WBG SUPPORT TO LLDCS

ADVISORY, LENDING, KNOWLEDGE MANAGEMENT

LLDC Ministerial, Astana,
16/17 May 2018

Violane Konar-Leacy
Project Manager, ECA TFSP
TRADE FACILITATION LEADS TO BIG GLOBAL GAINS

A 1-day delay prior to shipping is estimated to reduce trade by >1%

E-docs in air cargo could yield USD12 billion in annual savings

Supply chain barriers reduced halfway to global best practice could increase world trade by USD1.6 trillion

Global gains from full implementation of WTO TFA is tentatively estimated at USD210 billion per annum
The World Bank Group
- A major provider of trade related assistance

- Technical Assistance
- Analysis and Diagnostics
- Financing of major trade infrastructure and institutional reform projects
- Research and data products (LPI/Doing Business)
- Global advocacy and partnerships

The current portfolio is over $7 billion for trade facilitation projects.

The World Bank Group has implemented more than 120 customs, border management and trade facilitation projects over the past 20 years that have resulted in major improvements in terms of reduced time to import and export, as well as better transparency, predictability, and reduced transaction costs for traders.
How is WBG Supporting LLDCs?

- Streamlining trade procedures
- Supporting transparency measures
- Facilitating public private dialog
- Helping improve connectivity to global markets
- Facilitating regional trade
- Helping improve logistics services
Trade Facilitation Support Program (TFSP)

OBJECTIVE
- Assist developing countries in reforming and aligning their trade facilitation laws, procedures, processes & systems to enable implementation of the WTO TFA Requirements

- Launched in 2014
- Designed to provide practical and demand-driven assistance
- Focuses on supporting the full and effective implementation of the WTO TFA and related trade facilitation reforms
- Helps client countries identify constraints, plan reforms implementation, and align procedures with international standards covering import, export, and transit activities.
Ongoing Implementation in 40 Countries

Based on client demand, the TFSP provides multiyear assistance to:

Albania, Bangladesh, Bosnia & Herzegovina, Burundi, Cambodia, Costa Rica, El Salvador, Ethiopia, Fiji, Grenada, Guatemala, Honduras, Jamaica, Kosovo, Kyrgyz Republic, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Moldova, Montenegro, Myanmar, Nepal, Nicaragua, Panama, Papua New Guinea, Samoa, Sao Tome & Principe, Serbia, Sierra Leone, Sri Lanka, Swaziland, Tajikistan, Timor-Leste, Togo, Vanuatu, Vietnam, Zambia*

IDA countries: 68%
Fragile and conflict affected: 20%
*Landlocked Countries: 32.5%
Achievements towards closer WTO TFA Alignment...

- 50+ TFA gap assessments undertaken
- 21 countries supported in establishing NTFCs – including 7 LLDCs
- 16 countries assisted in designing risk-based approaches for border clearance – including 9 LLDCs
- 8 Time Release Studies undertaken to review procedures – including 4 LLDCs
- 7 countries assisted in implementing and/or improving Trade Information Portals – including 3 LLDCs
- 5 countries supported in preparation for single window implementation - including 3 LLDCs
...Leading to Time and Cost Savings

Select examples from LLDCs:

NEPAL
- Initiation of selectivity module in ASYCUDAWorld at Birgunj customs has led to 32% increase in green lane routing between 2016 to 2017, as a result of assistance to undertake risk analysis and risk profiling.

ZAMBIA
- TFSP worked with other partners to help Zambia upgrade its computerized border management system and roll out ASYCUDAWorld to Zambia revenue sites across the country. As a result, Zambia has reduced the time to complete documentary and border compliance by about 30 percent.

ETHIOPIA
- The requirement to present copies of documents such as value-added tax and tax identification number certificates for import and export and the bill of lading for exports were abolished, reducing the time of document compliance by 12 hours (for imports) and 36 hours (for exports).
### Snapshot of trade facilitation related activities in LLDCs

