

Transformation-Ready: The strategic application of information and communication technologies in Africa

Regional Trade and Integration Sector Study

ANNEXES

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REGIONAL TRADE AND INTEGRATION – A *TRANSFORMATION READY* STUDY

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ANNEX 1

TERMS OF REFERENCE, METHODOLOGY AND BIBLIOGRAPHY

The Transformation Ready or eTransform Africa programme is a joint programme of the African Development Bank and the World Bank, in partnership with the African Union. The aim of the programme as a whole, as set out in the terms of reference, is to:

- (a) Take stock of emerging uses of ICT across sectors and of good practices in Africa and in other continents, including how ICTs are changing business models in strategic sectors.*
- (b) Identify key ICT applications that have had significant impact in Africa or elsewhere and that have the potential of being scaled up, both from the public and private sectors.*
- (c) Identify binding constraints that impact ICT adoption and scaling-up of effective models, such as the need to develop a regional culture of cyber security, and measures to address these constraints, including in relation to the role of different actors and stakeholders (private, public, development community, civil society, etc).*
- (d) Commission a series of country case studies, to formulate a guide for rolling out and scaling up key applications in Africa, in each of the focus sectors, and thereby to identify opportunities for public/private partnership, as well as identifying areas where intervention can be reduced or eliminated.*
- (e) Develop a common framework for providing support in ICT for development to countries that brings together the operations of the two Bank Groups and their respective departments.*

The terms of reference for individual sectors were as follows:

- Within each sector, identify specific opportunities and challenges in Africa that can possibly be addressed with an increased or better use of ICT. Constraints that are hindering ICT uptake and scale-up will be examined within the context of each sector/industry, including human capacity in IT skills and sustainable business models such as for public private partnerships (PPP). Further, the appropriate role of governments in the provision of priority ICT applications and services will be examined in order to maximize private sector development;*
- Align the transformational role of ICT to sectoral goals and priorities based on the introductory review, an analysis of cross-sectoral issues (such as gender) and the outcomes of (a);*
- Undertake a quick scan of ICT applications in the different sectors and identify a few applications that have had significant impact in Africa or elsewhere and that have the potential of being scaled up. The scan should refer to a matrix of selection criteria on which to select case study countries that are considered ripe for the creation of public/private partnerships. On this basis, specific country case studies will be chosen – two to three per sector -- on a representative basis, for deep dive analysis. The selection of case studies should be made in consultation with the partners and the other consultants. A workshop should be organized by the coordinator firm at an early stage in the project to finalise this selection.*
- Analyze and understand the barriers to the greater adoption and mainstreaming of ICTs. Barriers may include, for instance, low purchasing power, illiteracy, infrastructure constraints, lack of regulation, poorly functioning mobile ecosystem, power shortages, political instability etc. Identify cases/examples on how these have been dealt with;*
- Analyze and understand the enabling factors of success, including political economy, policy, institutional, human, financial and operational factors;*
- Consider the option of developing multi-country programs or special facilities that would allow fast-tracking specific programs across countries;*

- *Provide guidelines on designing appropriate and sustainable ICT components for sector projects (including building effective public and private partnerships) and on evaluating the impact of these interventions; and*
- *Propose a course of action on how to include ICT in policy dialogue and planning with country counterparts on sectoral development goals and priorities. Experiences and best practices from other regions will be drawn upon to define the role of the public sector, bearing in mind that government is increasingly positioned as a lead user of ICTs as well as a regulator of the sector.*

The terms of reference for the study of regional trade and integration asked the consultants to look in particular at the following areas:

- A) *Governance of efficient and transparent flow of goods:*
 - a) *Traceability of goods and services across borders and along trade corridors,*
 - b) *Formality processing of goods and services across borders and along trade corridors,*
 - c) *Transparency of procedures, applications and regulations, and*
 - d) *Accessibility to trade regulations.*
- B) *Logistics and trade infrastructure support:*
 - a) *Port efficiency,*
 - b) *Airport and air travel efficiency,*
 - c) *Truck controlling systems to alleviate congestion and illegal activity, as well as compliance with environmental standards*
 - d) *Border management.*
- C) *Development of public-private platforms, and information systems to document and support the efficient flow of goods and services*
 - a) *Efficient flow of information and coordination of activities among multiple agencies including border managements and the private sector (e.g. Mauritius)*
 - b) *Development of better databases on flow goods and services along trade corridors and cross-border activities*
 - c) *Interconnection of border agencies (sharing of information across border systems).*

The following paragraphs summarise the work which has been done by the consultant team.

Desk research

Desk research was undertaken by the core consultant team of David Souter, Lishan Adam, Abiodun Jagun and F.F. Tusubira, with additional research by Ibrahima Diagne and Murali Shanmugavelan. Research for country case studies was undertaken by Patricia Makepe (Botswana), Rosemary Mburu (Kenya) and Ibrahima Diagne (Senegal). A bibliography of selected desk research materials can be found at the end of this Annex.

Questionnaires, interviews and discussions

Questionnaires were distributed as part of the project to personnel from international trade organisations and national trade environments. Organisations whose personnel were consulted through questionnaires, interviews or discussions included the following:

African Development Bank
African Union

CEMAC
COMESA
Crown Agents
Devtech
Duca Consulting Ltd
ECOWAS
East African Community
GAINDE 2000
Ghana Community Network Services Ltd
Libyan International Trade Net Project
Lome Port Authority
NEPAD
Nigerian Export Promotion Council
Port Management Association of Eastern and Southern Africa
Southern African Trade Hub
SADC
Tanzania Chamber of Commerce
UEMOA
UN/CEFACT
UNCTAD
UNECA
UNECA – African Trade Policy Centre
UNECE
Walvis Bay Corridor Group
World Bank
World Customs Organisation
World Trade Organisation

The views of personnel from Ministries of Trade, customs administrations and trade facilitation agencies in the following countries were invited by questionnaire:

Algeria, Benin, Botswana, Burundi, Cameroon, Comoros, Congo (Brazzaville), Côte d'Ivoire, Egypt, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Morocco, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

Country case studies

Three country case studies were undertaken. Overview studies of the national environment for trade and ICTs were undertaken in Kenya and Senegal. A survey of perceptions of ICTs in trade facilitation was undertaken in Botswana.

Two national workshops were held as part of the development of country case studies. Participants in these workshops interviews and discussions related to the country case studies came from the following organisations:

Kenya:

Department of Veterinary Services
East African Community

Expenditures Cargo Logistics Ltd
Institute of Trade Development
Kenfreight (EA)
Kenya Airways Ltd
Kenya Association of Manufacturing
Kenya Bureau of Standards
Kenya International Freight and Warehousing Association
Kenya Plant Inspectorate Services
Kenya Ports Authority
Kenya Revenue Authority
Kenya Shippers Council
Kenya Trade Network Agency
Ministry of ICT
Ministry of Trade
Transglobal Cargo Centre
Unicon Logistics

Senegal:

ADIE (Agence de l'informatique de l'État)
ASEPEX (Export Promotion Agency)
AZ Transit
BNP Paribas
Bollore Africa Logistic
BRS Bank
Chocosen
CICES (Senegal External Trade Agency)
Citibank
CNCAS (Caisse National de Credit Agricole)
COSEC (Senegalese Council of Shippers)
COTECNA
CSFT-AO
Delmas Senegal
DHL
Dubai Port World
GAINDE 2000
Getma International Maritime Services Inc.
GIM UEMOA
Grimaldi Senegal
Literie du Sénégal
Maersk
Messina Line
Ministry of ICT
Ministry of Trade
MLTSA Manutention Logistique Transports
Port Autonome de Dakar
SATS (Syndicat des Auxiliaires de Transport du Sénégal)
Senegal Customs Administration
Sopasen

Trade Point Senegal
UEMOA
USETTA (Senegalese Union of Clearing and Transport Agencies)
Valdafrique

Botswana:

Two surveys of trade stakeholders were conducted as part of the Botswana country case study. Participants in these surveys and in discussions for that case study came from the following organisations:

Air Botswana
BEDIA (Botswana Export Development and Investment Authority)
BEMA (Botswana Exporters and Manufacturers Association)
BNPC (Botswana National Productivity Centre)
BURS (Botswana Unified Revenue Service)
CIA Services
Clarko Import Export (Pty) Ltd
Department of International Trade
Door System
Enterprise Botswana
GABCON (Gaborone Container Terminal)
Issues
Javeria Garments
JuniorChamber International
Manica Botswana (Pty) Ltd
Ministry of Foreign Affairs
Ministry of Trade and Industry
Modern Occupational Health (Pty) Ltd
Northern Textiles
OLF
Profreight
San Arts and Crafts
SADC
Speedway Freight
Steelane (Pty) Ltd
Tumisang Mokgweetsi
UTI Botswana
Zebra Shipping

Select bibliography

The following bibliography lists a selection of sources which were consulted during the course of the study, but does not provide a comprehensive list of sources consulted or of material across the whole of the very wide-ranging field covered by the study. Some further references will be found in footnotes in the text. This bibliography does not list the numerous websites consulted for the study.

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ANNEX 2 – COUNTRY CASE STUDY OF KENYA

Three country case studies were undertaken as part of the research for the trade and regional integration component of the Transformation Ready programme. The findings and implications of these case studies are summarised in Chapter 4 of the main report of the study. This Annex contains the report of the Kenya case study, which was undertaken by Dr Rosemary Mburu.

Background

Kenya is a substantial country on the east coast of Africa with a population a little over 38.6 million,¹ making it the seventh most populous country in Africa. It has a substantially more diverse economy than many African countries, and its GDP per capita was estimated by the World Bank in 2010 at US\$769, in the middle rank of countries on the continent.² Its major port at Mombasa is an entry/exit point not just for Kenya but also for the landlocked countries to its interior including Uganda, Rwanda, Burundi, and Southern Sudan, as well as parts of DRC, Tanzania and Ethiopia. The ICT market in the country is highly dynamic, and it has been a pioneer in the use of mobile payment transactions.

Since the mid 1980's the Government of Kenya has shifted from import substitution towards a liberalised export-oriented growth policy. Kenya's liberalised trade regime is consistent with membership of the WTO (since 1995) and increased efforts to achieve regional economic integration through COMESA and the EAC. Kenya is also a member of IGAD.

