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Trade Facilitation to Integrate Africa into the World Economy

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Although African countries have acknowledged the importance of trade facilitation and the gains that could arise from it, most of the initiatives so far have yielded very limited positive outcomes. Transactions costs remain high, as evidenced by high transport and communications costs; high charges and delays at numerous roadblocks; long customs and administrative delays at ports and border posts; and inefficient international payment and insurance mechanisms. This paper examines the numerous efforts to improve trade facilitation and argues that the issue should be placed in a broader context of policy coherence with strategies, finance and institutions aligned in order to integrate Africa better into the global economy.

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Trade Facilitation to Integrate Africa into the Global Economy

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Overview

Although African countries have acknowledged the importance of trade facilitation and the gains that could arise from it as reflected by the numerous agreements signed at bilateral, sub-regional and regional levels as well as efforts made at country level, most of these trade facilitation initiatives so far have yielded very limited positive outcomes. This is mainly attributed to several factors such as non-compliance to the agreements, poor programme implementation, lack of coordination among and between countries, lack of coordination among relevant agencies within countries, inadequate skilled manpower and most importantly lack of a multi-sectoral approach to trade facilitation.

The consequence is high transport and communication costs; high charges and delays at numerous roadblocks; long customs and administrative delays at ports and border posts; inefficient international payment and insurance mechanisms; and stringent international trade standards mostly account for high transaction costs in Africa. This hampers business leading to the region's dismal performance in international trade and undermines the integration of African economies into the global economy.

The current road density in Africa is estimated at 6.84km/100sq.km, indicating the inadequacy of the region's network compared to Latin America (12km/100sq.km) and Asia (18km/100sq.km). Moreover, only 29.7 percent of the region's total 2,064,613km road network is paved. The fact that three railway gauges predominate in Africa, i.e. 1,067m, 1,000m, and 1,453m, causes severe limitations in the physical integration of the railway networks in various sub-regions. In addition, the quality of infrastructure is a major problem as most roads are dilapidated due to lack of proper maintenance. The problem is more pronounced in landlocked countries as these countries incur high transaction costs not only from their own poor infrastructure but also from that of their transit neighbours. As a result, keeping distance constant, transport costs for landlocked countries are on average $2000 higher than for non-landlocked countries[1].

Transport services are inefficient as manifested by high vehicle prices, poor market information, presence of transport cartels, poor knowledge of operating costs, poor operating practices, poor routine maintenance and unnecessary fast driving, all of which lead to high vehicle operating costs and low vehicle utilization in Africa. These problems result in high transport fares. For instance, transport costs in Cameroon, Ivory Coast and Mali are five to six times higher than in Pakistan.

The phenomenon of roadblocks, which result in excessive delays and substantial increase in transport costs, continues to pose a serious challenge to trade facilitation in Africa. In 1999, the overall lost revenue per year in eight ECOWAS member countries due to roadblocks some of which are even illegal was estimated at 2 billion FCFA.

[1] Transport cost refers to the cost of shipping a 40 feet container to Baltimore in the United States of America

Customs administrations are characterized by, excessive documentary requirements; outdated procedures; lack of automation and insignificant use of information technology; lack of transparency, predictability and consistency; as well as lack of cooperation with other government agencies. This results in the waste of enormous amount of time and money. Delays at the customs as long as 10-30 days and over are very common in the region. Waiting for up to 24 hours to pass through borders appears to be the norm rather than the exception in Southern Africa. Telecommunications services are inadequate, inefficient with frequent interruptions and very expensive in Africa compare to the rest of the world. Availability of mobile cellular phones is very limited, prohibitively expensive and non-existence in some countries and internet users per capita is lowest in Africa compare to the rest of the world.

These problems are compounded by inefficient payment and credit arrangements in the continent, and difficulties in meeting the multiplicity of international trade standards introduced by developed countries.

Tackling the challenges of international trade requires a comprehensive and coordinated approach that entails improvements in infrastructure and provision of efficient and competitive services in the areas of roads, railways, ports, information and communications technology; the removal of illegal and reduction of check points that constitute a de facto tax on trade; the simplification and harmonization of customs and border procedures; promoting the use of new technology; and the strengthening of regional trade facilitation initiatives.

High transaction costs and complex procedures hamper trade expansion

In recent years, the volume of goods that move across borders has increased exponentially due to changes in the international trading environment stemming from the global integration of modern production systems, new forms of electronic commerce as well as from the development of containerized transport that has allowed large cost reductions in cargo handling and increased cargo transshipment. Indeed, the value of international trade was 50 times higher in 1999 than it was in 1960.

However, developing countries in general and African countries in particular have not yet benefited from the steady increase in international trade. In 1950, Africa delivered a tenth of world exports, but by the year 2000, this share had declined to only 2.7 percent. The situation is even worse in sub Saharan Africa whose share of the total world export of goods and services fell from 1.9 percent to 1.4 percent in the 1990s. This dismal performance of African countries is partly due to high transaction costs, which significantly contribute to the cost of tradable goods and consequently determine the degree of integration of a country into the world economy. These costs generally fall into two categories: direct costs, which include transportation costs and the cost of compliance associated with the collection and processing of information; and indirect costs or time-sensitive costs brought about by administrative and customs procedures which delay goods leading to increased transportation fees and inventory charges.

As liberalization continues to reduce artificial trade barriers, transaction costs are becoming higher than the cost of tariffs. For instance, the effective rate of protection provided by transport costs is now, in many cases, considerably higher than that provided by tariffs (Amjadi and Yeats, 1995). For some countries, such as Chile and Ecuador, transport costs exceed by more than twenty times the average tariffs they face with US market (Clark et al 2001). The cost of complying with customs formalities has also been reported to exceed in many instances the cost of the tariffs to be paid.

Small and medium size enterprises (SMEs), which are the dominant actors in developing countries, are the most affected by high transaction costs. A number of factors deter these firms from seeking to expand in international markets, including:

- The fact that compliance costs have very little relationship with the value of goods traded, which makes export of small value consignments, and by small firms to bear disproportionately high cost burdens;
- High demand for labour to complete complicated trade procedures, which may require spending significant resources on internal transactions, resulting in disproportionately high compliance costs;
- Lengthy processing time which affects the capital standing of firms, since capital delayed at border bears interest – for SMEs, lengthy processing time might constitute a prohibitive trade barrier; and
- The need to spend more resources to obtain regulatory information, since the operating environment is not transparent, as well as the frequent need for bribes and additional expenses for penalties and administrative or judicial appeals. These additional expenses do not usually vary according to the value of goods or volume of sales, thus, they serve to increase the operational costs per unit and put firms in developing countries in a weaker position than larger enterprises.

Evolving definition and scope of trade facilitation

The dramatic increase in volume and complexity of world trade both in terms of type of goods being traded and the terms and conditions related to import and export transactions make it essential for administrations to provide simple, predictable and efficient customs procedures for the clearance of goods and movement of people while simultaneously tackling increasingly complicated national and international requirements to ensure compliance with national laws, international agreements and meeting security challenges. These considerations and the need to reduce transaction costs have pushed trade facilitation into the forefront of public policy discourse. However, although several attempts have been made to define trade facilitation, up to date no consensus has been reached on a standard definition.

In a narrow sense, trade facilitation efforts simply address the logistics of moving goods through ports or more efficiently moving documentation associated with cross-border trade. More recent definitions have been broadened to include the environment in which trade transactions take place, that is, the

transparency and professionalism of customs and regulatory environments, as well as harmonization of standards and conformance to international or regional regulations.

For instance, the International Chamber of Commerce (ICC) defines trade facilitation as "the adoption of a comprehensive and integrated approach to simplifying and reducing the cost of international trade transaction, and ensuring that the relevant activities take place in an efficient, transparent and predictable manner based on internationally accepted norms and standards and best practices".

Trade facilitation should therefore not only be perceived as a "transportation or customs problem", but rather a broader issue, which straddles many aspects of weak capacities that exist in many developing countries, which inhibit their effective participation in international trade. This aspect is nowhere more true than in Africa.

However, trade facilitation is not just the concern of developing countries. Indeed, developed countries are leading the clamor for trade facilitation measures in the World Trade Organisation (WTO). Trade facilitation has become prominent among WTO issues because the international business community is increasingly demanding for greater transparency, efficiency, and procedural uniformity of cross-border transportation of goods; as well as the need for an efficient legal redress mechanism, proper co-ordination between customs and other inspection agencies, use of modern customs techniques and improvement of transit regimes. In response, WTO members added trade facilitation to the agenda at the Singapore Ministerial Meeting in 1996. The Singapore Ministerial Declaration calls upon the Council for Trade in Goods (CTG) to conduct exploratory research into cross-border barriers, and analyse the effects of these barriers on traders and consumers. The CTG research draws from the work of over fifteen intergovernmental organizations and the responses of the international business community at the WTO Trade Facilitation Symposium in March 1998. Based on the discussion at the Symposium, the WTO Secretariat has circulated a "checklist of issues" that summarized the central issues of trade facilitation. These, include:

- Physical movement of consignment (transport and transit);
- Import and export procedures, including customs and border-crossing problems;
- Information and communication technology;
- Payments, insurance and other financial requirements which affect cross-border movement of goods in international trade; and
- International trade standards

Governments and businesses stand to benefits from trade facilitation

The relevance of trade facilitation stems from the fact that it results in direct benefits to both Governments and the business community. Government benefits include: increased effectiveness of control methods; more effective and efficient deployment of resources; correct revenue yields; improved trader compliance;

accelerated economic development; and encouragement of foreign investments. Benefits to traders include: reduced costs and delays; faster customs clearance and release through predictable official intervention; simple commercial framework for doing both domestic and international trade; and enhanced competition.

Empirical studies have substantiated the benefits of trade facilitation measures. In this regard, a review of the use of CGE models to quantify the benefits of trade facilitation reveals several important findings. For instance, a 10 percent increase in the relative number of web hosts in one country would have increased trade flows by one percent in 1998 and 1999; a 10 percent decrease in bilateral calling price is associated with an eight percent increase in bilateral trade flow; a one percent reduction in the cost of maritime and air transport services could increase Asian GDP by $3.3 billion; African exports of cereals will decline by 4.3 percent, and that of nuts and dried fruits by 11 percent with a 10 percent tighter EU standard on aflatoxin contamination levels of these products (Wilson et al. 2003). According to an APEC study, clearing the red tape at country borders would generate approximately twice as much gain to GDP than tariff liberalization. The dramatic growth of export from Mauritius from $89 million in 1970 to $2.8 billion in 2000 is also partly attributed to trade facilitation measures, which reduced the cost and risk of exporting (USAID 2003).

Finally, the case of vegetable exports from Zimbabwe (landlocked but with reliable air and land transport, chilled storage and good communications network) illustrates the positive impact of trade facilitation on income distribution: In the 1990s, farmers near the capital supplied fresh vegetable to the London market by picking them, immediately trucking them to the airport and flying them overnight to London where they were put on shelves ready for sale in the morning. This required cheap and modern telecommunications because the shipments were delivered to order (Krugman 1998).

This chapter explores the central issues of trade facilitation (listed in the WTO checklist), assessing and comparing, to the extent possible, the African situation with that of other regions of the world as well as outlining the special situation of landlocked countries. It also highlights current trade facilitation efforts in Africa using examples of national, bilateral, sub-regional and multilateral initiatives; and provides recommendations for the way forward to facilitate trade in Africa including a discussion of trade facilitation in a multilateral framework.

Physical Movement of Consignments (Transport and Transit): high transport costs constitute a major barrier to trade

Transport cost refers to all direct monetary costs and indirect costs (time–sensitive costs brought about by delays) related to transport, storage and handling operations of goods.

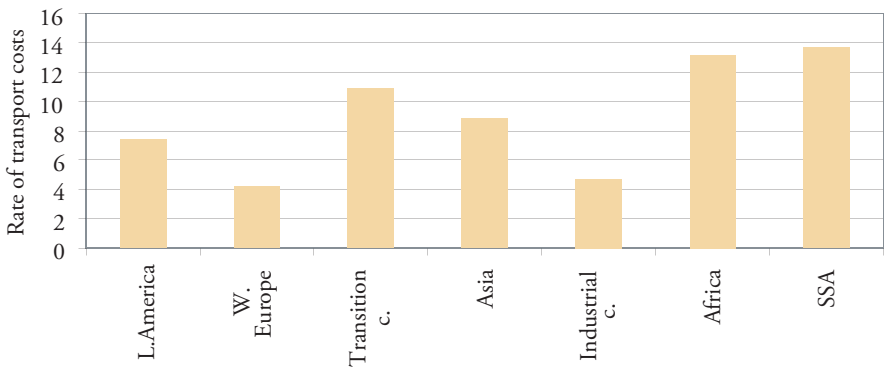
Transport costs in Africa are the highest in the world. A study in the 1990s indicated that transport costs

in the sub-Saharan African countries of Cameroon, Cote d'Ivoire and Mali were on average five to six times higher than in a Pakistan (Rizet and Hine, 1993). A more recent study by the United Nations Conference on Trade and Development (UNCTAD) indicates that the freight cost as a percentage of total import value was 13 percent for Africa in 2000 compared to 8.8 percent for developing countries and 5.2 percent for industrial countries. At the sub-regional level, the freight costs of West Africa as a percentage of total import value was 14 percent while those of East and Southern Africa, including the Indian Ocean region was 15.2 percent. The ratio of North Africa stood at 11 percent (UNCTAD 2002).