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<thead>
<tr>
<th>Activities</th>
<th>LLDC Countries</th>
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<tbody>
<tr>
<td>Risk Management</td>
<td>Moldova, Nepal, Tajikistan,</td>
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<tr>
<td>Enhancing existing customs modernization lending activities</td>
<td>Lao PDR, Nepal, Ethiopia,</td>
</tr>
<tr>
<td>Enhancement of national single window systems &amp; process simplification</td>
<td>Zambia, Ethiopia, Nepal, Myanmar</td>
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<tr>
<td>Improving Public/Private dialogue</td>
<td>Zambia, Nepal</td>
</tr>
<tr>
<td>Supporting TF reforms for Other Government Agencies</td>
<td>Nepal, Zambia, Moldova</td>
</tr>
<tr>
<td>Time Release Studies</td>
<td>Nepal, Bangladesh, Swaziland, Lesotho, Zambia, Tajikistan</td>
</tr>
<tr>
<td>Revision of Customs Code/legislation/regulations</td>
<td>Nepal, Lesotho, Moldova</td>
</tr>
<tr>
<td>National Trade Facilitation Committee Support</td>
<td>Zambia, Tajikistan, Lesotho, Moldova</td>
</tr>
<tr>
<td>AEO Program Support</td>
<td>Tajikistan</td>
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</table>
Beyond physical (transport) connectivity: the *Central Asia Regional Links Program*

- Initiated as a regional connectivity program with a focus on aligning investments in road transport links and harmonizing trade and transport policies across borders.

- Next phase (proposed third phase): Pushing the “frontier” and piloting features linking trade, tourism and transport (“increasing regional connectivity of a region for better market opportunities in trade and tourism”), including:
  - *Investment financing* of connector infrastructure improvements (road transport/aviation)
  - *Results-based financing (proposed)* for institutional and policy measures (aviation safety, skills training, products/services classification system, access to finance...)

- Challenges:
  - At preparation: resource intensive (multiple GPs: T&I, MTI, Poverty, Jobs) – requires in-depth assessment of supply-side constraints in agribusiness, tourism and local finance and interlinkages
  - At implementation: Complex - cutting across different line ministries
Ethiopia: Trade Logistics Project

**Objective:**

Reducing trade costs and improving connectivity of land-locked Ethiopia to the global economy through the main coastal port in Djibouti.

Enhancing the performance of the Ethiopia-Djibouti corridor through improvements in operational capacity, efficiency and range of logistics services at Modjo Dry Port.

**Total project cost:** US$ 150 million

**Status:** Ready for Board approval

**Expected impacts:**

- For farmers: Increase in efficiency and range of logistics services including consolidation and access to intermodal transfer
- For manufacturing SMEs: Increased capacity and efficiency of logistics, stuffing and unstuffing services, and access to rail transport through intermodal transfer
- For logistics services providers: Investment in infrastructure for wider range of modern logistics services
- For consumers and workers: Increase in capacity and range of logistics services provided at the logistics hub
Great Lakes Trade Facilitation Project

Countries covered: Eastern DRC, Rwanda, Uganda, Burundi, Tanzania, Zambia

Main objective: Facilitating the regional trade of landlocked countries/regions with neighbors, with a focus on small scale trade which is of particular importance at land borders in Africa (and with important gender impacts)

More specifically: Enhance the capacity for commerce and improve processes and conditions for cross-border trade at targeted border locations in the Great Lakes Region.

Total project cost: US$ 61 million

Status: Pipeline (Board date: fall 2018)

Expected impacts:
- Small traders: Incremental income from time savings and predictable, procedures
- Producers: Incremental income from improved market access
- Consumers: Cash savings on cost of imported food and other commodities
- Participating governments: Improved revenue collection
- Improved peace and security through interdependence of border communities
- Increased ability of vulnerable people to assert their basic human rights (reduced harassment and abuse at borders)
Lao PDR: Customs and Trade Facilitation Project

Main objective: Facilitating trade by improving the efficiency and effectiveness of customs administration and simplifying customs procedures to eliminate duplication and redundancy, reduce transactions costs and time to clear goods, and increase transparency and accountability.

Total project cost: US$ 12.5 million

Status: Closed

Expected impacts:

• Increase efficiency and effectiveness of the Customs Administration, e.g. by automating customs clearance processes

• Improved risk management

• Decrease in clearance times

• Reducing transaction costs at the border
Western Balkans Trade and Transport Facilitation

Main objective: Promoting deeper economic integration between WB6 countries and with the EU through a reduction in cost and time to trade and transport, strengthened coordination and institutional capabilities, and enhanced harmonization, transparency, and predictability of the trade and transport regimes.