The economy has been growing in recent years and is expected to remain stable in the absence of internal or external shocks. Agriculture accounts for 22% of GDP but a much higher proportion of the population is wholly or partly dependent on agriculture for its livelihood.³ Positive performance in the agriculture, tourism, transport and communications, building and construction, and manufacturing sectors have contributed to the recent positive performance of the economy as a whole.

The main export commodities are tea, horticultural products, coffee, petroleum products, fish, and cement with a value of US\$ 4.6 billion fob. Major export partners in 2009 included the United Kingdom (11.31%), the Netherlands (9.81%), Uganda (9.07%), Tanzania (8.83%), the United States (5.93%) and Pakistan (5.63%).

Leading imports include machinery and transportation equipment, petroleum products, motor vehicles, iron and steel, resins and plastics with a value of US\$10.4 billion fob. The main import partners in 2009 were India (11.67%), China (10.58%), the United Arab Emirates (9.32%), South Africa (8.36%), Saudi Arabia (6.53%), the United States (6.25%) and Japan (5.1%).

Goods imported from EAC countries are zero-rated, while tariffs are levied in three bands on other imports – 0% on raw materials, 25% on finished goods and 10% on intermediate goods. Kenya has eliminated price controls and licensing requirements leading to modest growth in export markets. However, trade remains concentrated on the export of primary products to the country's traditional markets in the North, thanks to limited capacity in manufacturing and the underdevelopment of intermediate and capital goods industries. The government has introduced a number of incentive for export industries including an export processing

¹ Ministry of Planning and National Development, Population and Census Report, August 31st, 2010

² World Bank, Kenya Economic Update, June 2011, Edition No.4

³ Kenya Shippers Council, Mapping Mapping out of Existing Rules, Regulations and Procedures for Import/Export business in Kenya, June 2011

zone scheme and a 'manufacturing under bond' scheme, both of which allow duty and VAT exemption for imported machinery and raw materials.⁴

Trade facilitation

Kenya was a founding member of WTO and commitment to WTO principles is integral to its economic policies. It accords most favoured nation (MFN) treatment to all its trading partners, and has amended legislation, including anti-dumping and intellectual property laws, to bring them into line with WTO Agreements. It is implementing all WTO Agreements which relate to trade facilitation, including the Customs Valuation Agreement and Agreements on Pre-shipment Inspection, Rules of Origin, Import Licensing Procedures, Technical Barriers to Trade and Sanitary and Phytosanitary measures.⁵

Kenya is a member of the World Customs Organization (WCO) and participates in negotiations towards accession to customs agreements with international application such as the Harmonized System Convention. WCO membership helps in developing best international practices through benchmarking, training of customs officers, and networking with other members and organisations with a stake in international trade. The country embarked some years ago on reform and modernisation of the Customs Services Department, aiming to modernise customs in accordance with internationally accepted standards and best practice, including the Revised Kyoto Convention on Simplification and Harmonization of Customs Procedures.

Trade facilitation remains a challenge, however, despite the signing of these multilateral agreements. Inadequacies in the legal and regulatory framework for trade, institutional and human capacity, ports, rail and road infrastructure, as well as that for communications, and inefficiencies in trade documentation processes continue to cause delays in the movement and clearance of goods at entry/exit points. International trade is associated with high transaction costs which reduce the competitiveness of Kenyan goods in global markets.

Some twenty organisations are involved in managing trade processes at national level. The most important of these are the Kenya Revenue Authority (KRA) and the Kenya Ports Authority (KPA). Other official agencies include the Kenya Bureau of Standards (KEBS), the Horticultural Crops Development Authority (HCDA, overseeing one of the major growth areas in Kenya's international trade), the Police, the Port Health Department, the Department of Veterinary Services and the Kenya Plant Health Inspectorate Services (KEPHIS). Prominent private sector stakeholders include the Kenya Association of Manufacturers, the Kenya Transport Association, the Kenya International Freight and Warehousing Association and the Kenya Shippers Council.⁶

The EAC and COMESA have been active at regional level to harmonise policies and regulations governing the flow of passengers and goods.

- The EAC Customs Union, which became fully operational on 1 January 2010, allows free trade in goods produced within the region. All EAC Partner States are now implementing the same customs law, consisting of the East Africa Community Customs Management Act (EACCMA) 2004 and EACCMA Regulations 2010. The laws and regulations under which free movement of goods are managed in EAC Partner States are the East Africa Community Customs Management Act, 2004; the East Africa Community Customs Management Regulations, 2010; and the East African Community Standardization, Quality Assurance, Metrology and Testing Act, 2006.
- The EAC secretariat is working with the Partner States' customs departments to harmonise procedures and practices in cargo clearance processes. A number of instruments and common standards have been introduced

⁴ Ministry of Trade, National Trade Policy, 2009

⁵ KAM, Trade Facilitation Systems in Kenya, by Rosemary Mburu- 2008

⁶ For websites, see www.kpa.co.ke, www.revenue.go.ke, www.kebs.org, www.kephis.org, www.livestock.go.ke, www.hcda.or.ke, www.kam.co.ke, www.kenyashippers.org

to facilitate regional transport and trade including harmonised axle load limits, where all the Partner States have agreed to adopt a Gross Vehicle Mass (GVM) of 56 tonnes on seven standard axles and use of interlinked vehicles in the region's gazetted transit corridors without the requirement for special permits.⁷ Other areas of work include harmonised transit charges, regional carrier licensing, regional third-party motor vehicle insurance and a regional customs transit system.

- There are several initiatives of the EAC and the East Africa Business Council to address NTBs within the region. Two studies have been completed and a mechanism for monitoring barriers is now in place.

The EAC has committed to initiating one-stop border posts within the Community with the aim of halving the time spent at borders. The construction of one-stop border posts for both road and rail at Namanga on the Kenya/Tanzania border has already been commissioned. The Kenya National Highway Authority has recently floated tenders for the construction of five one-stop-border posts across the country at Lunga Lunga, Malaba, Busia, Taveta, Isebania and Busia as part of the East Africa Trade and Transport Facilitation project. At present, the Kenya and Uganda Revenue Authorities at Malaba verify goods at one point on the Ugandan side of the border.⁸ There is also a one-stop border point at Gatuna/Katuna on the Rwanda/Uganda border. This has reduced the time taken to process documents at the two border points.

- Progress toward the EAC Common Market, which is underway, will enable free movement of goods, labour, services and capital, which should boost investment and help to make the region more productive.

Trade infrastructure

Kenya's transport infrastructure includes a major seaport at Kilindini, Mombasa and a number of local ports, airports, inland container depots, roads, railways and oil pipelines, together with ferry and other shipping services on Lake Victoria. The private sector dominates road transport and aviation. The public sector owns and operates the ports and airports and some rail services. The economy is largely dependent on road transport, although rail remains an important transit mode for long distance freight along the transport corridor into Uganda.

The Port of Mombasa

The port at Kilindini, Mombasa is the principal seaport in Kenya and one of the major ports in Africa, with 16 deep-water berths, a five-berth container terminal as well as inland container terminals in Nairobi, Kisumu and Eldoret.⁹ It handles all types of ships and cargo and serves not only Kenya but also the hinterland countries of Uganda, Rwanda, Burundi, DRC, Ethiopia, Southern Sudan, northern/eastern Tanzania and Somalia. It is managed by the Kenya Ports Authority (KPA).

Transit traffic through Mombasa registered growth of 10.2% in 2007-8, from 4.4 million tons to 4.87million tons. Individual transit countries have also increased their use of the port of Mombasa. Uganda is the main transit route with approximately 75% of total transit traffic (3.7 million tonnes in 2008). DRC follows in second place (304,000 tonnes in 2008). The port competes for international imports to the region with Durban in South Africa and Dar es Salaam in Tanzania. Container traffic through Mombasa more than doubled in the

⁷ Stakeholders Workshop on harmonization of axle load control laws and regulations in the EAC, Nairobi August, 2011

⁸ Rosemary Mburu, Trade Facilitation Systems in Kenya, 2008

⁹ *ibid.*

seven years to 2008, from 305,000 to 616,000 tonnes, partly as a result of growing stability, in hinterland countries.¹⁰

This growth in trade has overstretched the capacity of sea- and airports as well as land transport and border infrastructure. The port of Mombasa has insufficient berthing capacity. This leads to vessels waiting as long as two days before berthing, adding costs to shipping operations. Equipment such as sea-to-shore gantries, rubber tyre gantries, cranes, and rail mounted gantries and tugs is prone to break down because of poor maintenance. and there is concern that cargo will be damaged by faulty equipment.¹¹

The port also suffers from poor human resource management systems and inefficient internal processes. There have been frequent breakdowns of the Customs Automated Management Information System (CAMIS) which manages cargo going to Container Freight Station, and of the Simba 2005 customs management system, resulting from power and other infrastructure problems of ISPs.¹² The breakdown of Kenya Revenue Authority computer systems delays the movement of cargo from the port since Customs do not allow manual clearance of cargo. A stakeholders' meeting, chaired by the Minister for Transport, was held in June 2011 to discuss the problems faced at the port by shippers and service providers. Important issues that were discussed included CFS administration, the issuance of container damage interchanges, vessel berthing delays, yard congestion, systems breakdowns, challenges in interfacing KWATOS and SIMBA systems.¹³

Airports

Kenya has three international airports, at Nairobi, Mombasa and Eldoret, which are managed by the Kenya Airports Authority, as well as four domestic airports and some 400 aerodromes and landing strips. Nairobi's Jomo Kenyatta International Airport handles 60% of visitors to Kenya by air. Its planned capacity of 2.5 million passengers and 200,000 tonnes of cargo p.a. falls far short of current traffic volumes. In 2006, the airport handled 4.4 million passengers and accounted for over 86% of total air cargo traffic of 279,000 tonnes. This leads to overcrowding and delays for passengers and freight.¹⁴

Roads

Road transport is the main means for carrying cargo within Kenya and across land borders, used by 75% of goods being imported or exported. The road network totals 151,000 kilometres, of which around 63,000 is classified but only just under 8,000 are bitumen-surfaced. As with airports, many roads are operating well above their natural capacity, lengthening delivery times and increasing costs. Heavy trucks also damage road infrastructure – with relatively new road such as that from Sultan Hamud to Mtito rapidly falling in need of repair.¹⁵