Empirical evidence suggests that the burden of high transport costs is greater in landlocked African countries than elsewhere in the world. In 1995, the World Bank reported that the final prices of imported products were from 30 to 80 percent higher than the f.o.b. value of goods in these countries. Hendeson et al. (2001) reported the range to be between 30 and 40 percent. UNCTAD has also reported values for specific landlocked African countries as follows: 55.5 percent for Malawi, 48.4 percent for Rwanda and 51.8 percent for Chad (UNCTAD, 2001).

Transport costs of high proportion of the value of goods result in an increase of consumer prices for imported goods, and undermine the competitiveness of exports in foreign markets. Overall high transport costs limit a country's participation in international trade. It is therefore not surprising that Africa in general and sub-Saharan Africa in particular that has the highest cost rates in the world as shown by figure 1 also has the lowest share of international trade. In 2000, Africa's share of world export was only 2.7 percent and sub-Saharan Africa's share of export of goods fell from 1.9 to 1.4 percent during the 1990s (African Development Bank 2003).

Figure 1
Transport cost rates



Note: The transport cost rate is the ratio of transport costs as a percentage of value of import
Source: Calculations by the Economic Commission for Africa

A study by Limoa and Venables (2000), that used a sample of countries from Africa and the rest of the world, indicates that in general a 10 percent increase in transport cost will lead to a reduction in trade volumes by approximately 20 percent. Booth et al (2000) share this view, arguing that high transport costs are the main reason why trade liberalization in Africa has not had the same success experienced in Asia and Latin America. As liberalization continues to reduce artificial trade barriers the effective rate of protection provided by transport costs is now, in many cases, considerably higher than that provided by tariffs (Amjadi and Yeats, 1995)

Transport costs are incurred during the inland movement of goods to/from the coastline and also during the ocean side of the transportation process. However, goods often spend more than half their total door-to-door (DTD) transport times and cost on the inland movement. For example, the total cost added to coffee in Cote d'Ivoire from producer to f.o.b. port is about 170 percent; and about 60 percent for cocoa, with transport having a significant share (Castro, 1996). Limoa and Venables (2000) compared the transport costs of land and sea leg of a journey and found out that the former is around seven times more costly for the same distance.

This section therefore lays emphasis on the factors that contribute to high inland transport costs in Africa. Such factors include, inadequate infrastructure network, inefficient transport services, numerous roadblocks and slow and cumbersome border crossing procedures. These factors raise transport costs directly through their impact on fares and illegal payments to corrupt officials and indirectly through the excessive delays they cause.

Inadequate Infrastructure is a major obstacle to trade

The state of a country's infrastructure affects trade through its impact on Foreign Direct Investment (FDI). Inadequate infrastructure constitutes a major obstacle to Foreign Direct Investment (FDI) in Africa. In a survey by UNCTAD and the International Chambers of Commerce (ICC) on the factors that influence FDI decisions, 25 percent of the overall responses indicated that the state of physical infrastructure was the key determinant of the decision to invest in a country or not. Therefore a sound infrastructure network is necessary to attract foreign investment (UNCTAD 2003).

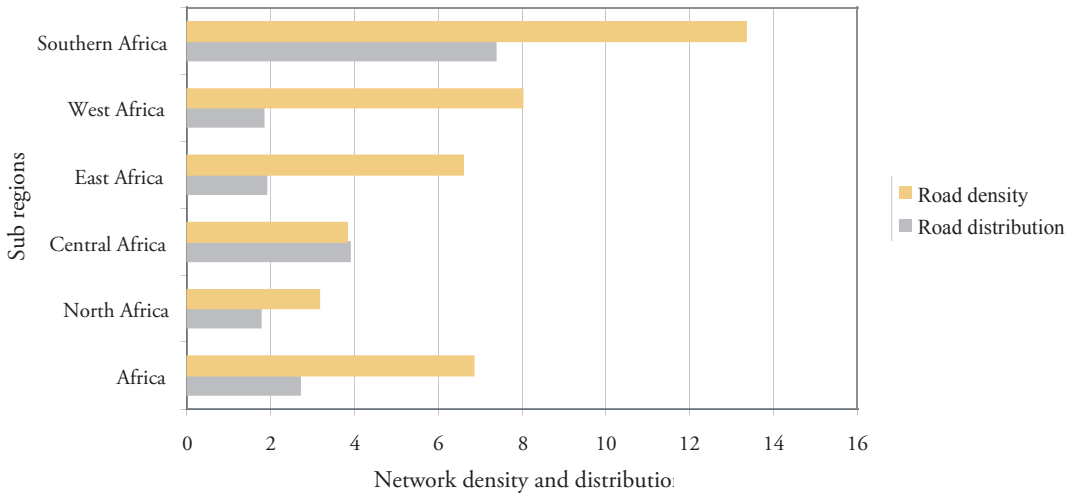
The focus of discussion in this section is land transport infrastructure in general (Road and rail) and road transport infrastructure in particular since this is the most important transport sub sector in terms of the volume of goods transported within Africa.

Low density and quality of Africa's road network result in high transport costs

The current road density in Africa is estimated at 6.84 km/100sq.km. (Figure 2). This indicates the inadequacy of the African network compared to Latin America (12km/100sq.km) and Asia (18km/

100sq.km). The African network distribution is 2.71 km for 10,000 persons thus making the network accessibility low, which often results in low frequency of transport services and consequently high transport costs.

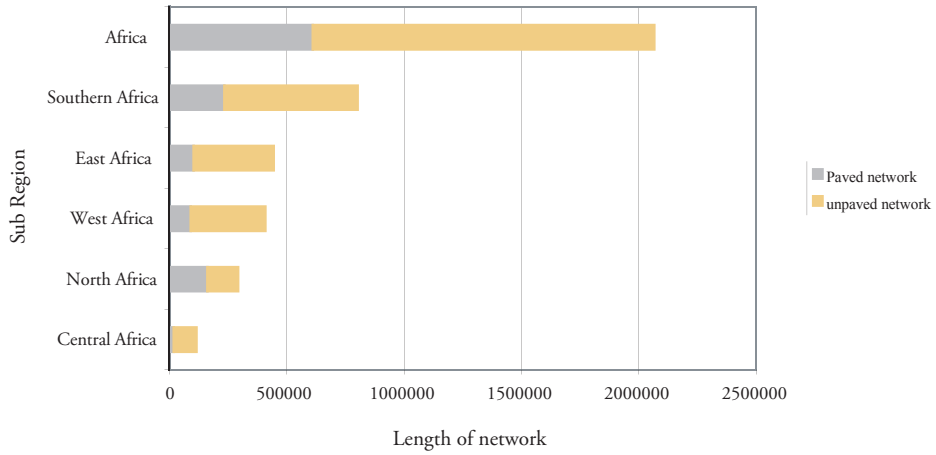
Figure 2
African Road Network



Note: The network density is per 100km2 while the distribution is per 10000 inhabitants
Source: Calculations by the Economic Commission for Africa

Despite the fact that the road sub-sector accounts for 90 percent of inter-urban transport in Africa, it is generally in a deplorable state. The total length of roads in the region is 2,064,613kms out of which only 29. 7 percent is paved, the remaining portion being either earth or gravel roads. Figure 3 shows that the total length of unpaved roads is by far larger than that of paved roads in all the sub regions of the continent with the exception of North Africa where 55.27 percent of the network is paved.

Figure 3
Proportion of paved and unpaved roads in Africa



Source: Economic Commission for Africa

In addition to its low density, distribution, and the fact that a large proportion is unpaved, a sizeable chunk of Africa's road network is in a state of disrepair as illustrated by table 1, which shows the network condition in UDEAC (now CEMAC) and COMESA in 1999. In CEMAC, 34 percent of paved roads and 55 percent of unpaved roads were in poor condition in 1999. Similarly 34 percent of paved roads and 68 percent of unpaved roads in COMESA were in poor condition in the same period. Poor quality roads inevitably result in high vehicle maintenance costs, the burden of which is usually transferred to those requiring transport services (importers, exporters, local businessmen, ordinary commuters etc.), through high transport fares.

Table 1: Road Network Condition

	Paved road network			**Unpaved road network**		
	%			%		
	Good	Fairly good	Poor	Good	Fairly good	Poor
UDEAC	32	34	34	20	25	55
COMESA	40	25	34	12	20	68

Source: Economic Commission for Africa, 2002

Road surveys in Tanzania designed to measure the impact of poor road condition found that over a 50km distance, an increase in roughness of 50 percent would increase truck charges by 16 percent. It was also found that there were large changes in wet and dry season charges on poor quality roads. For example, on one of the surveyed roads, passenger fares increased by 60 percent in the wet season and freight charges increased by 65 percent (Ellis 1997). Similar figures were also found in Madagascar where on poor quality roads, wet season passenger fares were 70 percent higher than dry season fares (Ninnin, 1997).

It should also be noted that most existing roads in Africa are too narrow and dangerous for container traffic, whose rapid growth has boosted international trade elsewhere in the world. Moreover, most of these roads were not constructed to carry heavy goods vehicles, thus, excessive axle loads resulting from a large number of container carrying vehicles can damage the road network, with potential increase in transport costs.

The major challenge of African countries is to maintain or rehabilitate existing roads and at the same time expand the network to isolated areas. In fact, the geometry of some existing roads (lane and shoulder widths as well as vertical and horizontal alignments) have to be adjusted, taking into consideration the increased use of heavy goods vehicles that the increase in containerization entails.

Recent estimates by the World Bank have put the asset value of the African road network at $150 billion, and the cost to fully restore all roads in the continent that are classified to be in poor condition at $43 billion. The World Bank also estimates that the extra cost of insufficient maintenance in Africa amounts to about $1.2 billion a year. (Heggie I and Vickers P, 1998).

Poor interconnection of Africa's railway networks increases delays in the transportation of goods

The African rail network is currently estimated to be about 89,380 km long, with a density of 2.96 km per 1,000 sq kms. Three railway gauges predominate in Africa, i.e. 1.067m, 1.000m, and 1.435m, thus causing limitations in the physical integration of the railway networks in various sub regions.[2] The interconnections of the network is relatively poor especially in central and western Africa, and the available rolling stock is still very low compared to other regions of the world. Disjointed railway networks results in frequent loading and off-loading of goods, which increases delays and transport costs.

In an effort to improve rail connection in the region, the Union of African Railways (UAR) has recommended the following solutions, at the interconnecting points of lines with different gauges: (a) transshipment of goods separately or in standardized containers; (b) operating of passenger and goods train sets that cannot be divided, with change of bogies at frontiers; (c) use of rolling stock equipped with

[2] A track –gauge is the direct distance between two parallel rails measured 15mm below the top of the rail lines.

axles with changeable gauges**.** Efforts have also been made at national level in improving rail connectivity. A good example is the interface between the Tanzanian Rail Corporation (TRC) network with that of the Tanzania-Zambia Railway Authority (TAZARA) at Kidatu in Southern Tanzania, where a special "rail to rail" transshipment facility has been constructed.

Although Africa's infrastructure network is weak, progress is encouraging

Overall, density of infrastructures in Africa is still significantly below the rest of the world (Figure 4). As a point of reference, consider that in Latin America, infrastructures, including roads, railways, airports with paved runways and telephone lines, tend to be twice as dense than in Africa. The situation appears to be even worse when compared to Eastern Asia and Eastern Europe where the density is four times higher than in Africa.

