastructure challenges that inhibit trade, including inadequate transport and communications networks.
- Supporting the harmonization of national approaches to trade management across the region, including common non-tariff requirements (such as rules of origin and plant hygiene standards) and common data and documentation standards.
- Implementing portals and other business information resources.
- Monitoring and evaluating the development of regional trade, including trade in services and informal and formal trade in goods.

## To development partners

International development partners can support national and regional initiatives by:

- Investing in the enabling environment for trade, including backbone infrastructure for power, transport and communications.
- Providing financial support for national and regional ICT-enabled trade facilitation programmes as described above.
- Providing policy and capacity-building support in diagnostics of customs and trade facilitation regimes, as well as contributing to regionally harmonizing and standardizing customs upgrades.

## Navigating the road ahead

Evolving ICT trends have had a revolutionary impact on trade in Africa, and this is expected to continue. Nevertheless, ICT-based systems involve sizable investments in infrastructure, hardware, software, reforms and training. Implementation of large networked systems takes time, especially when several countries are involved.

Introducing ICT and integrated border management solutions to customs and trade facilitation using an OSBP, for example, can exceed US\$20 million. This includes costs for building physical facilities, equipment such as weighbridges and scanners, software for single windows and electronic customs submissions, and training government and private sector officials. The experiences of Ghana and Mozambique point to PPPs as a useful vehicle for countries to meet the upfront capital, operations and maintenance costs needed to deploy and manage trade facilitation infrastructures. But countries should also experiment with less costly solutions—taking advantage of evolving technology.

Through innovation, infrastructure designs should improve on previous trade facilitation solutions like the Chirundu OSBP.

Moves towards ICT-enabled regional trade facilitation mechanisms are evident in the COMESA, EAC, ECOWAS and SADC regions, and these regions can learn from the experience of the ASEAN single window. The COMESA–EAC–SADC Tripartite FTA, an important building block for the CFTA, can serve as a platform for harmonized approaches to trade facilitation.

A focused approach is needed for trade facilitation and ICT reforms, one that uses RECs as incubators and building blocks for future continent-wide approaches. This approach is in line with that in other regions and is supported by experience through targeted donor support from initiatives like USAID’s Competitiveness and Trade Expansion programme in Eastern and Central Africa. And as the Trans-Kalahari Corridor demonstrates, rather than resulting in fragmentation, such focused regional approaches allow for piloted innovations and the pooling of resources, making it easier for policy makers and development partners to set achievable reform targets for member States. These approaches allow for positive regional spill-overs—for example, between transit and landlocked countries. They make implementation, enforcement and sustainability more manageable while still allowing for global convergence on ICT and facilitation issues when it is guided by multilateral agreements and standards.

Facilitation toolkits already exist to regionalize multilateral standards and allow the benefits of improved trade facilitation, such as transparency and simplified rules and procedures, to be enjoyed beyond the members of the REC.



# Notes

1. All African countries have ratified the African Economic Community except Morocco, which withdrew from the Organization of African Unity.
2. The six sectors are energy, transport, tourism, ICT and postal, meteorology and water.
3. Other beneficiaries of the corridor include Tanzania, Malawi, Zimbabwe, DRC, South Africa and Mozambique.
4. COMESA, EAC, SADC, ECOWAS and ECCAS.
5. This happens when companies establish a processing plant in a member country with a minimal level of value addition to take advantage of the trade regime in the FTA.
6. Article XIV of WTO Agreement—WTO legal texts. The Result of the Uruguay Round of Multilateral Trade Negotiations.
7. Draft Report of the sixth meeting of the Council of the Regional Customs Transit Guarantee.
8. Acquittal of customs bond means discharge from debt or deliverance from a charge.
9. Article 3 of the ECOWAS Treaty. Article 5 of the SADC Treaty. Articles 90–95 of the East African Treaty.
10. Document A/P/2/5/1982.
11. Act 5/96 UDEAC-611-CE-31.
12. The East African Community Vehicle Load Control Bill, 2011.
13. Cameroon, Central African Republic, Chad, Congo, DRC, Equatorial Guinea and Gabon.
14. Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.
15. Lesotho, Namibia, South Africa and Swaziland.
16. For example, the ECOWAS Compendium of Protocols, Conventions and Decisions Relating to the Free Movement of Persons, the Common Market for Eastern and Southern Africa Fifth Meeting of Ministers of Infrastructure, and the Meeting of SADC Ministers Responsible for Transport and Meteorology.
17. Seamless Transport Committee.
18. Zimbabwe (part of the rail network from Beitbridge to Bulawayo), Zambia, Malawi, Mozambique, Tanzania, Kenya, Uganda, Gabon, Cameroon, Togo, Senegal, DRC and Madagascar.
19. Official development assistance (Wikipedia.org).
20. The Joint Border Post functionality.
21. The East African Community One-stop Border Posts Bill, 2012.
22. Space considerations preclude an exhaustive examination of ICT in trade facilitation in all RECs. For a more detailed assessment, see Yonazi et al. (2012) and AfDB and World Bank (2011).
23. E-commerce generally involves buying, selling and exchanging of goods and services over computer networks (such as the internet) through electronic transactions. In addition to the internet, e-commerce transactions also take place through value-added networks. By volume, business-to-business e-commerce is ahead; however, business-to-consumer (B2C) e-commerce is typically what comes to mind when most people think of e-commerce. B2C e-commerce sales in 2011 are estimated to have grown by 20 per cent to US\$961 billion according to IMRG (2012).
24. For a comparative analysis, see Richa (2012).
25. See Hummels (2001). For a special focus on the trade facilitation impact on air transport, see also Hummels and Schaur (2012).
26. See Wilson (2003) and Bagai, Newfarmer, and Wilson (2004). The WTO Agreements on Import Licensing Procedures, Technical Barriers to Trade, and Sanitary and Phytosanitary Measures are also relevant to trade facilitation.
27. The Convention had 85 contracting parties as of November 2012.
28. To view the complete list of UN/CEFACT recommendations, see [www.unece.org/unecedevelo.iway.ch](http://www.unece.org/unecedevelo.iway.ch).
29. See World Bank (2008).
30. See, for example, chapter 7 of the EU Council Decision on the signature and provisional application of the interim Agreement with a view to an Economic Partnership Agreement between the European Commission and its member States, on the one hand, and the SADC Economic Partnership Agreement states, on the other (14062/08). Brussels, 2 February 2009.
31. A monitoring study found that in the 12-month period from March–July 2010 to March–July 2011,