The management of trade facilities on roads is also problematic. Weighbridges are used to determine the weight and axle loading of trucks and ensure that goods are still under seal during transit between Mombasa and Malaba on the border with Uganda. This aims to prevent overloading on highways but it is reported that delays at weighbridges can last from six hours to a day.¹⁶ There are also inadequate parking spaces for trucks awaiting clearance at the Kenya/Uganda border post at Busia/Malaba. This leads to trucks being parked along

¹⁰ Kenya National Bureau of Statistics, Economic Survey, 2009

¹¹ KPA, Global perspective of Maritime trends and their Impact on Mombasa, 2011

¹² KSC, Policy Brief on CFS Operation, 2011

¹³ *ibid.*

¹⁴ Mburu, *op. cit.*

¹⁵ *ibid.*

¹⁶ EABC, The Business Climate Index, 2008

the highway in long lines which sometimes extend beyond five kilometres and take as long as three days to clear.¹⁷

Railways

The railway network operates along 2700 route kilometres that connect Mombasa, Nairobi, Eldoret, Kisumu and some 150 other stations, including Malaba on the Uganda border. The Kenya-Uganda railway is run under a management concession, which was granted by the government in 2006 to the South African company Rift Valley Railways. Kenya Railways runs the other lines to Nanyuki and Nyahururu.¹⁸

Old and poorly maintained tracks, locomotives, coaches and wagons adversely affect the performance of the railway. Inadequate wagons and rolling stock delay the loading of cargo from Mombasa to upcountry destinations for up to three weeks. As a result importers and exporters prefer to use road transport even though this is more expensive.

Pipeline

An oil pipeline connects the port of Mombasa to Nairobi, Eldoret and Kisumu. This began operations in February 1978. Currently installed pumping capacity is 440,000 litres per hour and the pipeline has a potential capacity of around 800,000 litres per hour. This is a long way below demand for fuel in Kenya and its hinterland, which is more than 2,000,000 litres per day. Because of this inadequate capacity, trucks from the region travel to Mombasa to collect fuel and then transport it inland, increasing fuel costs.

Summary

There are, therefore, serious infrastructural challenges facing trading businesses in Kenya. Poor transport and energy infrastructure has led to increased costs of doing business and discouraged investment in productive sectors. As well as adversely affecting international trade, poor roads and dilapidated railway infrastructure are inadequate to meet the needs of domestic trade. Inefficient transport systems were said to account for a 2.6% loss in sales values, or more if domestic transport logistics were taken into account. A 2008 report on Kenya's investment climate reported that power disruptions accounted for a 7% loss of sales, compared with less than 2% in China and South Africa.¹⁹

ICT-enabled trade facilitation

Automation of trade management in Kenya, as elsewhere, aims to secure gains through increased transparency in the assessment of duties and taxes, reductions in clearance times, and greater predictability for trading businesses. These factors should lead to direct and indirect financial savings for both government and the trading community. Specific benefits sought from automation in Kenya include:

- simpler, more transparent procedures and documents, based on international standards;
- faster electronic lodgement of customs declarations, using Direct Trader Input (DTI) or other on-line connections;
- reduced customs clearance times and fewer physical examinations of shipments following the introduction of risk management applications;
- increased collection of duties and taxes and less fraud due to the uniform application of laws and regulations, the automated calculation of duties and taxes, and built-in security mechanisms;

¹⁷ Rosemary Mburu, Mapping out of Existing Rules, Regulations and Procedures for Import/Export business in Kenya for Kenya Shippers Council, 2011.

¹⁸ Mburu, *Trade Facilitation Systems in Kenya*, 2008

¹⁹ Giuseppe Iarossi, *An Assessment of the Investment Climate in Kenya*, World Bank, 2009

- separation of payment of duties and taxes from the physical clearance of goods (under deferred payment schemes, e.g. payment by week or month);
- reduced auditing requirements following release of goods;
- enhanced capacity building of staff and management in both customs and the private sector (through training courses on simplified procedures and documents based on international norms, UN recommendations and WCO standards); and
- the availability of improved and timely trade statistics, as a by-product of computerised data management.

A number of different agencies have responsibilities in trade facilitation in Kenya. As well as the Customs Service Department of the Kenya Revenue Authority (KRA), these include:

- the Kenya Bureau of Standards (KEBS)
- Kenya Plant Inspectorate Services (KEPHIS)
- the Department of Veterinary Services (DVS); and
- security systems along transit routes.

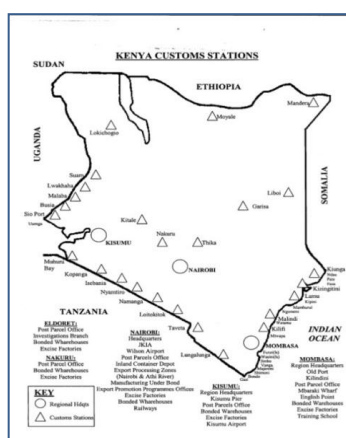
The Government of Kenya has also established a state corporation, the Kenya Trade Network Agency (KENTRADE) to implement and operationalise the Kenya Electronic Single Window (KESWS) as a solution to lengthy manual and uncoordinated trade processes and procedures.²⁰

The following paragraphs summarise experience with a number of ICT-enabled trade facilitation processes in Kenya.

a. Customs (SIMBA)

The Customs Services Department in Kenya falls within the Kenya Revenue Authority (KRA). Customs clear all cargo from vessels and aircraft entering and exiting Kenya. Customs stations are located at various border points and other locations in the country with the mandate to monitor transit cargo and collect customs duties. The location of customs stations is shown in Figure A2.1.

Figure A2.1: Customs Stations in Kenya



Source: Kenya Revenue Authority website, www.revenue.go.ke

²⁰ KENTRADE, KESWS Implementation Progress Report, 2011

In the early years of the last decade, the KRA began to search for a new customs management system to replace the bishops' office freight forwarders integrated network (boffin) system that had been implemented in 1989.²¹ It wanted an integrated systems architecture that would have the capacity to link all actors and documents involved within the tax and customs systems. There was pressure, including from COMESA, to convert to ASYCUDA, the system in use in neighbouring Malawi, Uganda, Tanzania, Zambia, and Rwanda, along with many other countries in Africa. However, after reviewing experience elsewhere, the government of Kenya opted instead for a country-specific system based on that used in Senegal. The GAINDE 2000 Company was commissioned through the Senegalese government to carry out the project and oversee implementation of Trade-X, the customs computer system that became known as SIMBA in Kenya.

The SIMBA 2005 system was launched in July 2005. Its main objectives were to:

- reduce the time taken for trade procedures;
- increase efficiency in the customs service;
- improve quality of service;
- create a more conducive business environment; and
- reduce bureaucracy.

It includes the following six main modules:²²

- Manifest Module: This enables shipping agents to capture cargo data into the customs automated system. The module is fitted with an EDIFACT tool enabling the automatic transfer of cargo information.
- Declaration Module: This enables importers/exporters or their mandated agents to lodge their declarations to customs online.
- Customs Module: This enables customs officers to receive entries and process them according to the current customs procedures.
- Statistics Module: This enables customs to produce statistics on the spot.
- Warehouse Management Module: This caters for inward/outward movements of goods in bonded warehouses and sheds.
- Risk Management Module: This provides a risk analysis tool to enable efficient targeting with varying inspection levels.

Implementation of SIMBA 2005 has yielded considerable gains in the customs clearance process. The Trade X System which provides the basis for SIMBA was designed in 2000, using then state-of-the-art technology to enhance performance and security. In addition to the traditional modules catered for in similar customs automation systems, Trade X includes the following innovations:

- a system of real-time consultation (LEUK) of legislative and regulatory information (customs code, customs tariffs, treaties, community rules, *etc.*) with the option of effecting simulations of the amount of taxes and dues payable during the clearance of a given product;
- the establishment, through a data warehouse and website, of a database enabling the collection of detailed statistics and other information on particular economic sectors;
- The electronic collection of pre-customs clearance documents such as import declaration forms or import licenses is completed by importers using the single window system known as ORBUS.²³

²¹ Papa Abdou Diop, - Gainde/Simba Project, "True Example of South-South Cooperation", 2006, http://www.google.co.uk/url?sa=t&source=web&cd=1&ved=OCCMQFjAA&url=http%3A%2F%2Fwww.gainde2000.sn%2Fcu%2Fstoms_computer_service%2Fdossier%2FDOSSIER_uk.pdf&ei=LrCMTre1AtPE8QOssjRBg&usg=AFQjCNGnUS9tR6nnsZ0BvdOZE9ytUFlpSg&sig2=JhPSMruxGsknvrq0SjL1jA

²² *ibid.*

ORBUS is a single window system for the electronic collection of pre-clearance documents. It enables traders and clearing agents to create files and send requests for documents to stakeholders ahead of lodging their entries. From a static integration in its first stage, a dynamic integration between the two systems is underway in the current KSWs programme managed by KENTRADE, which will enable the comprehensive exchange of data between the two applications and smooth striking of data and documents of stakeholders in trade facilitation.²⁴

The ORBUS application includes the following modules:

- a Clearing Agent Module - which enables traders or their agents to create files and transmit them to stakeholders involved in the process;
- a Stakeholder Module – which caters for the processing of ORBUS files and documents; and
- a Facilitation Centre Module - which provides assistance and monitoring functions.

Problems and challenges

The SIMBA system initially suffered several teething and technical problems. Although cargo clearance by customs has been entirely electronic since July 2005, the use of ICTs has not extended to all trade facilitation agencies due to financial constraints and inadequate human capacity. The airline and shipping lines, for example, are not fully connected to the SIMBA customs management system and KWATOS KPA system. This has led to manual documentation still being required for entry and exit of aircraft and vessels. However this will change since the KRA and KPA jointly launched a manifest management system (MMS) in September 2011. The MMS automates the clearance of vessels and aircraft, management of cargo to CFSs, bulk grain, oils, ICDs and Customs warehouse.²⁵ It provides an holistic approach in management of goods under customs control, both imported and exported, by air and sea.