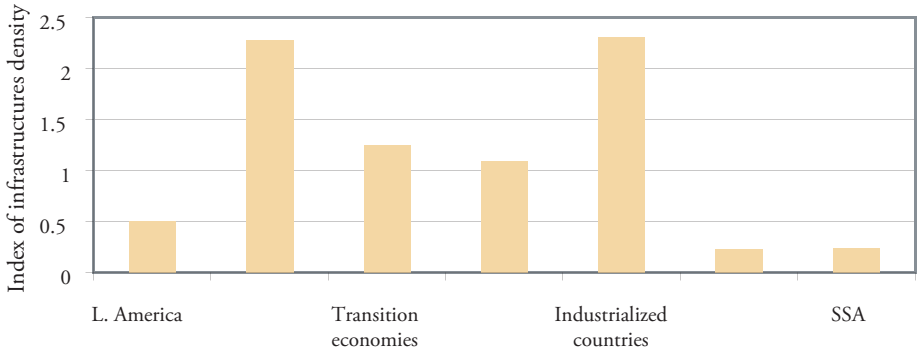


Figure 4
Density of infrastructures, 2002/2003

Note: The index of infrastructure density is the average density of road and rail networks; airports with paved runways; and telephone lines.

Source: Calculations by the Economic Commission for Africa

However, recent progress realized in Africa's infrastructure development must be acknowledged. For instance, the length of Africa's surfaced road network grew by 128 percent, from 242,000km to 547,742km between 1991 and 2000[3]. The development of the surfaced network confirms the attention

[3] At the behest of African countries, after recognizing the importance of developing an integrated transport and communications system as the basis for the physical integration of the continent and regular development of national and international traffic, the United Nations proclaimed two Transport and Communications Decades in Africa, the first from 1978 to 1988 (UNTACDA I) and the second from 1991 to 2000 (UNTACDA II)

African governments increasingly attach to the improvement of the road network. The case of Ethiopia where a road sector development programme has lead to substantial improvements in the countries network is a good example (Box 1).

Box 1: Road sector development in Ethiopia

Of recent, Ethiopia has had quite a successful experience in efforts to enhance its road sector development. An evaluation in June 2002 of the country's Road Sector Development Programme RSDP (launched in 1997) showed an increase in the total classified road network by 40 percent over a period of 5 years, with an increase of 107 percent in regional roads including low class roads. There was also an increase in the proportion of roads in good condition from 18 percent in 1995 to 30 percent in 2002. The second phase of the Road Sector Development Plan RSDP II is even more ambitious, with a target to increase the road density to 34 km per 1000 sq. km by 2007 from the present density of about 30 km per 1000 sq. km. In addition the density per 1000 population is targeted at 0.50km/1000 population in 2007. Another target of RSDP II is to increase the percentage of roads in good condition from the current 30 percent to 45 percent by 2007.
Source: Ethiopian Roads Authority, 2003.

Road Funds, created within the framework of the Road Management Initiative (RMI) of the sub-Saharan African Transport Policy Programme (SSATP) are playing a key role in improving Africa's road network. At least 20 sub-Saharan African countries have established Road Funds, most of which have put in place independent auditing and transparency measures and are managed by Board of Directors with a mixture of private and public sector representation. About half of the RMI members have been able to establish a community-run road agency to execute or manage road works. Road Funds provide a sustainable means of maintaining existing stocks of infrastructure.

Inefficient transport services contribute to high transport costs

Inefficiency of transport services is manifested in several ways including: high vehicle prices, poor market information, existence of transport cartels, poor knowledge of operating costs, poor operating practices, poor routine maintenance, and unnecessary fast driving, all of which lead to high vehicle operating costs and low vehicle utilisation. Transport operators usually transfer the burden of high vehicle operating costs to consumers by raising fares. Similarly, operators increase fares to offset low revenues due to low vehicle utilisation.

Vehicle operating costs are extremely high in Africa

Vehicle operating costs in Africa are significantly higher than elsewhere in the world. Table 2 shows that the vehicle operating cost per kilometer for two axle trucks in Tanzania (50.1 US cents) is substantially higher than in Indonesia (19.7 US cents) and Pakistan (21.0 US cents). Higher fuel price, maintenance cost, tyre cost and overheads in Tanzania compared to Indonesia and Pakistan explains the difference in operating costs.

Table 2: Estimated composition of operating costs for two axle trucks (1995 US cents per km)

	Tanzania	Indonesia	Pakistan
Capital costs	10.6	2.7	1.8
Fuel	15.4	5.8	9.3
Crew	2.7	3.2	3.2
Oil	1.0	0.7	1.0
Maintenance	6.1	4.3	2.2
Tyres	7.8	1.2	1.1
Overheads	6.5	1.8	2.4
Total	50.1	19.7	21.0

Source: Ellis and Hine 1998

Low vehicle utilization push up transport costs in Africa

Levels of vehicle utilisation are extremely important in determining the burden of vehicle capital costs and interest repayment. There is significant difference between utilisation in Africa and Asia. For example, the average annual utilisation of two and three-axle trucks in Tanzania was found to be 60,000kms compared to 80,000km for Indonesia (Hine et al, 1997). According to other studies in Africa and Pakistan reported by Rizet and Hine (1993), annual utilisation in Pakistan was found to be 123,000kms compared to an average of 50,000km in the sub-Saharan African countries of Cameroon, Cote d'Ivoire and Mali. Additionally, it was found that the vehicles in the three sub-Saharan African countries had 34 percent empty travel compared to 12 percent in Pakistan. Low utilisation is therefore one of the reasons why transport costs were found to be five to six times higher in the sub-Saharan African countries than in Pakistan as mentioned earlier in this chapter. In this context, a national network of transport brokers who can match loads with vehicles can reduce empty running and increasing vehicle utilisation. For example, an extensive network of transport brokers in Pakistan has given it one of the most efficient road freight industries in the developing world.

An important reason for the low vehicle utilisation in Africa is the continent's low population density and small industrial base. Moreover, it is usual for there to be only one driver per truck, unlike in Pakistan

where two drivers are used so that one can be resting whilst the vehicle is moving. To this end, a resting compartment is added to the vehicle.

Low levels of competition lead to high transport fares in Africa

The operating environment of transport services impact significantly on transport fares. For example, transport fares are lower in Pakistan where goods are entrusted to the first transporter that accepts the fares on offer than in Africa where available traffic is shared through a system of queuing for loads, which leads to low utilisation. This means that in Pakistan vehicles don't queue up for a share of available load and fixed fares are not imposed on customers. On the contrary, agents are free to choose the vehicle of their choice and in fact promptly offer lower fares if they observe a surplus of trucks waiting for business

Within the same country, the level of transport fares also varies with the degree of competition. A study in Cameroon showed that competition led to better, safer and cheaper services in the northern part of the country. In just two years after competition was introduced, (Local mayors allowed several transport agencies to operate from their towns) transport charges dropped by 40 percent. No such improvement was observed in the South-west Province of the country where strong syndicates were in control of vehicle parks, resulting in long waiting times at queues since the available load had to be shared amongst registered vehicles (Lisinge, 2001).

Multiplicity of rules and regulations hampers international transportation of goods in Africa

A multitude of international agreements and protocols aimed at simplifying and harmonizing trade and transport between states have been signed in Africa. However, the reality overshadowing regional and sub regional agreements are the numerous bilateral agreements on international road transport which have been entered between African countries. For instance, it has been estimated that in UEMOA, only 30 percent of the rules governing road transport are sub regional, the remaining 70 percent being either bilateral or national. It has also been indicated that there are more than 100 agreements between UEMOA member states in the area of transport. The proliferation of rules covering the same area leads to uncertainty and a multiplicity of forms and procedures (Box 2).

Box 2: Rules and regulations governing international transport by road in Africa

Several sub regional level agreements and protocols governing international transport exist in Africa. In West Africa, the two most important conventions on transport are, the Inter-State Transport Convention (TIE) and the Inter-State Road Freight Transit Convention (TRIE). These conventions, both of which were signed in 1982 and have entered into force, define the conditions of road transport between member states and provide the transit, without interruption, of freight as well as the non-payment of customs and other fees, covered by single TRIE document. In Central Africa, international road transport is governed by, the inter-state convention for road transport of miscellaneous goods (CIETRMD); the inter-state convention for multimodal transport of goods; the inter-state transit for Central African countries (TIPAC); and the transport regulation for road transport of dangerous goods.

Furthermore, African Regional Economic Communities (RECs) such as SADC and COMESA have protocols covering the area of transport. SADC, COMESA and ECOWAS have also developed initiatives aiming to facilitate transport and transit between member states. In addition to all the above initiatives, transport corridor initiatives also exist in Africa. Examples are the Northern and Central Corridor initiatives, both in East Africa[4]. Overall, 28 transit transport corridors have been identified in sub-Saharan Africa.

Bilateral cooperation

Good examples of bilateral cooperation between transit and landlocked countries are those between Cameroon and its landlocked neighbours of Chad and the Central African Republic. Among other things, these conventions identify transit corridors to be jointly managed by the national land freight Authorities of Cameroon and its neighbours, specify the percentage of freight to be transported by Cameroonian transporters and their counterparts from the landlocked countries, and clearly stipulate that all vehicles in possession of specified documents plying the identified corridors should only be subjected to limited controls at jointly selected checkpoints.

Source: Compiled by the Economic Commission for Africa from various official sources

[4] The Northern Corridor links the landlocked Great Lakes countries of Burundi, Rwanda, Uganda and Eastern Democratic Republic of Congo, to the Kenyan seaport of Mombassa, while the Central Corridor connects the port of Dar es Salaam to the same landlocked Great Lakes countries.

Variations in technical standards for vehicles blocks free competition between transport operators

Variations in approved technical standards for vehicles in different sub-regions of Africa block free competition between transport operators. This is because vehicles that fail to meet the standards of a given sub-region would be compelled to offload at border posts and their goods transferred to vehicles that meet the approved standards. Such standards include axle load limits and vehicle dimensions – height and width (Table 3). The table shows that if these standards were applied, a 22m long truck operating in Nigeria a member State of ECOWAS would not be allowed to operate in neighbouring Cameroon a member State of CEMAC whose maximum allowable vehicle length is 18m. In Southern Africa, maximum authorized measurements are lower in Mozambique than neighbouring countries, which is a constraint on transport operators from South Africa, Malawi and Zimbabwe. Similarly, transport operators would not be able to load their trucks to the maximum payload if they decide to do business across ECOWAS, CEMAC, COMESA since each of these sub regions apply different vehicle standards. While axle load limits are necessary to prevent damage of the pavement, applying different standards in different sub regions results in delays and additional expenses and thus discourages international trade.

Table 3: Technical standards for vehicles in different Regional Economic Communities (RECs)

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

Source: Compiled by the ECA from various official sources.

Variation in transit charges results in lack of transparency

Transit charges constitute an additional burden for transport operators in Africa. At present, there are divergences in transit costs among member states in different African sub regions, resulting in lack of transparency and high road user charges. However, COMESA has taken the lead in the harmonization of transit charges at the sub regional level. In lieu of national levies imposed on transit traffic, the following charges have been adopted:

- Rigid truck of up to 3 axles $6 per 100 km
- Truck Trailer/Semi trailer of more than 3 axles$10 per 100 km
- Large buses $ 5 per 100 km

ECOWAS also has plans to assess the usefulness of establishing a common system for transit charges, basically for heavy vehicles.

Problems related to crew members.

Agreements regulating transport operations in the sub-region do not always take into account questions relating to crew members, i.e. the driver and apprentices. These employees are confronted with administrative problems concerning their documents (driving licenses, residence permits, work permits, etc). The suppression of visas between ECOWAS countries has improved the situation in West Africa. Sub regional agreements are necessary for these employees to enable greater traffic flow.

For COMESA and SADC countries, visas are not required for Commonwealth citizens, but for countries not belonging to this institution such as Rwanda, Burundi, the Democratic Republic of Congo, crew members on vehicles in transit must pay each time for entry visas into those other countries. This constitutes a barrier to the free movement within the sub-region and increases transport costs.

Numerous roadblocks hamper the free movement of goods and services in Africa

The phenomenon of roadblocks poses a serious challenge to trade in Africa. It results in excessive delays and substantial increase in transport costs. The Economist (December 2002) reported 47 roadblocks between Douala and Bertoua in Cameroon, a distance of about 500kms. Nearly all ECOWAS member states also maintain numerous checkpoints, where drivers are sometimes subjected to administrative harassment and extortion (Table 4).

Table 4: Checkpoints along major ECOWAS highways

Highways	Distance (km)	Number of Checkpoints	Checkpoints per 100 km
Lagos-Abidjan	992	69	7
Cotonou-Niamey	1036	34	3
Lome-Ouagadougou	989	34	4
Accra-Ouagadougou	972	15	2
Abidjan-Ouagadougou	1122	37	3
Niamey-Ouagadougou	529	20	4

Source: ECOWAS Official Site (2003)

Payments at checkpoints include, among other things, various taxes, transit charges and bribes. Such payments also vary, with the type of vehicle, type of goods transported and nationality of transporter; and involve the police, customs officers, and gendarmes. Furthermore, while some of these checkpoints are legal, others are illegal.

