Trade Facilitation Implementation: Some evidence from Africa

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Introduction

• OECD-WTO-ECA monitoring exercise on trade facilitation implementation in Africa
• Results analysed by ECA and WTO
• Part of a global survey by 5 UN Regional Commissions on trade facilitation implementation and paperless trade
Africa’s trade costs among highest in the world

At last count, only Central Asia higher (& has more landlocked countries)

Literature highlights importance of this in holding back continent’s development
Background (2/3)

- Particularly high costs of trading within Africa
- Almost as high as costs with RoW, sometimes even higher
- Particularly important given continent’s low rung integration into global value chains
- Regional value chains can be springboard to greater participation in global value chains – but trade costs hold back their development!
Regional trade can also be springboard to industrialization (key to sustained, inclusive development)

Climbing global value chains for structural transformation

Also – regional trade less standards-intensive, allow African countries to start exporting

African manufacturers that export exhibit rapid rises in productivity after

Currently intra-African trade much more industrialized than with rest of the world

Trade facilitation for boosting intra-African trade!
CAVEATS

- The survey should not be intended as assessing compliance with TFA
- Survey findings have been validated to the extent possible (checking consistency, triangulating different responses & other information sources), but are not performance indicators
- Responses are perceptions from informed experts and stakeholders
- Uneven quality of data, partial coverage (28 out of 54 countries) sample selection bias (share of LDCs and LLDCs in the sample is lower than in reality).
KEY MESSAGES

- Although much still remains to be done, overall African countries display encouraging progress.

- Overall, implementation rates appear to be relatively higher for general TF measures (especially formalities), than for paperless trade measures → "initial conditions".

- LDCs tend to display lower implementation levels, especially in terms of institutional arrangements and transparency.

- 90% of African respondents say trade costs v. important for competitiveness.
KEY MESSAGES

- Transport infrastructure, border procedures and non-tariff measures seen as most important factors for trade-related costs.
- RECs have played an important role in advancing the trade facilitation agenda, notably in relation to transport and transit facilitation.
- Trade facilitation is highest priority for aid for trade among respondents, esp. donors.
- Followed by regional integration, export diversification and competitiveness.
"The potential benefits of the Kenya TradeNet System to the economy based on the present volume of goods imported and transited through Kenya as a result of streamlined procedures will result in annual savings to the Kenyan economy ranging between US$ 150 million and US$250 million during the first three years. This is expected to increase to between US$300 million and US$450 million annually in subsequent years."

– Kenya Revenue Authority
Services trade – African respondents see main hindrances (in descending order):

1. network and transport infrastructure
2. infrastructure as the most important sources of trade costs, followed by inadequate skills'
3. availability, poor regulatory framework, non-recognition of professional qualifications and
4. restrictions on movement of natural persons
African countries have focused more on general trade facilitation measures (notably formalities) than on paperless trade issues.

Implementation varies across sub-regions but even more so across countries (eg. Eastern Africa, EAC members vs other countries)
Understandable; ‘first-things-first’?

Private sector involvement in reducing trade costs has proved helpful
- Examples from Ethiopia, Gambia and Uganda

The gap between African LDCs and non-LDCs appears to be particularly high in terms of institutional arrangements and transparency

Institutional challenges appear to be a key concern for LDCs, both in terms of coordination and capacity development needs
African countries are making great efforts on formalities (partial + pilot implementation), which often feature as key achievements in the last year.

Key factors to explain low implementation include link to hard infrastructure (risk mgmt & scanners) & effectiveness of the measures (authorized operators).
Regional Economic Communities have often spearheaded work on transport and transit facilitation, including through initiatives to harmonize regulations and documentation; implementation of these measures on the ground, however, remains uneven.

Border agency cooperation cited by respondents as biggest challenge for trade facilitation implementation.
Most difficult TF measures to implement

Source: OECD/WTO 2015
Financial constraints & limited human resource capacities are important problems; however political will & coordination across agencies are equally crucial.

Regular consultation with private sector could greatly contribute towards making the case for TF, and enhancing effectiveness of measures.

Top-level TF champions may help solving coordination issues (eg. EAC Northern Corridor).

**Score:**
- Most important = 3 points;
- Second = 2 points;
- Third = 1 point;
Looking ahead...

- Customs reform cited by respondents as most effective intervention to reduce trade costs
- It will be crucial to build on the momentum generated by the TFA and continue to improve the implementation of TF measures
- Given the various constraints, it is sensible to focus on achieving good effectiveness of priority TF measures before embarking in other reforms
- > Member states already doing this (focus on general trade facilitation measures rather than paperless trade?)
Looking ahead...

- One aspect that should not be overlooked is the intrinsic relationship between certain TF measures and the underlying need for good quality infrastructures.

- Inclusive consultations with private sector are key to make the case for TF, ensure proper prioritization and implementation, enhance monitoring and impact evaluation.

- RECs play already an important role in shaping the TF agenda, and they will be even more crucial in the implementation of BIAT/CFTA.
Thank you for your attention!

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