There have been repeated breakdowns of the SIMBA system due to power and other infrastructure failures. Stakeholders consulted for this report indicated that the system is often down, slow and unstable with frequent downtime causing delays in clearance. A breakdown in August 2011, for example, was caused by service breakdown of the main network link through the KRA service provider, according to the KRA senior deputy commissioner in the marketing and communications department. The authority said that it is working to put four network links in redundancy mode to ensure hitches on one system do not paralyze custom functions.²⁶

Delays in clearing cargo as a result of problems of this kind lead to additional chartering (demurrage) charges and to extra costs for storage. The delays also cause instability in the supply chain as supply dates become unpredictable. These additional costs and uncertainties are problematic for businesses throughout the supply chain.

Stakeholders interviewed for this report identified a number of additional problems with the interface between SIMBA and other ICT systems. The following problems were identified in respect of particular agencies.

- Problems associated with the Kenya Bureau of Standards included delays in inspections and testing due to inadequate laboratory facilities and to poor services from pre-shipment inspection companies. KEBS

²³ *ibid.*

²⁴ KENTRADE, "A Brief on the Implementation Status of the Kenya Electronic Single Window System". 2011

²⁵ KPA and KRA, Press Release on 23 September, 2011

²⁶ KSC News Letter, August 2011

has not developed standards for a number of products, and some laboratories are poorly equipped. Its ICT system does not yet interface with SIMBA.

- The main problem which stakeholders identified with the Plant Inspectorate Service was inadequate staffing at border posts. Other problems included delays caused by inadequate testing and inspection equipment and office facilities at entry/exit points and by the need for testing to be carried out at laboratories in Nairobi. As with KEBS, the ICT system used by KEPHIS is not interfaced with SIMBA, with the national single window KWATOS (see below) or with other trade management services.
- Inadequate equipment and staffing, and the need for tests to be carried out in Nairobi, were other problems reported with the Department of Veterinary Services. DVS does not have an ICT system for processing veterinary certificates, though forms for licensing can be downloaded from its website.
- Crime and security are serious concerns for businesses using transit routes and impact on the movement of goods. There are many roadblocks on the Northern Corridor route, which cause delays and foster corruption, and there is no ICT-enabled system for monitoring the security of vehicles along major transit highways.

b. Kenya Ports Authority (KWATOS)

The KPA has had the strategic objective to transform the Port of Mombasa into a paperless 'e-port' by 2010. As part of this objective, it has developed and introduced the Kilindini Waterfront Automated Terminal Operating System (KWATOS) with the aim of automating key port operation areas, including container, conventional cargo and marine operations and the inland container terminals in Nairobi and Kisumu.²⁷

The contract for supply and implementation of the KWATOS system was signed in 2005 between Kenya Ports Authority and Total Soft Bank Ltd (TSB) from South Korea a company specialising in the development and implementation of port management and planning software. Implementation began in January 2006 and KWATOS became operational in 2008.

The KWATOS system includes three main sub systems:²⁸

1. **Computer Automated Terminal Operating System (CATOS).** This is a fully integrated system designed to maximise productivity of terminal operations and increase service provision, which is in use at the Mombasa container terminal and the inland container depots in Nairobi and Kisumu. The system concept is based on the principal of "plan-do-see". Information is received through EDI messages from shipping agents. This is used to plan terminal operations. Once berth allocation, human allocation, vessel and yard operations have been implemented using the planning module, managers can supervise and control the whole operation in real time using an operation module. A third management module then reports and analyses performance in order to improve the planning process.
2. **Conventional Cargo Management Information System (CCMIS).** This is a Web-based system used to manage conventional (non-container) cargo operations in the port. It allows for the planning, documentation and execution of operations related to general cargo including motor vehicles and bulk cargo.
3. **Marine System.** This is a Web-based system used to manage all marine services pilotage, tug gage, mooring, bunkering, vessel services, pollution control, etc. – which are provided by the port. It also

²⁷ KPA, *Kilindini Waterfront Project*, 2010

²⁸ KPA, *Kilindini Waterfront Project*, 2010

houses the berth planning module and is to be integrated with the Vehicle Traffic Management and Information Systems (VTMIS) system. The VTMIS allows the port to visualise and interact with all marine traffic within its areas of responsibility. It enables monitoring, surveillance and vessel traffic management in real time.

The first phase of the KPA's IT strategy was an enterprise resource planning (ERP) system known as SAP. This was an administrative system whose aim was to automate port administration functions. The KWATOS system is phase two of the KPA IT strategy, and is integrated with SAP. The interface allows for operational data to be sent to SAP for billing. Once payments are received, SAP in turn sends across the payment status to KWATOS for validation at the exit gate from the port. In order to implement KWATOS effectively, KPA has trained over 2000 people, including more than 900 clearing and forwarding agents, over 500 container terminal personnel and 300 conventional cargo personnel.²⁹

Challenges

Implementation of KWATOS had a shaky start, although things have now considerably improved. The problems that KWATOS faced in its early days demonstrate the importance of engaging stakeholders in design and implementation and of ensuring that ICT implementation is accompanied by strong measures for process reorganisation and capacity-building. The following problems have been described by users of the system in evidence-gathering for this report:

- **Migration from SAP to KWATOS:** Before KWATOS the port was using SAP, which was more of a financial billing system and lacked the ability to track movements of cargo in and out of the port. Data had to be uploaded to the new KWATOS system leading to duplication and conflicts in data requiring a system clean-up. This prevented users from lodging documents for a time.
- **Staff learning:** Staff at KPA were slow to adapt to the new system. This resulted in delays and errors which in turn led to rejection of documents by the system.
- **External user adaptation:** External users have had a lot of difficulties adapting to electronic lodgement of documents. At the outset only about 50 of 1000 trained clearing agents were lodging documents online. Most agents were using the help desks which were set up to assist on technical issues. As a result, help desk staff were overwhelmed by a backlog of documents. Clearing this backlog has been a problem, leading to containers staying at the port for up to three weeks.³⁰
- **Information from shipping agents:** Shipping lines are expected to lodge electronic documents including manifests, delivery orders, and storage plans through KWATOS. However, the timelines set for submitting these documents at the implementation phase are not being met by shipping lines. This has forced staff to capture critical information manually, losing the intended benefits of a paperless system.
- **Integration with customs systems:** KWATOS' success is dependent on full integration with the KRA SIMBA customs management system. Customs are responsible for cargo clearance until release at the gate, while physical and equipment facilitation are performed by KPA. There is therefore a need to integrate the two systems, enabling them to talk to each other in order to reap the full benefits of automation. This is not the case at present and there are too many manual interventions leading to delays. Customs officers need further training in the use of KWATOS.

²⁹ International Harbour Masters Association, *The Harbour Master Newsletter*, April 2010

³⁰ Amos S. Wangora, KWATO Presentation for Tanzania Ports Authority, 2011

- **Truck company registration:** It is a system requirement that all truck companies operating at the port are registered in the system database. However, most of those that have registered so far are Kenya Transport Association members, while a large number of small operators are yet to register. The benefits seem not to have been well articulated to these smaller operators.
- **Network instability:** The system relies on the stability of internet and wireless networks as it is very dependent on accurate information regarding yard inventory. There is a need to improve service provision on the network to achieve full benefits.
- **Staff resistance:** As expected of any new automation, there was a lot of uncertainty among the staff regarding job security. This led to resistance. Clearing agent clerks were apprehensive about the role of port clerks after KWATOS was introduced, while KPA staff used the new system to oppose the seven day working week schedule. This has led to what cargo owners have described as system sabotage.³¹
- **Railways (RVR) performance:** The performance of RVR has been disappointing and a backlog already existing before KWATOS has led to congestion of the terminal. There have also been labour disputes. This has affected the offtake of cargo.³²
- **Suspension of passwords of agents:** The Customs Department suspended passwords of a substantial number of agents because transit cargo was said to have been delayed beyond the statutory free period. The problems of implementation that resulted led to serious delays and congestion at the port with increased ship waiting times. The Kenya Shippers Council has been playing a central role in dealing with teething problems including a meeting with KPA management and the Minister of Transport. This resulted in parallel runs of the two systems and the suspension of the seven day working week at the port by ministerial action.³³

Benefits

Although KWATOS experienced these teething problems, concerted efforts by officials and other stakeholders have restored operations and stabilised the system, resulting in a significant improvement in the processing of documents and cargo offtake. Those who commented on KWATOS for this review suggested that the port will now be able to reap the following benefits from automation:

- better planning in operational areas due to enhanced capacity and use of planning tools;
- better use of equipment leading to reduced wear and tear;
- enhanced monitoring and supervision of work due to availability of real-time information.
- enhanced port security as there are fewer people in operational areas;
- enhanced security of (on-screen) documents as access is limited to users with a password;
- audit trails that provide historic data on the system, enabling cargo to be monitored from arrival to departure;
- availability of accurate current information, enhancing decision-making through standardised documents and procedures;
- less congested offices and operational areas as clients are served from their premises or by appointment;
- real-time tracking of containers and documents ensuring reduced dwell time of goods in port; and
- increased revenue due to more effective scrutiny and fraud prevention measures.

³¹ *ibid.*

³² *ibid.*

³³ G.Lang'at, KSC Brief on the Port, 2008

In turn port users are beginning to enjoy the following benefits:

- reduced bureaucracy and corruption as clients are able to monitor the status of documents and cargo online;
- reduced overhead costs due to enhanced efficiency and reduced time spent by clients in port;
- service at clients' own premises, reducing time wasted in tracking and following up documents;
- real-time tracking of containers and documents online, leading to reduced dwell time of goods in port;
- faster turnaround of trucks in port (now averaging four hours rather than fifteen), increasing the number of trips a truck can make to the port;³⁴
- reduced dwell time of containers to an average of five days due to business process re-engineering under the KWATOS project;³⁵
- reduced time wasted as a result of poor communication; and
- enhanced security of (on-screen) documents.

Summary

In spite of its early problems, the KWATOS system has now contributed substantial benefits to the port community through faster and more efficient processes resulting in increased offtake of cargo and consequently a reduction in the cost of doing business. The gains include faster delivery of cargo and reduced cargo dwell time, fewer displacements and resources required from port users, and enhanced efficiency of port infrastructure and human resources. The transformation in the Port is summarised in Table A2.1.