According to the report of a review of the status of implementation of the Trans African Highways network, jointly commissioned by the Economic Commission for Africa (ECA) and the African Development Bank (ADB) in mid-2002, the payment at checkpoints between Abidjan and Ouagadougou varies between 1,000FCFA and 5,000 FCFA. On the Trans-Sahelien Highway between Ouagadougou and Niamey, a distance of 529 km, the payment by a loaded truck is estimated at about 100,000 FCFA, and on the Douala-Bangui road, a distance of 1450km, the total cost of passage is estimated to be between 250,000 FCFA and 300,000FCFA. These examples illustrate a common reality facing transport in Africa.

The resultant loss of time and increase in vehicle operating costs from these stops are considerable. The trip from Bangui in the Central African Republic to Douala in Cameroon, which can be done in three days, usually takes between 7 to 10 days. A study on transit transport in ECOWAS in 1999 revealed that enormous amounts of time and money are wasted each year at checkpoints in the region. Overall, lost revenue was estimated at 2 billion FCFA.

Checkpoints are not limited to Western and Central African countries. Road users in Eastern Africa also suffer from the existence of numerous checkpoints. For example, there are 27 police controls between Mombassa in Kenya and the Ugandan border. Within Uganda, there are 4 checkpoints and 5 obligatory stop zones for transit vehicles.

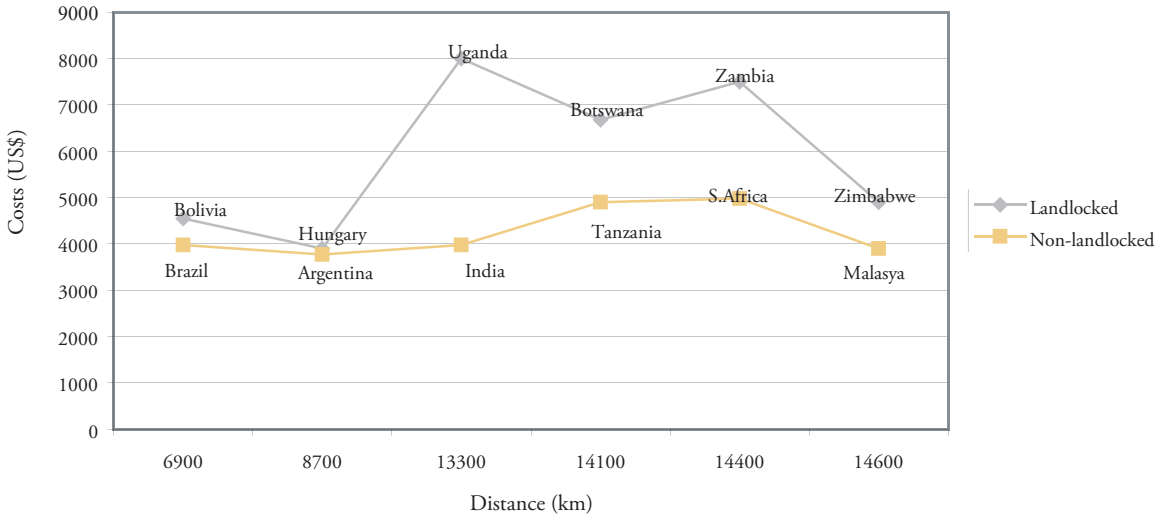
Added to the numerous checkpoints is the risk of goods being diverted from their intended destination.

In some cases, containers are looted directly on the truck or train on which they are being transported.

Landlocked countries suffer most from high transport costs

Lack of direct access to the sea presents an important obstacle to effective participation in the world economy. The ability of landlocked countries to trade does rely on the existence of efficient and easily accessible transit corridors. This implies that in addition to own infrastructures, landlocked economies need good infrastructures to be available in neighbouring countries. Indeed, econometric evidence suggests that being landlocked constitutes a geographical disadvantage with relevant effects on transport costs and trade flows. For instance, Limao and Venables (2000) compute that transport costs for the median landlocked country are 50 percent greater than costs for the median coastal economy, after controlling for other determinants of transport costs. For landlocked countries the cost of shipment is generally higher than for non-landlocked ones as illustrated by Figure 5. The figure shows that for pairs of countries – one landlocked and the other non-landlocked – the cost of shipment of goods for similar distances is always greater for the landlocked country.

Figure 5
Costs of shipment in landlocked and non-landlocked countries



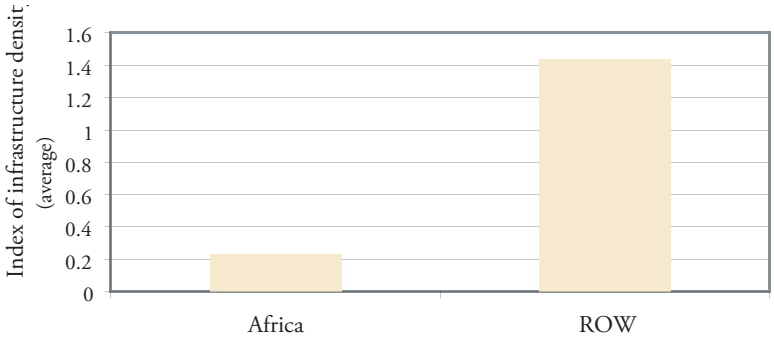
Note: Costs refer to the cost of shipping a 40 feet container to Baltimore in the US.
Source: Calculations by the Economic Commission for Africa

Keeping distance constant, transport cost for landlocked countries is on average $2000 higher than for non-landlocked ones. However, there are wide differences across landlocked countries. That is, for some landlocked countries, lack of direct access to the see appears to be more of a disadvantage than for others. The empirical evidence suggests that this difference is driven by the efficiency of the transit corridors; that is, by the endowment of infrastructures of the countries that serve as transit for landlocked ones.

The situation in Africa is even worse

Africa has 15 landlocked countries whose distance to the sea ranges from 220 km for Swaziland to 1,735 km for Chad. The generally low density and quality of infrastructures in the continent makes the disadvantage of being landlocked potentially bigger for these countries than those in other developing regions. Weak infrastructure imposes a large burden on the competitiveness of the landlocked African countries not just against the average coastal economy, but also against the average landlocked (Figure 6). This is because the average quality of infrastructures in transit countries is low.

Figure 5
Infrastructures in transit countries



Note: The index of infrastructure density is the average density of road and rail networks; airports with paved runways; and telephone lines. The index is computed from a sample of African countries and other countries of the world and ranges from 0.03 to 7.5, with an average of 1.15.
ROW refers to the rest of the world.
Source: Calculations by the Economic Commission for Africa

The infrastructure gap between African landlocked countries and landlocked transition economies in Europe is particularly evident. These economies can in fact benefit from transit through Western Europe; that is, through a region that is among the areas with highest infrastructures density in the world. For instance, the transit countries of the Czech Republic are Austria, Germany and Italy. For these three countries the average index of infrastructures is 3.3. (The infrastructure index ranges from 0. 03 to 7.5, with an average of 1.14,

and the higher the index the denser the infrastructure network). Similar access to efficient transit is observed for Hungary (again through Italy and Austria) and for the Slovak Republic (same transit as for the Czech Republic). In Africa, Burundi has transit through Kenya, Tanzania, Rwanda and Uganda, whose average value of infrastructures density does not reach 0.14. Malawi has transit through Botswana, Mozambique, Zambia, Zimbabwe and South Africa; hence it enjoys transit infrastructures density of 0.22 only.

Import and Export Procedures: slow and cumbersome customs and cross border procedures lead to excessive delays

Customs inefficiency can be a roadblock to the integration of developing countries into the global economy and may severely impair import/export competitiveness or inflow of foreign direct investment. The key problems that plague customs operations in developing countries in general and African countries in particular are well known and include, excessive documentary requirements; outdated official procedures; insufficient use of automated systems; lack of transparency, predictability and consistency in customs activities; and lack of modernization of, and cooperation among, customs and other governmental agencies. Finally, corruption is another problem that makes trade facilitation difficult.

Excessive documentary requirements and outdated official procedures

According to estimates by UNCTAD, on average customs transaction involves 20-30 different parties, 40 documents, 200 data elements 30 of which are repeated at least 30 times and the re-keying of 60-70 percent of all data at least once. Frequently, documentation requirements are ill-defined and traders are not adequately informed on how to comply with them, thus increasing the potential for errors. This problem is even worse at borders, especially as border posts and customs offices, in most cases, are physically separated. In essence, there are two complete sets of controls for each border post, with each having a multitude of forms and documents to be filled and checked.

In addition to excessive documentation requirements, antiquated official procedures compound the problem at customs. The use of transaction control for low-risk consignments not only slow down clearance, but also result in sub optimal use of customs resources, which are better concentrated on high-risk consignments. Risk assessment and audit-based controls help trade facilitation, allow for more efficient enforcement of regulations, and improve collection of duties by customs, thus presenting a win-win situation.

Insufficient use of automated systems

The lack of or insufficient use of automated processes and information technology is a major source of delays, costs and inefficiencies, as paper documents are usually presented at the time of border crossing, and verification of the information submitted takes place at that time. Experience in customs administrations that have increased the use of information technology shows that border-crossing time can be reduced considerably, while control and revenue collection functions are improved in the same

time. African countries have recognized the need to simplify and speed up customs procedures by use of automated systems. The case of Tunisia Trade Net is a good example (Box 3). Other African countries have also introduced the use of the Automated System for Customs Data (ASYCUDA) (Box 4)

Box 3: National effort to speed up customs operations – The Tunisian experience

The Tunisia TradeNet (TTN) is an automated system that provides a one-stop trade documentation-processing platform connecting the principal actors of international trade. It serves as a tool for exchanging international trade documents, maritime community documents and other administrative documents; payment of documentary credits and settlement of duty taxes. It is also a tool for business transactions such as processing purchase orders, shipment and delivery bills, invoices and transfer orders. In terms of international financial transaction, the TTN facilitates the exchange of bills of lading between Tunisian banks and European banks. In addition, the TTN serves as a marketplace where offers and request are made and transactions processed.

Prior to the creation of TTN in February 2000, the complexity of trade documentation processing in Tunisia resulted in delays in clearance of goods for imports. For example, the vessel turn time in Tunis varied from 5 to 17 days, with an average of 8 days, and port facilities were often overloaded. This led to reduced competitiveness, spoilt resources and the prevalence of non-productive activities. TTN is expected to reduce shipment clearance to 3 days. Overall, it is estimated that TTN will result in a productivity gain of 7%.

TTN was created with equity of USD2 million and is jointly controlled by the state (85%) and the private sector (15%). Investment in the corporation that employs 40 personnel, including 20 engineers, is valued at USD3.5 million. The technical solution for the system was ready in April 2001, and in April 2002, the customs was ready for its use. Today, 100 subscribers use TTN. In the long run, 2000 companies are expected to use the system, with brokers being the main target.

The system, which covers the entire logistic chain, from transport services to the payment of customs duties could be accessed through a PC after subscribing with the service provider. Presently, access cost is $US 3 per transaction. In order words, payment for the service rendered is not a function of access time.

The main challenge to the successful implementation of TTN is the inability of customs agents and other professionals within the trade community to fully exploit services offered by the system. To meet this challenge, a customs training center has been created to deliver courses to the principal actors in international trade. This, without any doubt, is a step in the right direction as training is a fundamental part of any reform process.

Source: Economic Commission for Africa, from official sources

Box 4: The Automated Systems for Customs Data (ASYCUDA) and other systems used in Africa

The ASYCUDA system (Automated systems for Customs Data) was developed under UNCTAD's Special Programme for Trade Efficiency to assist in the clearance of goods. ASYCUDA aims at: (a) reducing the administration costs of external trade control activities; (b) helping government to bring about more effective application of external trade regulations leading in most cases in an increase in revenue; (c) accelerating the clearance of goods while maintaining effective control of the flow of goods; and (d) producing timely and reliable data as basis for external trade statistics and management reports. ASYCUDA is available to UNCTAD member governments free of cost in the framework of an UNCTAD executed technical assistance project. At least 29 African countries are known to have experience in the use of ASYCUDA[5]. In fact, the system has been in used in Africa since the 1980s. For example, it was introduced in Niger and Cape Verde in 1986; Benin and Comoros in 1987; Burundi and Guinea in 1988; and Mali, Central African Republic and Democratic Republic of Congo in 1989. More recently, ASYCUDA was introduced in Botswana, Uganda and Zambia in 2001; Togo, Gabon and Namibia in 2002; and Cameroon and Rwanda in 2003.

