SID EVENT at: The ninth Joint AUC-ECA Annual Meetings of the AU Conference of Ministers of the Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development

ORGANIZERS: UN-OHRLLS, UN-ECA, UN-ECE and IRU

PROPOSED DATE: 3 April 2016

PROPOSED TIME and VENUE: 15:00hrs to 17:00hrs, Caucus Room 11, UN-ECA Conference Center

Enhancing Africa’s trade potential: The key role of trade and transport facilitation legal instruments

- Trade Facilitation is an African trade priority at the continental, regional, and national level.

- As highlighted by the World Bank’s Doing Business indicators, Sub-Saharan Africa lags significantly behind other regions in terms of facilitating trade. Sub-Saharan African countries have the least efficient trade facilitation systems compared to other regions. Sub-Saharan Africa recorded some of the longest number of days it takes to import and export, largest number of documents used for clearing imports and exports and, unsurprisingly, the highest cost to export and import.

- Delays at African customs are, on average, longer than in the rest of the world: with 12 days in Sub-Saharan countries compared with seven days in Latin America, less than six days in Central and East Asia, and slightly more than four days in Central and East Europe. These delays add a tremendous cost to importers and exporters, and they increase the transaction costs of trading among African countries.

- Each transport day lost due to customs and related problems are equivalent to additional tax. The situation when crossing borders between African countries can be even worse. In addition, delays and complicated procedures related to insuring goods and customs guarantee requirements raise the cost of exporting from Africa and compromise the continent’s competitiveness. Each day of delay reduces the export volume by about one per cent based on some estimates.

- Nationally, African member states are embarking on ambitious customs reform and trade facilitation programs that include customs modernization, the adoption of single windows etc. A number of countries are also committed to trade facilitation reforms to ease the cost of doing business. Among the efforts in this regard is the introduction of single window process at customs where traders can file all paperwork – for all agencies – at one place. As a result, clearance time in some countries has dropped from 13 days to 7 days for imports, and from 4 days to 2 days for exports.
Regionally, RECS in Africa including ECOWAS, EAC, COMESA, and others are adopting and implementing binding trade facilitation programs to simplify and the harmonize procedural and administrative trade regulations that may work as impediments to trade across their regions. At the regional level, several RECs such as COMESA, ECOWAS, EAC, and SADC, together with various corridor management institutions have developed and are implementing measures to facilitate cross-border trade and operations by harmonizing, simplifying and automating customs procedures and documentation, enhancing transport and logistics service provision, and improving infrastructure networks.

At the continental level, it is one of the key priorities of the African trade agenda reflected in the Boosting Intra Africa Trade Agenda adopted by the Summits of Heads of States in January 2012.

While measures including road transit facilitation instruments have been put in place to promote free flow of goods, stakeholders including truck drivers and transporters and shippers continue to face various concerns and difficulties along African trade and transit corridors. These include roadblocks, unofficial fees, harassment, and corruption along trade and transit corridors and at border crossings, different rules concerning axle load limits, different vehicles standards, and inspection requirements.

Trade and transport facilitation legal instruments can play an important role in helping countries to address their trade facilitation challenges. The WTO Trade Facilitation Agreement is the latest international agreement addressing this issue.

10 out of 42 AU members who are also WTO members have ratified the agreement with many more expected in the coming months. The frequency of ratifications is also increasing.

Finally, improving trade facilitation will play a critical role in increasing intra-regional trade on the continent. According to UNECA, with improved trade facilitation, intra-African trade would increase by more than 50 per cent compared to the baseline scenario of simply reducing tariffs under a continental FTA. Indeed, removing non-tariff barriers to trade, including through the implementation of the TFA over the medium term, has the potential to bring significant gains across the board.

The AU is therefore encouraging AU member states in their ratification of the Trade Facilitation Agreement.

The ratification of the CFTA Agreement through the negotiation of Trade facilitation measures and customs procedures will also significantly enhance intra African trade.