Table A2.1: Changes in the Port of Mombasa as a result of KWATOS³⁶

BEFORE KWATOS	AFTER KWATOS
Manual documentation e.g. Mandatory 6 copies of MPRO for cargo clearance, manual intervention by regulatory agencies.	Electronic documentation (paperless environment) requiring less physical displacements, use of pick-up orders for import and pre-advise for exports. Electronic intervention by regulatory agencies through use of KPA WEB portal.
Use of Stand-alone internal systems requiring dispatch of manual papers between Operations and Finance leading to insecurity in the documentation process	Interface of internal systems KWATOS and SAP leading to fast, efficient and secure documentation process.
Manual exchange of documents between regulatory agencies leading to delays and corruption.	Integration of KPA and stakeholder systems i.e. Kenya Revenue Authority and Shipping agents allowing for exchange of electronic messages.
High cost in documents security features	Cost reduction with paperless environment - more secure
Manual and laborious container inventory recording	Automatic, accurate and real-time update on container location – faster operational turnaround
Inefficiency of operation planning and procedures heavily based on manual systems	Adequate planning and real-time operation allows for Operational efficiency, increased throughput and reduced cargo Dwell time
Ship turnaround time averages 3 days	Ship turnaround time reduced significantly.
Truck turnaround time average 12 hours	Truck turnaround averages 4 hours

³⁴ Amos S. Wangora, KWATOS presentation for Tanzania Ports Authority, 2011

³⁵ *ibid.*

³⁶ *ibid.*

The next step in the KWATOS plan is to implement an e-payment system by the end of 2011, whereby all payment processes will be carried out electronically. This will eliminate human interaction from formalities, reducing the potential for corruption, and enable clearance to be achieved using only one mutual manifest between KPA and KRA (any changes to which must appear on both ends). A 24-hour system needs to be put in place whereby clearance can be carried out anytime, in order to reduce congestion.

a. Electronic Cargo Tracking System (ECTS)

Cargo tracking represents an additional layer of security to ensure goods reach their destination in the same condition as they began their journey. Its importance and role are discussed in Chapter 2.

The KRA's objective, through its Electronic Cargo Tracking System is to secure and track individual containers, rail shipments, tanker trucks, and other consignments, thereby preventing fraud and evasion of duties. The ECTS is based on active radio frequency identification (RFID), global positioning (GPS) and general packet radio service (GPRS) technologies. It uses Hi-G-Tek's electronic seals with locking capabilities, called Hi-G-Locks which are well suited to the KRA's security objectives. The KRA operates the ECTS infrastructure, maintaining a standard set of operational procedures to manage the handling of the flow of cargo, while Hi-G-Tek provides system components and support.³⁷

At a regional level, the fact that Kenya has taken the lead in implementing ECTS has caused some concern among exporters, as other EAC states are yet to implement comparable regulations.³⁸

b. Kenya Plant Inspectorate Services (KEPHIS) - Export Electronic Certification System (ECS)

The Kenya Plant Health Inspectorate Service (KEPHIS) launched its Export Electronic Certification System in April, 2011. KEPHIS issues about 146,000 certificates annually. In the past, phytosanitary (plant health) certificates were prepared manually and this accounted for a significant proportion of the inspectors' working time.

Alteration of consignments occurs because of situations such as flight delays, change of entry points, cargo space and splitting of consignments. Paper certificates represent permanent records that cannot be corrected in the event that a mistake has been made in their entry, or if the characteristics of the export consignment change during the export process. This means that the paper record has to be destroyed and a new process begun. Since a paper certificate accompanies a consignment during export, it is also difficult for port officials of an importing country to pre-clear a consignment on the basis of known history before its arrival, which results in unnecessary delays at ports, even for routine cargo.

ECS is an electronic system used to manage, maintain and view certificate data and to generate both paper and electronic certificates for trade in plants and plant products. The database and applications, which can be used at KEPHIS local offices and by exporters and shipping agent, aim to centralise the export certification process, to monitor and to support the issue of certificates. It provides assurance that the products being certified meet the security and other requirements of the importing country, which is important for Kenya which has a substantial and growing agricultural and horticultural export sector. The ECS is not yet linked with the SIMBA system or the National Single Window but plans to achieve this are in process.³⁹

Transition to an electronic system will benefit the horticultural industry in Kenya by:

³⁷ Julius Musyoki, Presentation to WCO Technology & Innovation Forum, Smart Borders, Enabling Technologies, Cairo November. 2010

³⁸ KSC, Policy Brief on Implementation of Electronic Cargo Tracking System, 2010

³⁹ KEPHIS, *Implementation of Electronic Phytosanitary Certification System*, 2011

- a) Reducing the time it takes to key in information for processing certificates. Clients will enter the details of their consignments through a Web connection and will no longer need to travel to KEPHIS offices.
- b) Enhancing the logistics of documentation. Primary data will be entered at the client's office, releasing manpower for other work within the firm.
- c) Reuse of information. Users of the system will be able to exchange shared information through a secure internet connection. This will eliminate the need to enter the same data at each phase of the process.
- d) Facilitating negotiations for pre-clearance of Kenyan consignments in importing countries. Prior information about a consignment provided to the country of destination can greatly reduce the time taken to clear produce on arrival at a port of entry.

e. *The national single window (NSWS)*

Kenya's National Single Window System (NSWS) relies on the use of ICTs to simplify the sharing and processing of documents amongst stakeholders involved in international trade in goods. Access to information on cargo status and movement of goods also enables stakeholders in the supply chain to streamline operations and optimise use of resources.

The main features of the Single Window are:⁴⁰

- the entry of standardised information and documents through a single entry point, avoiding duplication and rekeying of data;
- sharing of information amongst government agencies;
- coordinated controls and implementation of inspections by various government authorities;
- facilitation of payment of duties and other charges; and
- a single source of trade-related government information.

The main benefits anticipated from KNSWS are as follows:

- Customs declarations will be submitted electronically and the status of declarations in process will be transmitted electronically to all relevant stakeholders.
- Manifest data and subsequent amendments will be submitted by ship agents and consolidators to the single window, which will ensure that all relevant stakeholders are copied with necessary information.
- The status for release of goods to regulatory agencies (KRA, KEBS) will be combined and submitted to relevant stakeholders (KPA, CFS, Railways etc.).
- Payment of duties and taxes will be facilitated in order to allow for prompt settlement of duties.
- Data on transit goods will be transmitted as soon as goods enter and leave Kenyan territory.
- The status of cargo in, out and landed at ports (sea and air) will be accessible to authorised recipients via NSWS.

The need for an single window system was first discussed in 2001, and a feasibility study was undertaken in 2005. NSWS is being implemented in two phases, with funding from the government of Kenya and international donors, notably the World Bank.⁴¹

- The first phase includes automation of cargo documentation to be achieved by integrating the diverse systems of public and private stakeholders involved in cargo clearance. It includes modules for manifests,

⁴⁰ UN/CEFACT Recommendation N°. 33 - Single Window Recommendation, 2004

⁴¹ KENTRADE, KESWS Implementation Progress Report, 2010

declarations, licenses and permits, for goods arriving/departing by sea and air, an e-payment facility and dynamic risk management. It is scheduled to go onstream in June 2012.

- The second phase includes manifest and declaration modules for land trade, integration of weighbridges, introduction of an Electronic National Payment System Gateway, and integration with other government agencies.

The project is being led by the Kenya Ports Authority and the Kenya Revenue Authority, implemented by a project team drawn from these authorities and co-sponsored by the Ministries of Trade, Finance and Transport.

f. National Payment System

The National Payment System Project, which is a partnership between the Central Bank of Kenya and the Kenya Bankers Association, seeks to bring together all the systems, mechanisms, institutions, agreements procedures, rules and laws that enable the circulation of money. This includes cash and non-cash payments, and, critically, the systemic risks underlying the payment system. The benefits of this project are expected to include:

1. reduced risk arising from payment exposure, for both the public and for banks;
2. safe and efficient means for exchanging value between transacting parties; and
3. promotion of Kenya as an international market and a regional financial centre.⁴²

As it develops over coming months, the National Payments System will examine:

- risk-reduction measures to support effective inter-bank management of exposure to risk;
- legal and regulatory reforms to protect current and future payment practices;
- shared payment systems that avoid duplication; and
- integration of networks and activities with other service providers and regulatory bodies.

g. Information resources

The Kenya Shippers Council has partnered with Trade Mark East Africa (TMEA) to develop a web-based portal for information on import and export rules, regulations and procedures. The objective is to establish a one-stop information centre in Kenya and the region. The portal was launched in July 2011 and initially covered fourteen products which are commonly imported and exported. The project is ongoing and more products will continue to be added into the system. It forms part of TMEA's Single Window (SW) and Integrated Border Management initiatives.⁴³

Regional cooperation and integration

Customs automation and cross-border integration

As noted above, Kenya's customs automation system, SIMBA, differs from the ASYCUDA system which is in use in other countries in COMESA and the EAC. This makes it very important that the two systems should interoperate effectively, both for current national trade environments and particularly for regional integration.

⁴² Central Bank of Website, www.centralbank.go.ke; National Payment System in Kenya, 2008

⁴³ See <http://www.kenyashippers.org/about-us/ceos-message/50-ceos-Kenya-message.html>

COMESA has been implementing a Regional ASYCUDA++ Project with funding from the European Union since 2006.⁴⁴ The project has two components:

- implementing the ASYCUDA++ customs processing system in Comoros, DRC, Eritrea, Seychelles, and Swaziland; and
- developing a Web-based Transit Data Transfer Module for piloting at the Chirundu border post between Zambia and Zimbabwe (see Chapter 2).

COMESA plans to assist all of the 14 member states that have opted for the ASYCUDA computerised customs management system to graduate to ASYCUDA++.⁴⁵ The Web-based Transit Data Transfer Module will allow electronic sharing of customs data between national border posts in real time, which should speed up border customs clearance. Once piloting has been successful, this project will need to be scaled up to all border posts.