travel costs for APEC Business Travel Card holders fell 38 per cent, for savings of US\$3.7 million. Immigration application times and processing fees fell 43.3 per cent and 52.4 per cent, respectively, with 91 per cent of card holders reporting satisfaction with the scheme. See Hredzak and Zhang Yuhua (2011).

32. See Latin American and Caribbean Economic System (2010).
33. This includes, for example, Central American Common Market and the Central American Integration System, MERCOSUR, the Andean Community, CARICOM and various US trade agreements like the North American Free Trade Agreement, CAFTA-DR and most recently the CARIFORUM–EU Economic Partnership Agreements. Although the Free Trade Area of the Americas project did not reach conclusion, it established an inventory of trade facilitation issues that require technical assistance.
34. See [www.doingbusiness.org](http://www.doingbusiness.org).
35. See [www.weforum.org/](http://www.weforum.org/).
36. UNCTAD estimated at one point that the average customs transaction involves up to 30 different parties, 40 documents, 200 data elements (30 of which are repeated several times) and the rekeying of 60–70 per cent of all data at least once. See UNCTAD (2004).
37. See, for example, West Africa Trade Hub (2010).
38. For an example of mobile telephone transactions in Kenya, see Jack and Suri (2010).
39. For a comparative example from India, see Commissioner of Customs, Bangalore (2010).
40. Order No. 08/2002/CM/UEMOA. See Ahouantchede (2011).
41. See AfDB (2012). See also Bosco Sebabi (2010).
42. See COMESA Secretariat (2012). See also Assessing Regional Integration in Africa IV.



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# Acronyms

AfDB	African Development Bank
AMV	Africa Mining Vision
APEC	Asia-Pacific Economic Cooperation
ARIA	Assessing Regional Integration in Africa
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System of Customs Data Management
AU	African Union
AUC	African Union Commission
CEMAC	Central African Economic and Monetary Community
CEN-SAD	Community of Sahel-Saharan States
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of Congo
EAC	East African Community
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
FDI	Foreign direct investment
FTA	Free trade area
GDP	Gross domestic product
HS	Harmonized Commodity Description and Coding System
ICT	Information and communications technology
IGAD	Intergovernmental Authority on Development
ISRT	Inter-state Transit of Goods
JBC	Joint border operations committee
KPA	Kenya Ports Authority
KWATOS	Kilindini Waterfront Automated Terminal Operating System
LLDC	Landlocked developing country
MIP	Minimum Integration Programme
NSW	National single window
OSBP	One-stop border post
PIDA	Programme for Infrastructure Development in Africa
PPP	Public–private partnership
PTA	Preferential Trading Area
REC	Regional economic community
RKC	Revised Kyoto Convention
SACU	Southern African Customs Union
SADC	Southern African Development Community
TAH	Trans-African Highway
TIPAC	Inter-state Transit Regime
UEMOA	Union Economique et Monétaire Ouest Africaine
UMA	Arab Maghreb Union
UN/CEFACT	UN Centre for Trade Facilitation and E-business
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
WCO	World Customs Organization
WTO	World Trade Organization





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In support of progress towards regional integration in Africa, the Economic Commission for Africa, African Union Commission and African Development Bank jointly produce Assessing Regional Integration in Africa (ARIA). The first edition (ARIA I), published in 2004, provided a comprehensive assessment of the status of regional integration in Africa, with subsequent editions focusing on thematic areas. Thus ARIA II examined the rationalization of regional economic communities and their overlapping memberships. ARIA III addressed macroeconomic policy convergence, as well as monetary and financial integration in the regional economic communities. ARIA IV focused on enhancing intra-African trade. ARIA V provided analytical research and empirical evidence to support the establishment of the Continental Free Trade Area and the benefits that African countries stand to gain from it.

ARIA VI, "Harmonizing Policies to Transform the Trading Environment," carries forward the momentum of January 2012's Decision and Declaration by addressing the issue of harmonizing rules of origin and trade facilitation instruments to ease Continental Free Trade Area negotiations by member States. The report starts with a brief overview of progress in regional integration, followed by discussions on the harmonization of three key prerequisites to pave the way for a meaningful continental market—rules of origin, trade facilitation instruments and cross-border linkages for information and communications technology.

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