At a regional level, a project under the auspices of COMESA, for the computerization of customs operations using ASYCUDA has been beneficial to customs administrations in the region, where the implementation of a standard system is seen as instrumental in the establishment of the Customs union for member countries. Two different versions of ASYCUDA are in use in the region – ASYCUDA 2.7 and ASYCUDA ++, and Kenya remains the only country along the main transit corridors in East Africa that does not use AYCUDA. The Kenya Revenue Authority (KRA) has retained the Boffin system. However, KRA is now considering various options for the replacement of Boffin, including ASYCUDA.

ASYCUDA has brought substantial improvement to many countries' administration, Customs, and transport. In some cases, however, due to lack of political commitment to reform and automation process, progress has been slow and the implementation has failed. For example, projects in CAR, Chad, DRC, Comoros, Guinea, Guinea-Bissau have all ended.

Source: Economic Commission for Africa, from official sources

[5] The following African countries are known to have used ASYCUDA: West Africa – Benin, Burkina Faso, Cape Verde, Gambia, Guinea, Guinea-Bissau, Mali, Niger, Nigeria and Togo; Central Africa – Cameroon, Central African Republic, Congo, Democratic Republic of Congo Gabon, Sao Tome and Principe and Chad; East Africa – Burundi, Comoros, Ethiopia, Madagascar, Rwanda, Tanzania and Uganda; Southern Africa – Botswana, Malawi, Namibia, Zambia and Zimbabwe.

Lack of transparency, predictability and consistency in customs activities

Lack of transparency and predictability is a major source of uncertainty as regards costs and time involved for international trade transactions. When the necessary information on applicable regulations is not readily available, trade operators have to spend resources in order to obtain information. Enterprises operating in an environment that is not transparent need to spend more resources to obtain regulatory information. Furthermore, they will frequently have to add expenses for bribes, penalties and administrative or judicial appeals. As these additional expenses do not usually vary according to the value of the goods or the volume of sales, they serve to increase the operational costs per unit and put firms in developing countries in a weaker position than larger firms.

The key facilitation problem is not the danger to effective controls posed by practices in which irregular payments can move goods through the strictest regulatory systems, or the extra unofficial charges levied on innocent as well as fraudulent traders, but rather the logical obligation to maintain unnecessary complexities and foster endemic delays for consignments so as to justify bribes for "exceptional simplifications".

Lack of modernization of, and cooperation among, customs and other governmental agencies.

Customs departments and other government agencies involved in trade are often inefficiently structured internally. Common problems include inadequacies in physical infrastructure, training and education, inefficient emoluments of staff, and lack of co-ordination and co-operation between customs administrations as well as between customs and tax administration.

New maritime security measures pose a serious challenge to customs administration

The need for more stringent security procedures in the face of the recent wave of international terrorism is becoming more and more important and poses a new and serious challenge to customs administration (Box 5).

Box 5: New security measures at ports are bound to increase customs delays and transaction costs

One of the most significant developments in the international transportation of goods in the last two years is the proliferation of security initiatives in maritime transport, most of which have been introduced for trade with the United States. These initiatives, which have implications for transport costs and operations, were introduced in light of the events of 11 September 2001 in the United States. For African countries, the relevance of security initiatives related to maritime transportation of goods stems from the fact that 13% of their total trade constitutes imports to the United States.

US security initiatives focus on customs treatment for incoming cargo, particularly in containers and include: the Container Security Initiative (CSI) and the Customs-Trade Partnership against Terrorism (C-TPAT) which brings commercial parties together, including importers, carriers, brokers, warehouse operators and manufacturers, to conduct trade in a secure environment. The IMO Maritime safety Committee has also been involved in efforts to reduce the risk of terrorist attacks through maritime transport. To this end, the IMO has developed an International Code for Security of Ships and Port Facilities, which provides a platform on which ship operators and port authorities can cooperate to detect and deter acts of maritime terrorism

It remains unclear how new security initiatives will affect international trade, especially for developing countries in general and African countries in particular. The resultant additional cost that tight security entails may reduce demand for lower-value goods moving in containers. It may even make some products uncompetitive. In a nutshell, the requirements of the security initiatives discussed above could harm the trade of developing countries.

UNCTAD, has listed some likely outcomes of new security measures on developing countries, which include the following: shipping companies operated by developing countries will see their operating costs as well as their liability increase; ports in developing countries will need to undertake a port security assessment and prepare a port security plan, which is particularly important as failure to do so could lead to vessels calling at these ports being barred from calling at US ports; ports will need to expand their container inspection areas ;and national customs may need to invest in costly container scanning systems.[6]

Possible consequences of the above outcomes include: compromising or undermining the efficiency and reliability of the transportation industry; and compromising the confidentiality of manifest data once it is filed to Customs, which can increase cargo theft.

Source: Economic Commission for Africa, from official sources

[6] According to British customs, procument costs for a mobile scanner have varied from US$ 1.5 million to US$ 3.3 million. Fixed scanners, including a building to house them, can cost up to US$ 20 million. One scanner can inspect around 30,000 containers a year and the effective life span of a scanner is about 10 years.

Consequences of inefficient customs administration: long delays at customs and border posts

The problem of delays at customs and border posts is well known in Africa. For instance, an enormous amount of time is wasted at border posts in Southern Africa as Table 5 illustrates. Waiting for up to 24 hours to cross a border appears to be the norm rather than the exception. The table shows that border delay is estimated at 36 hours at both the South Africa-Zimbabwe border post at Beit-Bridge and the Zimbabwe-Zambia border post at Victoria Falls. However, not all border posts in the sub region experience long delays. For example, the border post between Swaziland and Mozambique (Namaacha) and that between Botswana and South Africa (Pioneer Gate) both have relatively short delays of four hours.

Table 5: Delays at selected border posts in Southern Africa, 2000

Corridor	Border post	Countries	Estimated border delay (hours)
Beira	Machipanda	Mozambique and Zimbabwe	24
	Zobue	Mozambique and Malawi	24
	Mutare	Mozambique and Zimbabwe	26
Maputo	Ressano Garcia	South Africa and Mozambique	6
	Namaacha	Swaziland and Mozambique	4
North South	Beit-Bridge	South Africa and Zimbabwe	36
	Chirundu	Zimbabwe and Zambia	24
	Victoria Falls	Zimbabwe and Zambia	36
	Martins Drift	South Africa and Botswana	6
Trans-Caprivi	Kazungula	Botswana and Zambia	24
Trans-Kalahari	Buitepos	Namibia and Botswana	6
	Pioneer Gate	Botswana and South Africa	4
Tanzam	Nakonde	Zambia and Tanzania	17

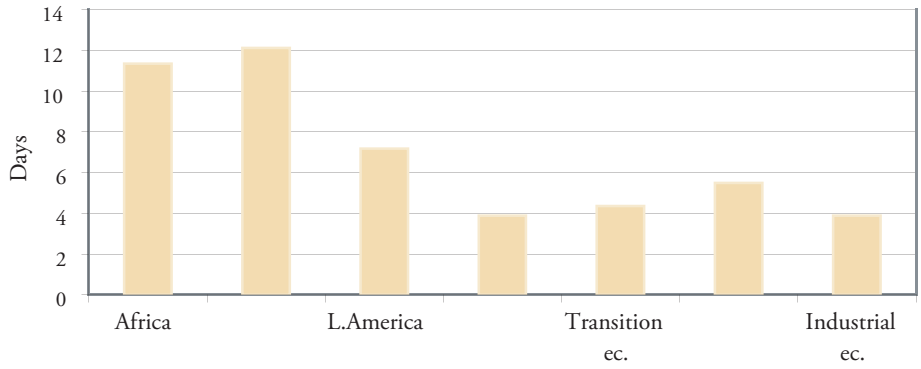
Source: World Bank 2000

Long delays are also recorded in the transportation of goods along the Djibouti-Ethiopia corridor. Numerous stages in the process of clearing and transporting commercial goods on transit from the port of Djibouti to Addis Ababa often take more than 20 days.

African customs have the longest delays in the world

Overall, delays at African customs are on average longer than the rest of the world: 12 days in countries south of the Sahara, compared to seven days in Latin America, 5.5 days in Central and East Asia, and slightly more than four days in Central and East Europe (Figure 7), adding a tremendous cost to importers each passing day at custom's warehouse. Longest delays are observed in Ethiopia (30 days), Cameroon, (20 days), Nigeria (18 days), Malawi (17 days) and Uganda (14 days). These delays are twice longer than the worst performers in the rest of the world, (Ecuador, Venezuela, Ukraine, Lithuania and Kyrizkstan). However, five African countries, Botswana (4 days), Namibia (4 days), Ghana (5 days) and Egypt (5.5 days) made it to the top ten best performers in the world (Annex 1).

Figure 7
Delays at the custom

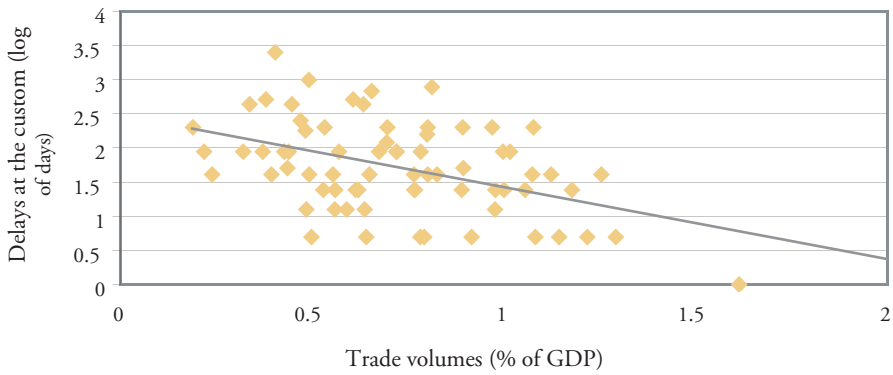


source: Clark et al. 2001

Delays at customs reduce trade volumes

The effect of custom efficiency on trade facilitation is evident from the correlation between custom delays (measured in days) and trade volumes (measured as a percentage of GDP) captured from a sample of 129 countries from Africa and the rest of the world (Figure 8). There are two important effects behind the direct linkage of these two variables. First is the increase in the cost of trade that results from having commodities stacked at the custom for several days or weeks, especially when they are perishable. The second effect is the uncertainty about the outcome of the procedures, as the delay gets longer. Uncertainty in turn is a powerful disincentive for individuals to trade internationally.

Figure 8
Trade and delays at the custom



Source: International Financial Statistics and IMF Direction of Trade Statistics, 1990-2003

In one form or another, all African countries are affected by the problem of cumbersome customs and border procedures and hence this has a negative impact on trade development in the continent.

Corruption hampers trade

Customs administrations are very likely the world's organizations most vulnerable to corruption. Customs administrations are situated in the center of the international supply chains of and are strategically positioned to facilitate or hamper trade. Some customs form a barrier to trade because of corruption. In many countries the major manifestation of corruption is the bribe to inspectors to do what they are paid to do, i.e. ensure the timely entry of legitimate cargo. As customs officials are often underpaid, they consider bribes as a legitimate means to improve their income.

Bribes are a substantial cost factor to many producers and therefore reduce their competitiveness. However, as the marginal cost of customs delay is often higher than the bribe, im- or exporters are willing to pay bribes to have their goods cleared without any further inconvenience. For example, in a survey on Mozambican enterprises, 43 percent of the firms replied that corruption by customs officials is a major problem to their business (Biggs et al 1999, 29). In Nigeria, many firms do not attempt to fight through the bureaucracy and corruption associated with export and sell to traders and middlemen who export for them (Marchat, Nasir et al 2002, 93).

Over decades some scientists claimed that corruption may improve customs efficiency, particularly in developing countries. Corruption was even considered as a market-mechanism to correct inefficient rules

set up by the government. The argument of the "efficient grease" is misleading. Firstly, the grease might be efficient for one single transaction, but in general, corruption undermines the system. Secondly, if bribes are necessary to correct inefficient rules, then the rules themselves have to be corrected. Thirdly, bribes are handled arbitrary. The amount of the bribe depends on the bargaining power of both sides. Lastly, as shown in a study by Kaufmann and Wei (2000), corruption does not speed up the process but rather delays it and raises the cost.

As shown by Cudmore and Whalley (2003), corruption can even increase with trade liberalization. The Washington Council on International Trade mentioned a proliferation of bribes and other illicit payments around the world as conventional barriers to trade have fallen. Therefore, trade liberalization must go hand in hand with administrative reforms to ensure traffic of goods without additional transaction cost.