Trade Mark Southern Africa (TMSA) is developing a Trade and Transit Facilitation programme that will be implemented across the three RECs in east and southern Africa (COMESA, EAC and SADC) and along transport corridors in these regions.⁴⁶ This common programme has customs and transport harmonisation elements. The Tripartite Agreement between the RECs will provide ICT support for transit trade facilitation and plans are underway for harmonised development of infrastructure and the policy and regulatory environment across this enlarged region.

The Revenue Authorities Digital Data Exchange (RADDEx) is an electronic link that connects Kenya Revenue Authority (KRA) computers to those of revenue authorities in Uganda, Tanzania, Malawi and Rwanda.⁴⁷ It is described in Box X.X. in Chapter 2.

RADDEx electronically transmits the Customs Declaration (Single Administrative Document) between countries. This ensures rapid confirmation of goods whether destined for other countries in the EAC or onward transit. The system also generates advance information which is used for pre-arrival declarations resulting in reduction of border clearance times, and eliminates rekeying of data by customs clearance agents at the border, reducing the chances of clerical error.

However, the full potential of RADDEX to expedite border processing and reduce opportunities to avoid proper declaration of goods is not yet realized as clearance agents continue to rekey data rather than use the new technology. It is reported that border agents fear that progress in processing information will eliminate the need for their services. Low usage is also attributable to sparse internet access, which is required to use RADDEx.⁴⁸

KENTRADE is working with the EAC Secretariat and other public and private stakeholders in the EAC region towards a Regional EAC single Window System.⁴⁹ A number of meetings and workshops have been held to make stakeholders more aware of the potential of establishing a regional single Window. USAID and Trade Mark East Africa have shown interest in this project.

⁴⁴ COMESA website; www.transitdtm.comesa.int; The COMESA Regional ASYCUDA++ Project, 2006

⁴⁵ *ibid.*

⁴⁶ Trade Mark Southern Africa, www.trademarksa.org/trade_facilitation; The Tripartite Trade Facilitation Programme, 2011

⁴⁷ Judy Payne, Government ICT Application that Save Businesses Time and Money, RADDEx – USAID-Economic Growth for Officers' Conference, June 2010

⁴⁸ KRA, Revenue Administration Reform and Modernization Programme, 2009

⁴⁹ KENTRADE, KSWIS Implementation Progress Report, 2010

*Automated System for Secure Electronic Transit (ASSET)*⁵⁰

All EAC and COMESA member states have legislation requiring a customs bond guarantee to be taken out for execution of a transit operation. This bond ensures that the revenue authority in a transit country is able to recover duties and taxes from guarantors should goods in transit be illegally diverted for domestic consumption. The procedures in use for verifying consignments vary from state to state, but typically involve the inspection of the load at each national frontier (entry and exit) and the imposition of national security requirements to cover the potential duty or taxes at risk while goods are in transit through each territory.

These measures cause considerable costs and delays in transit. A bond has to be executed in each country of transit and will only be acquitted once goods reach the country of destination. The transit bonds in most cases have to be backed by bank/insurance guarantees, which are secured by collateral put up by the importer/transporter/trader. In addition, the bond acquittal process often takes a while to execute. All of this ties up working capital. By some estimates, the amount of money tied up as transit bonds in the COMESA region is in excess of \$1 billion daily.⁵¹

COMESA member states have agreed to introduce a Regional Customs Transit Guarantee (RCTG) Scheme to address these difficulties while still providing revenue authorities with a secure system of control. Annex I to the COMESA Treaty, the Protocol on Transit Trade and Transit Facilities, provides for member states to implement transit and customs measures to remove trade and transport barriers in the region.

The RCTG scheme enables a business to lodge a transit bond equivalent to the highest payable duties and taxes in the countries on the transit route from any country in COMESA. It provides electronic information on goods crossing control zones in each country and this information can be used to speed up acquittal of the bond once goods are cleared in the country of destination. The RCTG has been piloted on the Northern Corridor and was launched in September 2009 for implementation in the whole COMESA region. However, it suffers from a complex administrative structure, in which each country uses a National Bureau as the coordinating entity for banks and insurance companies. When claims arise, the settlement procedures are still lengthy and include claims and reimbursements back and forth between the revenue authorities, the national bureaus and the banks/insurance companies. In addition, the bond acquittal process is not as quick as was envisaged because revenue authorities continue to use their own national bond acquittal procedures rather than information from the RCTG-MIS. This has led to demand for a revised system.

In the proposed Automated System for Secure Electronic Transit (ASSET), duties and taxes will be collected at the port of entry and serve both as the guarantee to transit countries during transit and as the duties payable to country of destination. This bypasses some of the administrative hurdles that the national and regional bond schemes have experienced. ASSET will work as follows:

- The trader will find out the applicable duties and taxes for the incoming goods from the revenue authority of the country of destination.
- The trader will pay the amount required into an ESCROW account (or some other bank facility), whose parties are the revenue authorities of the countries of transit.
- After the necessary customs declarations and approvals for release, the goods will be released from the port of entry.
- At each border control exit, a message will be sent to the ESCROW account manager signifying that the goods transited safely and the party in that country has no more interest in the amounts held in the account.

⁵⁰ Trade Mark EAC, Automated System for Secure Electronic Transit (ASSET), 2010

⁵¹ *ibid.*

- If goods are lost in transit, the revenue authority in the country where the transit goods were dumped will access the ESCROW account and retrieve the amounts payable from that account.
- If goods reach their destination safely, the revenue authority will release them for home use and retrieve the amount in the bank facility as the duties and taxes payable.

Transition to this system should free up much of the working capital held as bonds in the EAC and COMESA regions, to the benefit of trading businesses. It is also a symbolic step towards the establishment of common market principles for the free movement of capital with the region.⁵²

Assessment

As this case study illustrates, ICTs have the potential to improve many aspects of international trade operation, though there are also significant challenges in implementation which can constrain that potential. Developing countries, particularly least developed countries (LDCs) and landlocked developing countries (LLDCs) in Africa, need to be proactive and ensure appropriate planning and implementation of ICT applications for trade facilitation in order to reap the benefits of technological advances. These benefits include reduced transaction time and costs, increased transparency, enhanced supply capacities, new business opportunities, and stronger national integration in global trade.

Stakeholders who participated in the interviews and workshop for this study made a number of recommendations concerning ways in which Kenya and the EAC region more generally could take greater advantage of this potential of ICTs in trade facilitation. These are summarised in the following paragraphs.

1. Enabling infrastructure

Trade in the East African region is affected by a range of structural, infrastructural and trade process challenges which all need to be addressed by governments. Improving trade performance requires investment in new and improved infrastructure, new or improved legislation and regulatory practices, as well as the deployment of ICTs. This in turn requires commitment from government. In Kenya the government has been developing the necessary ICT infrastructure including fibre optic cable and electrical power networks, which has increased the capacity to make effective use of ICTs. However more work is still needed on the legal framework, while the transport and power networks remain inadequate and limit the value that can be derived from ICT-enabled trade facilitation.

Transport infrastructure is a particular problem, and Kenya needs to achieve considerable and continuous improvement of its roads, rail, pipeline, air and sea ports. The roads from Mombasa to Busia and Malaba are major arteries of trade not only for Kenya but for the regions of Eastern and Central Africa. Rail track is old and requires rehabilitation and the construction of new track to modern standards in order to increase carrying capacity and the share of overall trade that uses rail rather than road. Increasing this from 10% to 40% would be desirable. Pipeline capacity is also much too low and needs to be increased. The Port of Mombasa needs further expansion to cater for economic growth in Kenya and the region. Airport infrastructure has not kept pace with the growth of trade and customers' needs in the country: it requires expansion and the addition of facilities such as hotels for transit passengers and cold storage for cargo. ICT-enabled trade facilitation will only add full value if it is accompanied by improvements to infrastructure such as these.

⁵² *ibid.*

2. *Enabling legal environment*

EAC and COMESA countries currently have different levels of automation in trade and attach different levels of priority to ICTs in trade facilitation. The East Africa Community Customs Management Act enables customs formalities to be carried out through ICTs.⁵³ The Kenya government has established the Kenya Trade Network as the institution which will lead coordination and integration of ICT applications for trade facilitation into national ICT policy. However, most of the other trade facilitation agencies in the country do not yet have a legal framework which provides for their procedures to be carried through ICTs. Two issues arise from this.

- Firstly, stakeholders identified the need for clear common standards to be established in order to enable the NSWS to work effectively and to harmonise processes in Kenya with those in other countries in the region. This should be built around international standards such as those of CEFACT and draw on the experience of other countries that have implemented single windows, on careful analysis of the needs, aspirations and resources of stakeholders, and on the capacity of infrastructure now and in the future. All stakeholders should be involved in this analysis.
- Secondly, stakeholders identified the need to put in place laws and regulations to enable and establish more effective data and information sharing. For example, changes in legislation are required to facilitate electronic data submission and electronic signatures. Restrictions on the sharing of information amongst authorities and agencies and organisational challenges to the introduction of a single window system need to be overcome, as do legal issues concerning the delegation of authority to a lead agency such as KENTRADE. Establishing the appropriate legal framework is a necessary pre-requisite for implementation of the Single Window.

3. *Improvements in system operation and management*

The Kenya Revenue Authority has fully computerised its cargo clearing process but has no backup system. Documentation through the SIMBA system is only filed electronically and manual documentation is unlawful.⁵⁴ It is therefore essential to ensure that the system is 100% proof against power outage or network failure by the provision of backup systems. Electric power is a critical input for ensuring the functionality of SIMBA and failures undermine confidence in the system. Stakeholders felt that KRA should invest in alternative sources of electricity in stations where there is inadequate power connectivity and establish an electricity back system to ensure that SIMBA is not compromised by power outages.

They also felt that KRA should contract more than two network service providers, rather than one, to boost the efficiency of its customs IT system and ensure that breakdowns do not occur as a result of communications network failure. This would reduce delays and costs incurred along the supply chain. In addition, stakeholders identified a need to reduce the cost of broadband access, in order to encourage use.

Other trade facilitation agencies such as the Kenya Bureau of Standards, Kenya Plant Inspectorate Services, and Department of Veterinary Services are not yet connected to the SIMBA or KWATOS systems. Most of these agencies lack in-house technical capacity with ICTs and the financial resources required to implement ICT systems. As a result some continue to use manual systems, which delays the clearance of goods.

