

TRADE FACILITATION IN AFRICA

AfCoP Secretariat



Knowledge
Brief N° 1

SYNOPSIS

Trade facilitation, aimed at enhancing intra-African trade, is still too limited. To this end, trade facilitation measures have to be regional in focus, aligned to national strategies and effectively implemented and communicated to ensure that they enhance the easy and profitability of doing business across the continent. Increased intra-African trade and by extension regional integration on the continent has a great potential to fill the huge infrastructural gap. This Brief, thus, points out the need to build capacities at the national and regional level for trade facilitation, giving insights on the specific capacities required for this purpose.

Introduction

Under the auspices of the Africa for Results Initiative (Afrik4R), the African Community of Practice (AfCoP) on Managing for Development Results (MfDR) held from November 11th 2013 to November 30th 2013 an online discussion on “Trade Facilitation in Africa”. The purpose of this e-discussion was to help participants address trade facilitation reform efforts in their respective countries. The discussion was also designed to stimulate the sharing of national AfCoP experiences and to provide opportunities for exchanges on regional cooperation including trade facilitation (documents simplification and data harmonization, single window implementation, consultation and cooperation for trade facilitation, cross-border trade management, etc.). Drawing from the discussion, this Brief summarizes the key outcomes as a reference material for promoting better trading environment and achieving greater regional integration in Africa.

Cross-border trade in Africa is very complex and multidimensional: commodity trade with the

North dominates and intra-African trade is still marginal (UNCTAD, 2013). In 2013, only 11% of total African trade took place within the sub-Saharan region; comparatively in Europe, intra-European trade accounts for more than 70% of total trade volume. Even the comparison between Africa and other developing regions around the world shows difficulties on the Africa side. If Africa’s share of interregional export amounted to 10.9% of world exports in the period from 2007 to 2011, the percentage for Asia and South America are respectively 50.1% and 20.6% in the same period (UNCTAD, 2013). The low intra-African trade is mainly due to the numerous trade barriers handicapping commerce between and among neighboring countries. Cross-border trade, often mixing formal and informal exchanges, is also in reality difficult to measure: for trade as for numerous other domains, statistics are still a challenge.

Despite the numerous challenges, cross-border trade has a lot of potential for increasing economic growth and poverty on the continent. Trade, therefore, deserves a peculiar attention for its potential for development, trade facilitation

being any attempt to enhance, improve and speed up trade.

Trade facilitation in Africa

Trade facilitation is the attempt to improve trade across national borders, through procedures and initiatives (such as national policies, international agreements, etc.) that reduce costs and maximize returns. Trade facilitation is largely considered in the literature as the standardization and harmonization of rules and regulations linking governments and traders (ATPC Briefing no. 1, no date). These processes, including a wide range by international organizations (WTO, WCO, IMO, OECD, WB, UN bodies, etc.), are usually seen as top-down efforts by governments to nationally implement international conventions and recommendations.

It is more recently suggested that trade facilitation can be undertaken also by a bottom-up approach “operations-focus”. This vision of trade facilitation is informed by issues such as safety and security, environment and health, consumers’ protection and fiscal systems. All these issues/dynamic interactions include not only different types of traders and government bodies, but also a large number of intermediaries, that can be divided between transport and related services (airlines, trucking companies, freight forwarders, customs brokers, banks and finance companies, insurance companies, etc.) and facilities and infrastructure (airports, rail terminals, port operators, cargo handlers, transit operators, IT service providers, etc.).

In the African context, affected by a very limited intra-African trade, barriers at the borders, but also behind and between the borders are the major concern that has to be properly addressed by trade facilitation. Again, the focus of trade facilitation is regional: measures need to be put in place to lower trade costs that traders and producers face (from the production to the delivery of goods) along the entire trade and

distribution chain, speed them up and make them easier in regional contexts.

In fact, the OECD trade facilitation indicators point out that, compared to the other groups of surveyed countries, sub-Saharan Africa struggles to involve trade communities and to advance rulings and procedures. Regionally harmonized approaches would help to fill this huge gap between Africa and other developing regions.

Trade facilitation & Regional Economic Communities’ (RECs) integration

Trade facilitation is a key instrument of regional integration and it is thus consequently constrained by the limits of regional integration. At the same time, intra-REC trade has been recognized as an effective tool to enhance regional integration. Multiple memberships of countries in several RECs have also impacts on intra-REC trade.