Establishing a reliable customs system with honest personnel must therefore go hand-in-hand with trade liberalization. The following actions can establish a foundation for a customs system characterized by integrity and competence (Lane 1998):

- Pay a salary that is consistent with a professional position of honor and trust, that will attract high quality personnel
- Establish internal controls and audit systems to prevent breaches of integrity and trails to identify and uncover violations
- Publish standards for cargo clearance and all customs services and provide appeals for customs decisions.
- Develop a code of conduct, core values and a table of discipline that address integrity at all levels of the organization

Some countries have implemented successful reforms and reduced corruption by streamlining customs procedures and making them transparent. Peru is a successful example. Before reform, Peruvian customs had a well-earned reputation for corruption and incompetence. A new leadership was introduced with a charter to reform and modernize. With help from the Inter-American Development Bank, Peruvian customs fired corrupt employees, instituted a test for competence, provided training to remaining employees, hired new professionals, established standards for cargo clearance times, simplified the tariff and reduced duty rates. As a result, over a five-year period imports doubled, revenue collections quadrupled, staffing was reduced by 30 percent and, what is more, cargo clearance times were reduced from 15 to 30 days to one or two days (Lane 1998).

In Jamaica, corruption was fought by facilitating the customs clearing mechanism and the introduction of a binding, comprehensive manual of procedures setting out all customs rights and responsibilities in export clearance. This manual was published, so that exporters and their agents know what the rules of the game are (Staples 2002, 146).

In Mozambique, the government selected Crown Agents to manage customs operations and to train customs staff. Among the Crown Agent's tasks is to reduce corruption. This measure has reduced corruption significantly (Nathan Associates 2002, 7-6).

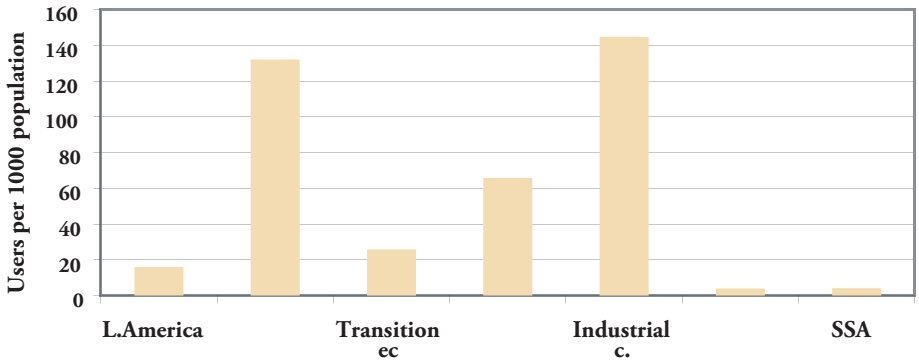
On a temporary basis, pre-shipment inspection (PSI) can help to deal with inefficient or corrupt customs administration. PSI services are provided by private companies in the exporting country and refers to the verification of unit prices and to the examination and reporting of the quantity and quality of exports before they are shipped to the importing country. PSI has not reduced tariff evasion and corruption in all countries where it was introduced (Anson et al, 2003). Thus, the effectiveness of PSI in fighting corruption depends on how well it is implemented. PSI should be combined with a comprehensive program of customs reform and modernization.

Furthermore, fighting global corruption is not only the task of developing countries. In fact, many bribes paid in international commerce originate in firms headquartered in industrial countries (Vogl 1998). In many industrial countries, giving bribes to foreign officials is not considered as a criminal offense and can even be deducted from taxes. The OECD Anti-Bribery Convention (signed in 1998) calls upon each of the member countries to enact legislation to criminalize foreign bribery.

Information and Communication Technology

Although there are encouraging developments in countries like Botswana, Mauritius and Namibia, the African region as a whole lags behind others in the use of modern information technology in domestic as well as international trade activities. Telecommunications services are inadequate, inefficient and very expensive, availability of mobile cellular phones is very limited, prohibitively expensive, and non-existence in some countries. Africa has the lowest internet diffusion in the world (Figure 9). Based on the ranking of internet user per capita by the World Fact book, the top, median and bottom points are: 70.29, 8.49 and 0.03 per 1000 population respectively. Accordingly, of the 51 African countries for which data was available, only two countries (3.9 percent of the total) Seychelles and South Africa made it to the top, 12 countries (23.5 percent) fall below the top but above the median, one country falls at the median point while 36 countries (72 percent) were below the median point.

Figure 9
Internet diffusion



Source: World Development Indicators, 1990-2003

High telephone charges and low level of internet distribution increase custom delays

Empirical evidence suggests that there is a linkage between custom delays on one hand and telephone charges on international calls and internet distribution on the other. In Africa for instance, Botswana and Namibia are the two countries with shortest delays (4 days) and the average cost for three minutes on international call is US$4.8 and US$4.28 respectively. Furthermore, the number of internet users per 1000 population is 20.74 in Botswana and 24.71 in Namibia. Countries with the longest delays are Ethiopia (30 days) and Cameroon (20 days). Charges on international calls in these two countries are also the most expensive, US$7.44 in Ethiopia and US$7.7 in Cameroon. Similarly, internet diffusion is much lower in Ethiopia (0.3 per 1000 population) and Cameroon (2.78 per 1000 population) compared to Botswana or Namibia.

Africa lags behind in the use of e-commerce to facilitates international trade

While many African countries are not yet fully making use of e-commerce enabled systems, many are now being serviced by organizations that use e-commerce-oriented systems. The African Development Forum held in Addis Ababa at the Economic Commission for Africa in 1999 (ADF99), identified the following barriers to e-commerce in the continent:

- The African infrastructure is not sufficiently e-commerce friendly: the physical infrastructure is insufficient; the electronic transaction infrastructure is deficient, the legal and regulatory framework is still inadequate.

- The African e-commerce environment is not supportive because: the level of awareness of e-commerce is not high enough; African entrepreneurs need training in using Internet for business; and African Internet support professionals need training to be able to support e-business oriented ventures.

As a result of the poor quality but expensive telecommunication services, businesses in Africa are less competitive as they lack up to-date information on prices of goods, services and shipment; and incur costs from unnecessary delays at ports and border posts.

International payments mechanisms; insurance requirements; and customs guarantees

African countries suffer from a large number of problems resulting from commercial practices of banks and insurances. Inefficient payment and credit arrangements remain an obstacle to trade, often resulting in long delays for the payment of goods.

Different methods of payment are adopted in international sales transactions, depending mainly upon the relationship between seller and buyer. For example, if the seller and the buyer know each other and have long-standing business relationship, they may transact business on trust and the seller may periodically send invoices to the buyer for settlement. Payment may also be made by other methods such as "cash with order" when the buyer sends a cheque or a bank draft with the order, or by "documentary credit" where payment is made against documents instead of against goods. The documents transfer title to the goods. The documentary credit is operated through banks: the seller sends the relevant documents to his bank for release of payments by the buyer's bank on the buyer's acceptance.

ECA studies in West, East and North Africa reveal that the documentary credit payment system is the most popular international payment system in Africa. However, this practice is characterized by cumbersome and complex procedures. The basis of the system is a series of checks in which the progress of the goods towards the buyer is pinned to the progress of payment to the seller. The process is time consuming, requires physical movement of documents between different banking establishments, in two different countries and is not well understood and badly managed by many users. Indeed it has been reported that half of all requests for payment are rejected on grounds of documentary inconsistencies. In addition, the system is open to fraud.

Exchange and capital controls

Empirical evidence indicates that imposing restrictions on current payments and transfers (exchange controls) and on capital account transactions (capital controls) represent a notable non-tariff barrier to

trade (Tamirisa, 1999). In particular, the effect of capital controls appears to be particularly strong for developing countries. Indeed, capital controls tend to limit business opportunities for hedging foreign exchange risks, financing trade, and managing assets and liabilities. They also contribute to lowering efficiency of financial intermediation, thus constraining the availability of forward cover and commercial credits. Exchange controls contribute to reducing trade by rationing the foreign exchange available for transactions. Such a rationing has two implications. One is that the quantity of imports will shrink and/or prices will increase. The other is that the allocation of available foreign exchange might take place via noncompetitive rules, and hence induce an inefficient use of resources.

Insurance

On average, insurance fees are around two percent of the value of trade and represent around 15 percent of total maritime charges. Generally, products with higher unit value have higher charges per unit weight. Therefore, high value added exporting countries should have higher freight charges per unit weight due to this insurance component. However, the peculiar conditions of many African countries, such as socio-political instability and poor infrastructures, together with the long distances that separate such countries from international markets, do imply on average high insurance premiums. This effect is combined with a generalized increase in insurance premiums and reduction in coverage observed after the September 11 attack. In fact, the imperfections of financial markets can even make insurance completely unavailable at any price.

In most developing countries, international trade is performed on the basis of traditional commercial practices: exports are made on a "free on Board" (FOB) basis and imports on a "Cost, Insurance, Freight" (CIF) basis. This is because many producers lack awareness and orientation in becoming exporters. Those who export tend to prefer selling their products on departure instead of taking an aggressive marketing position by selling on delivery terms. Therefore, African businesses are not usually directly involved in negotiating insurance fees for maritime transport both for exported and imported goods.

Concerning road transport, African regional economic communities have introduced common insurance schemes. COMESA, for example, has the third party motor insurance scheme (Yellow Card) that provides for third party insurance cover valid in all the transit and destination states including medical bills for crew. Benefits of this scheme include the use of local currency; simplified claims regime; and quicker border clearance. ECOWAS has also introduced a similar scheme, known as the Brown Card vehicle insurance scheme as an accompanying measure to its programme on free movement of persons and goods.

Customs guarantee

Customs security is one of the major difficulties in freight transit. This has to be ensured by the

establishment of a financial guarantee and mechanism that makes sure that goods in transit do not enter the transit country market without the necessary taxes and customs duties being paid. Guarantee payments represent a high cost for transport operators.

In Africa, however, no sub regional organization has managed to put in place a satisfactory system. Texts have been adopted in sub regions like COMESA, but they have yet to be ratified. In the case of ECOWAS countries, texts are applied differently. Customs services in Cote d'Ivoire and Senegal, for example, require bank guarantees. Burkina Faso, Benin and Niger have all instituted guarantee funds, with the guarantee being cumulative (paid in each of the countries transited) and non-reimbursable. The chambers of commerce manage the guarantee fund in all the three countries where it represents an important resource for these institutions.

UEMOA and ECOWAS are exploring the possibility of regionalizing the guarantee fund but there are still diverging views on a number of items, including: vehicle conformity; guarantee fund subscription rate; and formalities required by the transit countries. The benefits of regional customs guarantee include: transport cost savings; single customs bond accepted regionally; quicker clearance of vehicles at borders; and higher productivity of vehicles through quick transit and turnaround times.

International trade standards

In recent years, an increasing mass of standards and technical regulations governing the admissibility of imported goods into an economy has emerged. In principle, the purpose of such standards is to ensure that the products available on markets meet minimum requirements, whatever their origin is. Such requirements may refer to the safety of consumers (as for instance in the case of food products), or the protection of the environment (as for instance in the case of trade in manufactured goods), or other quality-related characteristics. In this sense, standards would serve the purpose of providing the society at large with a sufficient amount of a "public good", which would be otherwise undersupplied. Yet, it is often argued that industrial countries tend to use standards and regulations as a substitute for tariffs and quantitative restrictions. That is, while the process of trade liberalization has imposed the removal of most of classical trade barriers, developed economies continue protecting some sectors by using standards to constraints imports from lower-cost developing countries.

Standards and regulations certainly impose higher production costs on firms seeking to export from developing countries. This follows from both technological and preferences gaps vis-à-vis industrial economies. The problem is made worse by the fact that demand for standards in advanced countries is highly elastic to income. That is, standards are a luxury good whose demand rises with rising incomes. Associated with continued advances in scientific knowledge about health and environmental hazards,

this implies that standards tend to change frequently and to become more and more stringent over time. In this respect, they obviously reduce the ability of developing countries to access international product markets. Empirical evidence suggests that stringent standards can have a negative effect on trade. For instance, a recent study reveals that African exports of cereals will decline by 4.3 percent, and that of nuts and dried fruits by 11 percent with a 10 percent tighter EU standard on aflatoxin contamination levels of these products (Wilson et al. 2003). The EU has also estimated the costs of technical standards as being equivalent to the tax of two percent of the value of goods traded (Otsuki et. al 2001).

An issue of particular concern to African countries is the multiplicity of standards for agricultural products imposed by the European Union (EU), and the unilateral approach in developing these standards, which do not often conform to corresponding WTO standards. The high dependency of African exports on European Markets makes them more susceptible to European regulatory reforms.

To reduce the negative impacts of the multiplicity of standards on Africa's trade, the following actions are paramount:

- Establishing regional certification centers for diagnosis and analysis, in conjunction with the EU;
- Introducing joint investigations of perceived health hazards; and
- Simplifying the multiplicity of standards and ensuring that these standards conform to WTO levels.