⁵³ EACMA Act 2004,

http://www.google.co.uk/url?sa=t&source=web&cd=1&ved=0CB4QFjAA&url=http%3A%2F%2Fwww.usig.org%2Fcountryinfo%2Fflaws%2Fuganda%2FEast%2520African%2520Community%2520customs%2520Management%2520Act%25202004.pdf&ei=_raMTvf3HofE8QOWwtzRBg&usg=AFQjCNFgCTQL7BJMMtKI8XjMEaEBDS7AEg&sig2=bldPbOLEpa6XjonaTsRleA

⁵⁴ KRA, Simba 2005 System, Instruction Manual

It is essential to build the capacity of government agencies and the trade community to make effective use of ICT-enabled trade facilitation. There is a particular need to develop human capacity to assist various trade facilitation agencies to develop their own ICT systems and link these to the national single window. Training for both officials and end-users in use of the SIMBA system needs to be continuous to facilitate correct documentation and easier use of the system. KRA staff also need training in customer and stakeholder relations.

Stakeholders called on central government, either directly or through KENTRADE, to mobilise funds and skills to help those agencies that are lagging behind in ICT implementation to expedite their trade facilitation processes. They felt that public-private partnerships could contribute to building the capacity and optimising the performance of relevant agencies through the use of emerging technologies and conformance to international standards.

4. Regional partnerships

Integration of ICT systems among the partner states in the EAC, COMESA and SADC regions can reduce the cost of trade and raise the volume of trade amongst member-countries. Stakeholders suggested that interlinking of the various national systems within the regions and the creation of regional single windows should be prioritized if Kenya and its neighbours are to take full advantage of integration. Regulation concerning the acceptance of electronic documents and signatures needs to be integrated on a regional basis, as in the European Union's 'e-Europe programme', and in the framework of other regional partnerships such as the Asia-Europe Meeting (ASEM) and e-ASEAN.⁵⁵ Interoperability between countries can be strengthened further through cooperation activities at the global level

⁵⁵ ASEAN Secretariat, <http://www.asean.org/7659.htm>; The e-ASEAN Initiative, 2009

ANNEX 3 - COUNTRY CASE STUDY OF SENEGAL

Three country case studies were undertaken as part of the research for the trade and regional integration component of the Transformation Ready programme. The findings and implications of these case studies are summarised in Chapter 4 of the main report of the study. This Annex contains the report of the Senegal case study, which was undertaken by Dr Ibrahima Diagne.

Background

Senegal is an agricultural and trading nation of some 12 million people located at the westernmost point of the African continent. It has played a leading economic role in Francophone West Africa over the past fifty years. The Port of Dakar is a main exit and entry point for goods bound not just for Senegal itself but also for Mali and Niger, which lie inland, and for Mauritania to the north.

Senegal's economy has seen significant growth since devaluation of the CFA franc and the development of the UEMOA customs union in the 1990s. GDP has been growing by between 2% and 5% and GDP per head is over US\$1500, higher than the country's regional neighbours. During the past decade, the government's Accelerated Growth Strategy has sought to enhance Senegal's attractiveness to business.⁵⁶ The Presidential Investment Council, which was established in 2002, has been given the mandate to ensure that Senegal features among the top ten African countries in the World Bank's *Doing Business* index and becomes the leading non-Anglophone nation in the ECOWAS region.⁵⁷

The bulk of Senegal's export revenues are derived from a limited range of commodities, in particular fisheries, fertilizers, cotton, groundnuts, cement, petroleum products and phosphoric acid. Investments in mining and tobacco have led to increased exports from these sectors in recent years. The total value of exports in 2010 was 983 billion CFA or US\$2.09 billion. The main European export recipients are France, Italy and Spain.⁵⁸

The share of Senegalese exports going to other African countries is considerably higher than the African average, and rose by 25% during the downturn year of 2009-2010, taking it from 45% to a little over 51% of the total. Exports to other African countries are dominated by petroleum products, cement, tobacco and food products. Most of these exports go to other ECOWAS countries. Exports to ECOWAS rose from 359 billion CFA in 2009 (out of total African exports worth CFA 403 billion) to CFA 445 billion (out of 504 billion) in 2010, driven by increases in exports of petroleum products and cement. Mali, which lies inland of Senegal, is the largest recipient of the country's exports within Africa, followed by two other neighbouring countries, The Gambia and Guinea (Conakry).⁵⁹

Senegal is a substantial net importer of goods. In 2010, as the global economy recovered, imports to Senegal rose by just under 3% to a value of CFA 2137 billion. The most important imports are petroleum products, cereals, machines and equipment, metals and metal goods and transport equipment. Together these make up more than 50% of imports.⁶⁰

Senegal's telecommunications sector has developed rapidly in recent years. Gradual liberalisation since 2004 has made the local ICT market attractive to investors and partners, while the government has sought to promote Senegal as a destination for the establishment of call centres, e-commerce, software development

⁵⁶ www.ansd.sn

⁵⁷ TOP TEN AFRICA "Objective: feature among the Top Ten Africa of the Doing Business Report" (APIX-2008)

⁵⁸ Note d'analyse du commerce extérieur-2010-ANSD, p. 7

⁵⁹ *ibid.*, p. 15

⁶⁰ *ibid.*, p. 7

and the assembly of computer equipment.⁶¹ Senegal can be expected to benefit from increased competition in the provision of undersea cable connectivity along the West African coast in the next few years.

Senegal's membership of the regional trade associations ECOWAS and UEMOA, including the monetary union zone of the CFA franc, should deliver economic advantages in the region. This case study suggests that the RECs could do more by supporting implementation of legal frameworks for trade and exchange, establishing platforms to foster trade and harmonising administrative procedures. The RECs could also contribute to the effective implementation of electronic business to reduce the costs of transactions and help businesses to access wider markets. The main challenges inhibiting regional integration are the lack of adequate infrastructure in the region and the quality of governance.

In Senegal, as in many parts of Africa and the developing world, there is a large community of people involved in informal as well as formal trade. In the past, the term "informal sector" was mostly used to refer to unregistered traders, but now it is used more generally to refer to the way in which people do business rather than to their registration status. Some of these traders focus on domestic markets, but an increasing number are engaged in international trade. Among them is a large community of individual Senegalese traders who trade in European and American markets.

ICTs and trade facilitation in Senegal

Senegal has been an early actor in trade facilitation in Africa, including in the use of ICTs. It launched one of the first automated customs clearance systems in 1990, and in 1994 was selected as one of the pilot countries for UNCTAD's trade efficiency programme, which sought to establish a global trade point network for ICT-enabled trade.⁶² The legal framework for electronic trade was established with the adoption of the Blue Print Law on the Information Society in 2008, which gave electronic documents and signatures equal recognition with paper documents and manual signatures.⁶³ Since the launch of the latest version of the national automated customs system GAINDE 2010, the country is moving towards a paperless trading environment. A number of trade promotion institutions – ASEPEX, TradePoint Senegal, GAINDE 2000 and COSEC, on which see below – play an important part in promoting the competitiveness of national trade, although it is acknowledged that more could be done to build relationships between them and trading businesses.

The following paragraphs summarise the adoption of ICTs in trade and trade facilitation in Senegal in the main areas discussed in the report.

a. Customs automation (GAINDE)

The Government of Senegal took an early decision to automate customs in the mid-1980s.⁶⁴ Computers were rare and expensive at that time in Senegal, but UNCTAD was in the process of launching its ASYCUDA customs management system for ECOWAS countries. The easiest thing for Senegal to have done would, therefore, have been to adopt ASYCUDA alongside its regional neighbours. However, the government wanted to go further than ASYCUDA, whose initial purpose lay in data collection, and to establish a comprehensive automated customs system that would allow traders and shipping companies to submit declarations online, making use of the country's rapidly improving telecommunications network.

The customs automation programme which was developed for Senegal, GAINDE, was one of the first in sub-Saharan Africa when it was commissioned in 1986 under the leadership of the Ministry of Finance. GAINDE took four years to implement and was running by 1990. The name is a French abbreviation for words meaning

⁶¹ This is an objective of the IT cluster committee in the accelerate growth strategy - www.sca.sn

⁶² www.tpsnet.org

⁶³ Law n° 2008-08 on 25 January 2008 related to electronic transaction

⁶⁴ www.douanes.sn

‘Automated Management of Customs Information and Exchange’. GAINDE has been strongly supported by political and business leaders in Senegal, who have recognised its importance in improving the efficiency of trade and reducing delays in trade flows.⁶⁵

In 2002 a new modernisation project was launched to migrate customs management towards Web platforms that are more open and accessible to users. This new application, GAINDE 2000, was the result of a partnership between public and private sectors, and was first deployed in 2004 at the airport in Dakar and in the city of Kaolack, at the border with The Gambia. It met with some problems resulting from the need for system architecture to interface with the infrastructure available inside port stations.

Development towards a third generation of GAINDE began in 2005 with the launch of the GAINDE 2010 project, which has focused on ensuring compatibility between the various systems that are in operation. This new version of GAINDE was launched at the Dakar Petrol station in January 2009, extended to the airport and port in Dakar in early 2010, and to all port stations by the end of May 2011.⁶⁶ It has enabled Senegalese customs to move towards a paperless trade environment, in which electronic documents have the same validity as paper documents have had. The main aim of this paperless trade approach is to reduce clearance time from fourteen days to nine days during 2010-2011, in order to approach standards in more developed countries.⁶⁷

GAINDE 2010 has upgraded the customs automation system through Web technologies. It provides sufficient redundancy in software, hardware and network components to prevent service disruption, and pays a high level of attention to ensuring the integrity and security of shared data. A Public Key Infrastructure platform is used to deliver digital certifications, with high levels of encryption to guarantee the confidentiality, authentication and non-repudiation of electronic signatures. The hardware infrastructure for GAINDE 2010 is installed at two distinct sites (Customs and the Ministry of Finance), which are connected by optic fibre. These access the same storage area, and user connections are made through the IP network of the national telephone company Sonatel.⁶⁸

b. Cargo transport and logistics

TRANSRAIL

The most important land trade route from Senegal is that between Dakar, the port/capital, and Bamako in Mali, which is over 1250 kilometres distant, about half of that distance lying in each country. The rail link between Dakar and Bamako is a critical element in national trade and regional integration, a natural outlet to the sea for Mali via the Port of Dakar, offering competitive advantage over other road and air transit for Mali-bound goods.