For example, the Tripartite (COMESA-EAC-SADC) Free Trade Agreement is still in the process to be implemented, but this example can help accelerate the harmonization of RECs trade programs and policies.

Efforts to take down trade barriers in some RECs (ECOWAS and EAC for example) have to be recognized and contribute to increase intraregional trade. In fact, according to the WTO, ECOWAS and EAC each had a high share of total exports in 2009 compared to the other African RECs: respectively 14.5% and 23%.

If manufactured products accounted for 45% of intra-African exports in 2009, raw natural resources, especially fuel and mining products, represented 68% of Africa’s exports to the rest of the world. About services trade, Africa imports more transportation services compared to the global average. These patterns are relevant, when assessing barriers to trade integration in Africa.

At the country level, the most important constraints for trade have to be identified and

trade facilitation measures have to be designed for the specific regional domain targeted.

Urgent need to finance and develop trade infrastructures

Regional trade infrastructure, such as trade corridors, are still lacking in Africa. A pressing need for better trade infrastructure and the huge effects of infrastructure in reducing trade costs are known. The real problem that hasn't been solved is how to finance Africa's infrastructure.

Countries' public sectors cannot face this challenge alone. External aid has declined significantly, but initiatives with foreign regional bodies are crucial in this domain. The EU-Africa Infrastructure Trust Fund emphasizes that trust funds for infrastructural development are flourishing, showing a promising path. In fact, in 2012, the Africa Trade Fund was established at the AfDB to help support regional trade integration efforts in Africa.

Private sector investment in infrastructure in Africa, even if more significant in the energy sector, is still insufficient. Public Private Partnerships (PPPs) are regarded as the effective mechanisms to finance infrastructure facilities in Africa: several African governments are promoting PPPs for infrastructural development.

The AU priority to consolidate infrastructure since 2010 explains the focus on infrastructure in the AU/NEPAD Africa Action Plan for 2010-2015 and the launch of the Programme for Infrastructure Development in Africa (PIDA) in 2010, with a budget of 7.8 million euros for an integrated regional and continental infrastructure network, to promote socio-economic development and poverty reduction in Africa.

Capacity building at the country and regional level

Key capacities have to be built at different levels for trade facilitation, regional integration, and infrastructure development. Here are a few

examples to show how large and diversified the specter of action is.

- Capacities for the private sector – Supply capacity and competitiveness of Africa's trade have to be built. Countries need to improve capacities of local enterprises to meet quality requirements, to improve their competitiveness for the regional and global supply chain.
- Financial capacities – Regional financial transfer systems have to be created or enhanced, to improve the business environment for private sector development. This reduces transaction costs and can help to make financial services more accessible, especially to small and medium-size enterprises. Cross-border financial services have to be developed.
- State capacities for cooperation – Bilateral cooperation at the borders have to be improved: one-stop border posts, reducing waiting time and costs, can be expanded. Trade facilitation at internal borders also has to be improved.
- Projects capacities for PPPs – Specific capacities are lacking to develop and implement projects for PPPs.
- Capacities for regional coordination and cooperation – National and regional capacities have to be built to achieve transparency of trade laws, regulations, procedures and reforms, as well as better harmonization inside every REC.
- Interregional capacities – The Tripartite Agreement offers a good pilot example of cooperation among various RECs, for which ad hoc capacities have to be enhanced for infrastructure development at the continental level.

Conclusion

Trade can greatly contribute to economic growth and poverty reduction in Africa, with more economic opportunities for all people, more income opportunities and the improvement of living standards. Trade can foster job creation and then development: producers can find more customers and consumers have more choices and lower prices.

A special effort has, therefore, got to be put into by all stakeholders to build capacities for trade

facilitation at the country, regional and continental level. This process should be linked to infrastructure development at every level.

Platforms like AfCoP, bringing together relevant stakeholders, are a precious support to identify constraints to trade facilitation, market integration and infrastructure development. It can also contribute to build the needed capacities, as this discussion has shown. AfCoP can then help define agendas for action for every REC, and help monitor implementation at the country level.

References

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- UNCTAD, Economic Development in Africa Report 2013. Intra-African Trade: Unlocking Private Sector Dynamism.



This knowledge series is intended to summarize good practices and key policy findings on managing for development results. The views expressed in the notes are those of the authors. Notes are widely disseminated and are available on the website of the Africa for Results initiative (AfriK4R), at: www.afrik4r.org/page/resources