The Way Forward

Tackling the challenges of international trade in Africa requires a comprehensive and coordinated approach that entails improvements in infrastructure and provision of efficient and competitive services in the areas of roads, railways, ports, information and communications technology; the removal of illegal roadblocks that constitute a de facto tax on trade; and the simplification and harmonisation of customs and border procedures as the gains and benefits of trade faciliation are related to the whole chain of processes. A major new initiative that is helping African economies identify and deal with trade facilitation and related bottlenecks is the Integrated Framework initiative, which combines detailed diagnostic studies with follow-up implementation efforts in order to alleviate the tremendous constraints facing many of these economies (Box 6).

Box 6: Integrated Framework Initiative to tackle trade facilitation and related bottlenecks.

The Integrated Framework for Trade-Related Technical Assistance to least-developed countries (IF) is a multi-agency, multi-donor programme that assists the least developed countries (LDCs) to expand their participation in global economy whereby enhancing their economic growth and poverty reduction strategies.

The IF was inaugurated in October 1997 in response to the complexity of LDCs' trade-related problems by six multilateral institutions (International Monetary Fund (IMF), International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), World Bank, and World Trade Organisation (WTO)), which, with their distinct competence, could complement each other to deliver greater development dividends to LDCs in the multilateral trading system.

The objectives of the IF are, (i) to "mainstream trade into the national development plans of LDCs; and (ii) to assist in the co-ordinated delivery of trade-related technical assistance in response to needs identified by the LDC.

The IF comprises 3 broad stages: (i) preparatory activities including an official request by a country to participate in the initiative and a technical review of the request, the establishment of a National IF Steering Committee, and, to the extent possible, the establishment of a Lead donor; (ii) a diagnostic phase during which the key constraints to a country's integration into the multilateral trade system and global economy are identified, based on which a rational programme for technical assistance consistent with needs could be prepared; and (iii) follow-up activities that start with the translation of diagnostic phase's findings into the elaboration and validation of an action plan, which serves as basis for trade-related technical assistance delivery.

Several African countries including Madagascar, Mauritania, Burundi, Djibouti, Eritrea, Ethiopia, Guinea, Lesotho, Malawi, Mali, and Senegal are part of the IF initiative. Implementation of the IF remains a "work in progress" and as such the concerned agencies are still in a process of learning from the lessons of on-going implementation. This notwithstanding, the fact that the IF process helps to identify constraints to international trade should serve as incentive for those African countries that are not part of the initiative to get on board.

Source: Integrated Framework "accessed 08/04/2004"

An important message emerging from this report is the need for regional approaches and strategic partnerships to complement national measures. This is because international trade involves the use of infrastructure and services of at least two countries. This is especially true for landlocked countries with key transit facilities lying outside their territorial boundries. For example, imported goods for Rwanda and Burundi have to pass through Kenya and Uganda or Tanzania and Uganda, depending on whether the goods arrive at the port of Mombasa or Dar es Salaam.

A regional approach can be an efficient means of coordinating actions, setting priorities, reviewing progress, mobilizing resources, allocating funds, and monitoring contribution levels, with regard to solving common problems.

Providing adequate infrastructure to support international trade

Specific actions required in the road, rail, and ports sub-sectors include the following:

Road Subsector

- Maintain and rehabilitate existing roads
- Expand road network to isolated areas
- Widen roads with narrow lane and shoulder widths, and where necessary, adjust horizontal and vertical alignments taking into consideration the increased use of heavy vehicles

Rail Subsector

- Increase connectivity of railway sections with different track gauges by use of "rail to rail" transshipment facilities
- To the extent possible, the track gauge used in the continent should be standardized
- Use of rolling stock equipped with changeable gauges
- Convert freight wagons to flat beds, suitable for transportation of containers.

Ports

- Replace obsolete and inappropriate equipment at ports with modern container handling facilities
- Develop container terminals at ports to facilitate efficient handling and storage of containers
- Develop more dry ports to serve both landlocked countries as well as interior areas of coastal countries[7]
- Training of local staff to run containerized systems that are highly mechanized and computerized

[7] Inland ports, also known as dry ports or inland container deports, have developed rapidly in Africa, and particularly in Southern and Eastern Africa, as inland terminals in coastal countries or landlocked countries in the hinterland of one or more seaports

Improving the efficiency of transport services

Several actions need to be taken to improve the efficiency of transport services in Africa. Particular care is required to avoid inefficient monopolies and other rent-seeking behavior so that essential service industries in general and transport industry in particular support rather than strangle export growth. In this regard, competition in freight forwarding and in the freight transport market should be encouraged. This could be done by first educating freight consignors that they have an important role to play in bringing down transport costs by getting transporters (and freight forwarding agents) to really compete for business. Increasing vehicle utilization through better competition will push older less efficient vehicles out of business.

Other measures to improve the efficiency of transport services include: raising the skill level and access to machinery of vehicle mechanics working in the informal sector and placing emphasis on the repair and reconditioning of parts rather than replacements; giving more responsibility to drivers and encouraging them to take closer interest in vehicle mechanics and the business side of running a vehicle; and informing owners and drivers of the advantages of slow vehicle running speeds that include the reduction of fuel consumption, maintenance costs and accidents**.** Finally vehicle utilization can be increased by the use of two drivers per vehicle.

Promoting Multimodal transport services

Improved systems for transferring cargo between different transport modes, the rapid development of technologies capable of tracking shipment from door-to-door, and the growth of containerized transportation have had a profound impact on current transport patterns and practices. This has resulted in the growth of multimodal transport operators (MTOs), responsible for the movement of goods through various channels from origin to its final destination on one transport document. MTOs represent an integrating factor of international transportation and, thus, for the expansion of trade since they ensure the non-interrupted flow of goods from origin to destination. Apart from ensuring a secure, personal and straightforward transportation of goods, MTOs are a bridge to the gaps created by differences in cultures, languages, and commercial practices.

However, the absence of a uniform international convention on multimodal transport, hinder the development of this mode of transport in Africa. Therefore, the ratification and accession to international treaties and conventions to enhance the use of multimodal transport in the continent should be encouraged as well as the establishment of indigenous Multimodal Transport Operators.

Removing illegal roadblocks and preventing diversion of goods on Africa's roads

Without any doubt, the challenge of removing roadblocks and preventing the diversion of goods on Africa's roads is enormous. These problems are extensive, deep-rooted and inherently difficult to come to grips with.

Efforts made in some countries and sub-regions to alleviate these problems should be objectively assessed and good practices disseminated. For example, the SSATP has assisted UEMOA to introduce observatories to continuously report on the delays and other conditions on roads and borders. Kenya, Uganda and Rwanda have also established transit-monitoring systems. The system in Kenya relies mainly on physical escort of transit vehicles carrying what is considered as "sensitive" cargo, vulnerable to diversion into the domestic market, while Uganda uses non-overt surveillance methods and control of the transit documents. Rwanda uses a system similar to that of Uganda. However, using police escorts may result in delays. For example, in Kenya, escorts are only organized 3 times a week. In addition to possible delays, escorts add to the expenses of transport operators.

Overall, improvements have to be based on political agreements and interventions from the highest government levels. This, in fact, is a prerequisite to sustainable solutions. The New Partnership for Africa's Development (NEPAD), through its Peer Review mechanism, could play a lead role in this regard.

Exploring the potentials of air transport services

In 2001, Africa accounted for only approximately 3.5 percent of the world's air cargo traffic in terms of tonnage. The total international flows moving into, and out of Africa totaled approximately 961 thousand tones, and Europe accounted for 65 percent of all African foreign air trade. The Middle East, North America, and Asia provide 14 percent, eight percent and five percent of the region's air trade respectively. Intra-regional air trade was estimated at approximately 66 thousand tones, that is, 6.9 percent of the region's total air cargo traffic (Boeing "accessed 17/03/2004").

In general, African air exports tend to be dominated by perishables (fruits, vegetables, cut flowers, fish), apparel, textile and fabric, and express documents; while air imports into the region are mainly industrial machinery, computers, telecommunication goods, specialized machinery, general industrial machinery, and pharmaceutical goods.

The case of vegetable exports from Zimbabwe to the UK, where in the 1990s, farmers near Harare supplied fresh vegetable to the London market by picking them, immediately trucking them to the airport and flying them overnight to London where they were put on shelves ready for sale in the morning, suggests that an efficient air transport system could be quite beneficial to African countries (Krugman 1998). Accordingly, there is a need for a thorough appraisal of the potentials of air transport to enhance both intra-Africa trade and the continent's trade with other regions of the world. The inadequacy of land transport infrastructure and services in Africa provides an added incentive to improve the efficiency of air transport in the continent. This is particularly relevant with regard to the enhancement of intra-Africa trade.

It should however be acknowledged that efforts have been made in recent years to improve the efficiency of

air transport in Africa. For example, the Yamoussoukro Decision adopted in 1999 was major breakthrough in the sector. The Decision resulted in speeding up the liberalization of access to air transport market in Africa, and has also brought airport space management reforms. However efforts need to be made to ensure that the Decision is fully implemented.

Speeding up customs and border crossing procedures

To a large extent, the problem of slow and cumbersome border procedures could be addressed by reducing to the minimum the number of trade documents and copies required and harmonizing the nature of the information to be contained in these documents. Such trade documents should also be designed and standardized in accordance with international accepted standards, practices and guidelines and should be adaptable for use in computer systems. In addition, the introduction of one stop-border post operations should be encouraged. In this regard, member States of the Northern Corridor have reached agreement but implementation has not been forthcoming. UEMOA is also committed to introducing one-stop border posts. Tenders for the construction of a pilot post at Cinkanse (border between Burkina Faso and Togo) were given out in 2003, and construction is expected to start in 2004. One-stop border posts are strongly recommended for all sub-regions in Africa.

Overall, customs administrations in most African countries require a huge shake-up if these countries are to fully benefit from the liberalization process. Accordingly, efforts should be made in order to ensure that: customs administrations are technology based with the goal of providing a paperless processing system; greater reliance is placed on post-release audits; closer working relationship is established with the tax department; a service orientation and good relations with the trade community are adopted by introducing clear, transparent procedures and regular joint meetings between customs, importers, brokers, freight forwarders, and port authorities; and customs administrations attain high levels of professionalism and integrity.

For the customs administration to function well, all its components must be in order, that is, its operational procedures; organizational structure and management systems, including information system, supervisory system and internal control; human and resources; and the legislative basis. Therefore the following actions are urgently required for customs administrations in Africa:

- Redefining the customs operational role and procedures comprehensively: new control strategies need to be introduced that allow for minimum interference with trade, yet ensure proper enforcement of fiscal and trade laws;
- Adopting innovative and flexible management systems: decentralization of responsibilities and decision taking and providing more autonomy and accountability for the administrators in the field;
- Privatizing functions that can be effectively performed at lower cost by private sector: for example,

the operation of warehouses;

- Investing in human resources: special skills are required for customs administrations that rely on technology and audit based systems; and
- Establishing a firm management control, particularly in connection to integrity: this requires a clear, well-articulated code of conduct, the willingness to take disciplinary action and effective internal control systems.

In recent years many developing countries have indeed undergone customs reforms. Unfortunately, many hurdles, such as lack of government commitment and poor use of information technology, have so far prevented these reforms from being beneficial in terms of import/export growth and increased budget resources. However, Morocco is one African country that has managed to overcome these obstacles, thanks to the collaboration of public and private actors, who are committed to tackle corruption and to improve customs procedures. The Moroccan experience in customs reforms is therefore a good example for other African countries to take a closer look at (Box 7).

Box 7: Best Practices in customs reforms: lessons from Morocco.

Customs reforms in Morocco addressed four essential areas. Firstly, customs procedures were *simplified and computerized*. *Selective customs controls* were introduced for passengers and freight in the form of *green* (clearance without inspection) and *red* (inspection required) channels in international airports. Secondly, all routine functions were performed by the *Customs Administration computer system*. The system allows information to be exchanged with users so traders can obtain free estimates of duties and taxes payable when duties are imported. Thirdly, the management of special customs procedures, particularly for goods admitted temporarily, have been improved thanks to a *computer-assisted facility*. Finally, the Customs Administration has become *more transparent and more responsive* to the needs of the private sector as indicated by the availability of a wide range of information, a website, a newly created consultative committees and streamlined customs procedures.

Periodic surveys indicate that the outcomes of the reforms are greatly appreciated and that they must continue if Morocco is to eliminate, by 2010, customs duties on imports from the European Union, which is the main trading partner.

The Moroccan reforms have enabled to offset, since their inception in the mid-1990s, the decline in revenue from customs duties while, triggering off revenue from value added tax and boosting imports. Customs services still continue to generate important shares of budget resources. Morocco's experience can inspire other developing countries interested in reforming their customs services.