Total project cost: US$ 90 million (first phase) with a US$140 million for the whole project

Status: Pre-appraisal stage (Board date scheduled for Sept 2018)

Details:
The operation would focus on removing trade and transport bottlenecks and will be structured around three content-related components:

1. Facilitating cross-border movement of goods;
2. Enhancing transport efficiency and predictability; and

The operation will use a Multiphase Programmatic Approach (MPA), which places emphasis on the achievement of a longer-term vision, is aligned in timeline with the long-term commitment towards EU integration, and incorporates a scalable and modular design of the proposed program. The operation will start with Albania, FYR Macedonia and Serbia in the First Phase and expanding to the other WB6 countries in a Second Phase.
The Logistics Performance Index (LPI)

Measures performance along the logistics supply chain within a country and offers two different perspectives: international and domestic.

Based on a worldwide online survey of freight forwarders and express carriers, providing feedback on the logistics “friendliness” of the countries in which they operate and those with which they trade.

- Built on > 5,000 country assessments by over 1,000 freight forwarders & express carriers worldwide
- Survey done in cooperation with partners
- Respondents rate logistics performance of own country and 8 other countries on a scale from 1 to 5
- Coverage: 160 countries
- Published every 2 years, next edition in June 2018

How do respondents get to participate?

- Outreach via partners such as FIATA, national associations of freight forwarders & large logistics firms
- Direct contacts via a mailing list of logistics operators
- Wide respondent base: Multinationals, large local firms and SMEs
- No sampling involved

<table>
<thead>
<tr>
<th>International LPI</th>
<th>Domestic LPI</th>
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<tbody>
<tr>
<td>Qualitative evaluations of a country in six areas by its trading partners (i.e. professionals working outside the country)</td>
<td>Qualitative and quantitative evaluations of a country by logistics professionals working inside it.</td>
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<tr>
<td>Areas of evaluation:</td>
<td>Includes detailed information on the logistics environment, core logistics processes, institutions, and performance time &amp; cost data</td>
</tr>
<tr>
<td>1. Customs and border management</td>
<td>5. Tracking &amp; tracing</td>
</tr>
<tr>
<td>2. Infrastructure</td>
<td>6. Timeliness of shipments</td>
</tr>
<tr>
<td>3. Logistics competence and quality</td>
<td>Does not include a country ranking.</td>
</tr>
<tr>
<td>4. International shipments</td>
<td></td>
</tr>
<tr>
<td>5. Tracking &amp; tracing</td>
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<td>6. Timeliness of shipments</td>
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</table>
The World Bank - UN ESCAP Trade Costs Database

- Trade Costs represent the ‘friction’ on the international trade web
  - Without trade costs, the world would be flat
- Defined, for pairs of countries, as the equivalent markup price of trading internationally relative to trading domestically,
- Not actual expenses (e.g., transport) but typically a much larger number (50-300 % of good’s value) that captures:
  - Bilateral geographical distance & intangible preferences (e.g., linguistics)
  - Connectivity
  - Border effects: trade facilitation, trade policy
  - Supply constraints: investment climate for traders
  - Productive Structure

Trends in Trade Costs

All inclusive trade costs are more than an order of magnitude higher than tariff rates of protection, or transportation costs

Trade costs in developing countries are much higher than in developed and emerging countries, and they are falling more slowly.

Trade costs in agriculture are much higher than trade costs in manufacturing in all income groups, and they are basically static over time.

Remoteness from markets is not the only factor responsible for higher costs of developing countries (i.e., higher trade costs): policy also matters.
The Modern Silk Route: A trade and transport corridor?

- There is some China-Europe freight, but most connections happen on shorter distances.
- No primary origin or destination like on a linear corridor, but many intermediate areas to serve in Russia-Central Asia, or Caucasus/Turkey.
- Not just one route, but a network of transport links with multiple borders.
Objective:
To provide evidence-based analysis and concrete proposals to inform policy choices and institutional reforms for all countries involved in the initiative.

Structure:
- Connectivity gaps in the BR region
- Economic effects of the BRI proposal
- Complementary policies: maximizing the benefits
- Complementary policies: minimizing the risks

Areas Covered:
- Infrastructure, connectivity and economic geography
- Trade, investment and competitiveness
- Financing and macroeconomic policies
Global Value Chains

• GVCs present new opportunities for countries to participate in and benefit from global trade and maximize the development impact.

  • Flagship publication “Making Global Value Chains work for Development” used as an analytical framework
  • Joint report with the OECD for the Turkish Presidency of the G20 on “Inclusive Global Value Chains” focusing on SMEs and Low-Income Countries.
  • Developed a Follow-Up Action Plan for the G20 with OECD and the International Trade Centre in 2016.
MTI publications with relevance for LLDCs