Source: World Bank 2002

Promoting the use of new technology

If properly utilized, Recent advances in science and technology, especially in information technology are capable of reducing transport costs and customs delays, thus enhancing trade volumes in Africa.

Automated systems reduce delays at customs

Several African countries are using automated customs systems such as the Automated System for Customs Data (ASYCUDA) or other systems like the Tunisia Trade Net for the case of Tunisia to simplify and speed up customs procedures. However, the main challenge to the successful implementation of automated systems is the inability of customs agents and other professionals within the trade community to fully exploit services offered by such system. To meet this challenge, there is a need to create training centers to deliver courses to the principal actors in international trade.

Shipment tracking enhance international trade

The availability of timely and relevant management information data is an important component to address the inefficiencies of Africa's transport system. Such information data can be provided by shipment tracking systems. Generally, shipment tracking involves global positioning systems, which keep track of vehicles so that customers can find out exactly where the shipment is located at a given time, thus making it easy to focus a search in case the shipment cannot be located.

An example of shipment tracking system is the Advanced Cargo Information System (ACIS), designed by UNCTAD, and currently in used in a number of African countries. ACIS has four components, each tracking cargo on a mode or interface: port, road, rail and inland-waterway. The Kenya Railways Corporation (KRC), Ugandan Railways Corporation (URC), Tanzania-Zambia Railways Corporation (TAZARA) and Zambia Railways (ZR), are examples of African railways equipped with Rail Trackers. The Port Tracker modules are also partly installed in Dar es Salaam, Tanzania, and Mombassa, Kenya (PMAESA Newsletter No 5, 2003). Other African countries are should be encouraged to use such systems.

Strengthening Regional Initiatives

For many years, African countries have recognised the importance of a regional approach to facilitate trade in the continent. Thus, several cooperative arrangements have been signed by African states (discussed earlier in Box 2). However most of these trade facilitation initiatives have so far had very limited positive outcomes because of non-compliance and incomplete or poor implementation.

A notable exception where significant success has been recorded is the Northern Corridor in Eastern Africa. Transport facilitation measures introduced in the Northern corridor have yielded positive results.

For instance, transit time between Mombasa and Bujumbura has been reduced from 25/30 days to 12/15 and that between Mombasa and Kigali from 15 days to 6/8 days. The relative success of the Northern corridor is attributed to the fact that the Northern corridor is the only transit corridor with a permanent Secretariate - The Northern Corridor Transit Transport Co-ordination Authority (TTCA) established in 1986 and based in Mombasa, Kenya. It is therefore recommended that other transit corridors in the continent should examine the way in which the Northern Corridor is managed, and to the extent possible adopt identified good practices.

In order to ensure the implementation of trade and transport facilitation measures, the Authority of Heads of State and Government of ECOWAS have adopted a decision calling for national committees to be established, to monitor the implementation of ECOWAS decisions and protocols on free movement of persons and vehicles. The idea of monitoring committees is laudable and should therefore be encouraged in other sub regions of Africa. To be effective, however, each committee should meet frequently and member States should evaluate and send their reports to the Secretariate so that an accurate assessment of the implementation status of agreements can be made.

Trade Facilitation in a Multilateral Framework – the unfinished agenda

Trade Facilitation is one of the four "Singapore Issues"[8], which was introduced into the agenda of the multilateral trade negotiations, and the World Trade Organization (WTO), at the First WTO Ministerial Conference held in Singapore in December 1996, despite strong opposition from developing countries, including those from Africa[9]. The opposition and concerns of many developing countries to agreeing to develop "multilateral frameworks" on these issues was not lack of appreciation of the importance and role that disciplines on these issues can play in promoting development, but mainly lack of adequate human, financial and technical capacity to deal with such issues in a multilateral environment

The statement contained in the Doha Declaration that "negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by **explicit consensus**, at that session on modalities of negotiations" has indeed produced a lot of difficulties for trade negotiators, both in Geneva and in other fora. This statement has given rise to various interpretations. While some developed countries have been of the view that what was agreed at Doha was to enter into negotiations on these issues, and therefore, what is now needed is only to agree on "modalities", developing countries have generally been of the view that no such agreement was reached at Doha.

[8] The other Singapore Issues are "trade and investment", "trade and competition policy" and "transparency in government procurement". Trade facilitation is meant to simplify formalities and procedures; standardise and increase physical infrastructures and facilities and harmonize applicable laws and regulations.

[9] For further details see World Trade Organization: Singapore Ministerial Declaration, adopted 13 December 1996.

Many developing countries have remained opposed to enter into a "negotiating mode" on these issues for a variety of reasons. Firstly, they are of the view that there is a need to have sufficient convergence on many of the issues identified for clarification, in order to draw up substantive modalities on an informed basis. Secondly, many remain unconvinced as to how multilateral frameworks on the Singapore Issues, including trade facilitation, will address fundamental development objectives, needs and concerns of these countries. Thirdly, they have been of the view that the timeframe suggested for drawing up modalities on these issues is not sufficient enough to allow meaningful participation by many developing countries, especially African countries that lack capacity.

Recognizing that WTO members do not have a common understanding on how these issues should be dealt with procedurally and substantively, and, taking into account the potential serious implications of these issues on their economies, many developing countries have been calling for the process of clarification to be continued. In Geneva, prior to the Cancun WTO Ministerial Conference, the Chairman of the Council on Trade in Goods, in which the issues of trade facilitation are discussed, admitted that while many countries had highlighted the benefits of trade facilitation, at the same time, they also appreciated concerns that had been raised with the difficulties of developing binding rules on trade facilitation. Some delegations had suggested working on guidelines, which could serve as target for internal reform endeavors and for the identification of technical assistance needs that could then be transformed into binding rules once developing countries had sufficiently developed their internal capacities. Broadly, members were of the view that any evolution of trade facilitation had to reflect the needs and the specific situations of members, and their ability to implement whatever may be agreed upon in the future, to allow for the full enjoyment of the benefits accruing from trade facilitation.

The discussions at Cancun revealed further polarization and divergence of views between advocates (the demanders) on the Singapore Issues (including trade facilitation) on one hand and those opposed to their inclusion in the WTO work programme. In the end, as is now evident, no agreement was reached at Cancun on any of the Singapore Issues.

Negotiations at the WTO have continued after Cancun as to whether a multilateral framework for trade facilitation should be developed in the framework of the Doha work programme.

Africa's position

Many African countries at the Seattle WTO Ministerial Conference, while appreciating the importance of trade facilitation as an "economic phenomenon", expressed reservations at that stage as to the need for a "multilateral framework" on trade facilitation. This was still the position of many of these countries at the Doha WTO Ministerial Conference.

While acknowledging that African countries were coerced in accepting the wording of the Doha Declaration on "trade facilitation", many would have preferred for this issue, like many of the other Singapore issues, not to be included on the Doha agenda. The ABUJA MINISTERIAL DECLARATION ON THE FOURTH MINISTERIAL CONFERENCE OF THE WTO, adopted by African Ministers of Trade in Abuja, Nigeria in September 2001, stated as follows:

> "We recognize that issues such as trade and investment, competition, transparency in government procurement, trade facilitation, trade and environment and e-commerce are important. However, we agree that these issues are not a priority at this stage and on-going processes should continue in order to prepare for possible future work in this area".

Furthermore, in the AFRICA'S NEGOTIATING OBJECTIVES FOR THE FOURTH MINISTERIAL CONFERENCE OF THE WTO adopted by the same Ministerial Conference, Ministers stated that:

> The general assessment is that trade facilitation measures are necessary and beneficial to all countries. In this context, on-going work within and outside the WTO (e. g. rules of origin, customs valuation) should continue. Improved facilitation will require increased technical and financial assistance to narrow the technology and human resources gaps that exist between developed and developing countries.

Certain positions on the issue of a multilateral framework on trade facilitation emerged in the run-up to the Cancun WTO Ministerial Conference. The position among LDCs may be stated as follows:

> "Paragraph 27 of the Doha Declaration instructed the Council for Trade in Goods to review and as appropriate clarify and improve the relevant aspects of Articles V, VII and X of the GATT 1994 and identify the trade facilitation needs and priorities of members, in particular developing and LDCs. Some aspects of trade facilitation are vital for LDCs. For instance, the question of understanding of international standards is vital for the promotion of LDC exports. Our standards institutions should be strengthened immediately, so that they can properly advise our exporters. On the other hand, much current thinking on trade facilitation pre-supposes the establishment of common procedures, rules and regulations on the movement of goods. To implement such laws and procedures will be very costly for LDCs, which they cannot afford at this stage. Hence, it is too early for the development of an agreement within the WTO in this area. Outside of the WTO framework, current efforts to assist the LDCs in this area may continue"

African countries will require extensive technical assistance in order to master the art of doing business in a competitive and highly sophisticated trading environment, with or without a multilateral framework

on trade facilitation. There is need to build on the current efforts by African countries individually and collectively through sub-regional economic communities to reduce transaction costs, for both domestic and international trade.

Following Trade Facilitation Forum held in 2002, United Nations Regional Economic Commissions proceeded to develop a Project on Trade Facilitation. The objective of the joint project of the five Regional Commissions is to strengthen both the international competitiveness as well as the negotiating capacity of developing countries by sharing knowledge on problems and best practices in the various countries and regions on (a) trade promotion and diversification; (b) a greater participation of small and medium enterprises (SMEs) in global supply networks; (c) designing and implementing trade facilitation policies at national and regional levels, and (d) a greater use of knowledge management and information and communication technologies in supply chain management.

This should be the focus of efforts to enhance capacities for trade facilitation in Africa. A great deal needs to be done to equip African countries with the requisite infrastructure and skills needed to effectively participate in global trade.

Conclusion

Despite efforts made to facilitate trade in Africa, the region as a whole faces a formidable challenge to fully integrate into the global economy. Programmes being implemented to improve customs efficiency in the COMESA sub-region and others is for instance commendable. But a lot remains to be done.

Trade facilitation should be looked at in a broader context. All sectors that have significant impact on trade facilitation should be tackled in a comprehensive manner. Policy coherency, strategies, finance and institutions should be aligned in order to bring the desired result. For instance, improvement in port facilities should be aligned with customs rules and regulations, transport infrastructure as well as services. Further efforts should be made in the dissemination of information technology especially in countries where telephone, internet services are severely low. Most importantly Africa needs to develop a manpower that can cope with the accelerating changes that are taking place in the information technology not only as a user but as a producer as well.

However, given the seriousness of the various problems discussed in this chapter and the resource and capacity constraints faced by African countries in general and sub-Saharan African countries in particular, it may be extremely difficult to address all the problems simultaneously. Although as mentioned earlier, a comprehensive approach is necessary in the long term, actions need to be prioritized in a rationale way in the medium term. To this end, the use of investment climate surveys to identify country specific priorities could be useful.

Annex 1

Trade facilitation measured worldwide

TRANSPORT COST RATES				DELAYS AT THE CUSTOM			
Five lowest rates				**Five best performing countries**			
Africa		**Rest of the World**		**Rest of the world**		**Africa**	
Lesotho	0.000443	Mexico	0.0002	Estonia	1	Botswana	4
Gambia	0.024187	Slovenia	0.018976	Bulgaria	2	Namibia	4
Rwanda	0.038694	Poland	0.029204	Georgia	2	Ghana	5
Ghana	0.040125	Turkey	0.030721	Croatia	2	S. Africa	5
Nigeria	0.043194	Hong-Kong	0.031297	Czech Rep	2	Egypt	5.5
Five highest rates				Five worst performing countries			
Africa		Rest of the World		Rest of the world		Africa	
Guinea-B	0.232934	Moldova	0.173938	Kyrizkstan	10	Uganda	14
Eq. Guinea	0.243227	Hungary	0.174879	Lithuania	10	Malawi	17
Burundi	0.280751	Estonia	0.179005	Ukraine	10	Nigeria	18
Uganda	0.322751	Vietnam	0.183058	Venezuela	11	Cameroon	20
Mali	0.392903	Peru	0.213639	Ecuador	15	Ethiopia	30
Memorandum items				Memorandum items			
Average cost rates in regions of the world				Average delay in regions of the world			
	L.America	0.0743			Africa	11.35294	
	W. Europe	0.0418			SSA	12.13333	
	Transition c.	0.1088			L.America	7.184211	
	Asia	0.0881			W.Europe	3.888889	
	Industrial c.	0.0472			Transition ec.	4.368421	
	Africa	0.1316			Asia	5.5	
	SSA	0.1364			Industrial ec.	3.888889	

Source: ECA computation from official sources

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