Following prolonged investment and maintenance challenges, the governments of the two countries decided in 2003 to hand the management of the railway to a consortium called TRANSRAIL. However, the railway sector has faced continuing financial difficulties which hinder maintenance and investment programmes, and which have led to a deterioration in railway performance. Both political and economic stakeholders are aware of the high stakes in this sector. During a Conference on the Dakar-Bamako Corridor which was held in May 2011, the Prime Ministers of both countries undertook to revive rail transport links in order to bypass problems on the Dakar-Bamako road and reduce freight costs.

⁶⁵ A management committee for IT customs services was set up in 1995 with the participation of private sector. Ministry of finance decision n°04678/MEF/DGD/DEL (29 may 2008) for a management Committee of the partnership customs-private sector

⁶⁶ GAINDE 2010 deployment agenda (Senegalese customs IT services)

⁶⁷ Gainde 2000-ICF MOU for paperless trade project in Senegal (2009-2011)

⁶⁸ Customs IT service interview guide answers

EMASE and ENSEMA

The high volume of trade between Senegal and Mali requires significant organisation and management at both ends of the route. In order to strengthen the economic partnership and management processes involved, the governments of Senegal and Mali have collaborated to establish warehousing capacity in each others' territory - Malian warehouses in Senegal (EMASE) and Senegalese warehouses in Mali (ENSEMA). This public-private partnership was co-financed by Senegalese government and business interests (the Port of Dakar and the Senegalese Council of Shippers, COSEC) and by an international financial institution, the Islamic Development Bank. Dakar Port and COSEC lead the board of directors. A key element in implementation is the presence of Senegalese customs in Mali, enabling better integration of cross-border customs management.

The EMASE warehouses are intended to facilitate transit of good to Mali from the Port of Dakar. The arrangement puts areas of bonded sheds and back-up space in the Port of Dakar at the disposal of EMASE, together with a soft docking priority at a specified pier for vessels carrying goods bound for Mali. There are a number of financial concessions in the agreement – discounts on the rent of bonded sheds and on charges for offloading and shipping goods, an all-inclusive charge for containers regardless of goods carried, duty free period for offloaded goods and vehicles, and VAT exemption on port services.⁶⁹

ENSEMA is a dry port located in Bamako, the capital of Mali, on land provided by that country's government for the purpose, and inaugurated in 2006. The key objective is to upgrade the multimodal transportation system on the Dakar-Bamako route by providing means to offload and upload road and rail vehicles and to provide storage facilities for transit operations. Capacity should reach 70,000 tonnes, including refrigerated containers.⁷⁰

Cargo tracking

The oversight of goods transiting Senegal to Mali is a major concern for Senegalese customs, which is anxious to avoid goods being offloaded in Senegal without payment of required duties. The Government of Senegal commissioned the trade management firm COTECNA to establish an Electronic Cargo Tracking System (SSE), which has operational since December 2009 facilitating security along the Dakar-Bamako corridor. Trucks *en route* from Senegal to Mali are fitted with electronic beacons that transmit an alert when a truck stops or deviates from its planned itinerary. Where alerts suggest suspect activity, border officials physically verify cargo to make sure that no fraud or evasion of duty has occurred.

The SSE system makes it possible to detect false transit and fraudulent discharge of goods and to take rapid and effective action when required. It gives trade administrators better command of transit operations, but also reduces costs as it is no longer necessary for consignments to be accompanied by physical escorts. Implementation of the system has eliminated delays of two or three days that typically occurred as traders awaited the designation of escorts by customs officers before authorising a truck to begin its journey.

c. Trade and transport logistics

Seaport facilities

The Port of Dakar is the main entry point to Senegal, handling around 90% of all inbound goods. It is equipped with a number of electronic tools for the logistical management of goods transiting the country. In particular:

- TRAFIC PREST, the Dakar port authority software, allows for the electronic management of vessels and goods traffic and for the management of back-up spaces in Port premises.

⁶⁹ www.portdakar.sn

⁷⁰ Port authority statistics 2010

- The global port operator Dubai Port World operates the container terminal. It uses an application called NAVIS for electronic management of the offloading, tracking and shipment of goods in the port container terminal.

However, the different automated systems of port stakeholders are not interconnected, which leads to a good deal of inefficiency. In a bid to improve the efficiency and coordination of port operations (and so enhance competitiveness), a project to develop a Port Community System (SIC) was launched in 2008 by the Dakar port community and GAINDE 2000. As well as investment in infrastructure, which needs to be substantial, upgrading the port requires implementation of high-performance information systems which will offer reliability, flexibility, openness, security and efficiency. The objectives of the project are to establish a platform for data-sharing, a portal and an e-payment system for logistic services.

The SIC platform will be built around two main components:

- A standardised information exchange platform will facilitate data sharing between customs, the ORBUS single window, port authorities and port stakeholders (shipping agents, handling companies, clearing agents and other actors). This will be concerned primarily with manifests, goods release operations, manifest striking etc. Data sharing will take place using international standards for electronic information exchange.
- A service portal will make available the various services offered by different port stakeholders and facilitate online transactions. This will enable users to access online services, make enquiries, book services, place orders and make secure payments.

SIC activities are due to start during the latter half of 2011. The management company has been set up and the platform is in its pilot phase. At the time of writing, commercial launch was planned for October 2011.

Truck management

The management of the Dakar container terminal by Dubai Port World does not include the transportation and final delivery of containers. The liberalisation of container transportation has been put forward as a solution to a chronic shortage of trucks at the Port. Liberalisation was decreed through an inter-ministerial order in June 2009. However, there is no electronic repository of means of transport. The SIC Project provides for a portal that will match electronic transport offers and demands when it is brought into operation in late 2011.

Cargo tracking

Shippers' councils in Africa have introduced the Cargo Tracking Slip (BSC) system to facilitate cargo distribution. This enables the port authorities in Dakar to have accurate information on cargo bound for the Port and then establish its invoice track upstream. Customs can also track goods conveyed from targeted countries. The Tracking Slip process has been made electronic and implemented since November 2008 to facilitate declaration processes. This will make it possible to use ICTs for fraud detection in transport of goods by establishing in advance the itinerary and content of cargo moving upstream, making it much easier for officials to assess when intervention is required.

Border management

The UEMOA Treaty and the ECOWAS Protocol both stipulate that there should be progress towards free movement of people and goods, and this has been achieved in UEMOA since 2000. However, there are still problems on many transport corridors in West Africa (the main transport corridors are listed in Chapter 2).

Initiatives are in process in the region to improve the flow of goods along these corridors and to establish side-by-side checkpoints at border crossings (for example at Cinkansse which is on the border between Burkina Faso and Togo).

According to the ninth report of the Observatory of Abnormal Practices on UEMOA corridors, which was published in November 2009, the Dakar-Bamako route has the highest number of checkpoints in the region, with 37 stops per journey, representing an average of four stops in every hundred kilometres.⁷¹ In a bid to improve the Dakar-Bamako corridor, the Cross border Conference in May 2011 recommended the reduction of checkpoints to three in total and the construction of side-by-side checkpoints at the border crossing. The cargo tracking mechanisms described above are critical to the potential for achieving these goals.

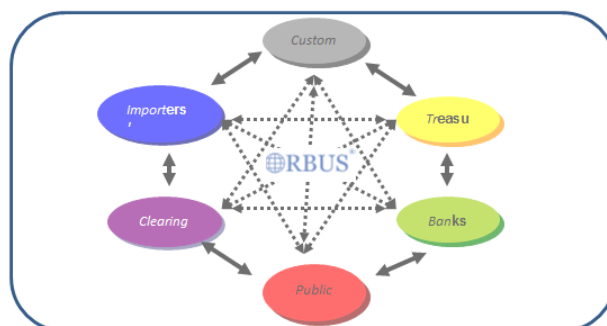
d. The Senegalese national single window (ORBUS)

The ORBUS single window system was set up in 2004 by GAINDE 2000 to facilitate foreign trade formalities through electronic data sharing between stakeholders. It has led to a significant reduction in pre-clearance times and formalities-related costs, together with the near elimination of trade management paperwork. The system is illustrated conceptually in Figure A3.1.

The main objectives cited for establishing ORBUS were:

- closer relations among foreign trade stakeholders;
- improved working conditions;
- simplification and harmonisation of procedures;
- reduction of costs and time; and
- the introduction of new technologies to administration and trade communities.

Figure A3.1: The ORBUS single window



Source: GAINDE 2000

The system interconnects the main foreign trade stakeholders in Senegal in order to enable the automated processing of requests for permits and certificates required in any given import/export operation. These stakeholders can be divided into the following groups:

- **Clients (applicants).** These are the clearing agents and licensed companies authorised by Customs to clear their own goods. A module within ORBUS enables them to send a request for the collection of electronic documents required in a given operation.

⁷¹ 9ème Rapport de l'OPA/ UEMOA-3ème trimestre-novembre 2009

- **Public stakeholders (official agencies).** These include the Currency and Credit Department (DMC) , the Plant Protection Unit (DPV), the Livestock Department (DIREL), the Foreign Trade Department (DCE), the Department of Fish Processing Industries (DITP), the Quality Control Department (DCQ) and the Metrology Division (DM).
- **Private stakeholders,** including banks, insurance companies and inspection offices (which are managed by COTECNA).

The following were identified in interviews and discussions for this report as the principal benefits of ORBUS:

- ready availability of information on trade formalities and related costs;
- online information about the status of files up to their issuance;
- availability of a facilitation centre to secure information on foreign trade procedures and rules;
- monitoring of the time required to oversee the observance of performance standards thanks to the facilitation centre;
- better planning of consignments and orders ;
- reduced corruption risks with the near-elimination of physical contact between administrative bodies and traders; and
- a better working environment thanks to improved transparency in the application of administrative procedures.

e. The eTrade Africa Platform

In 2010 the European Union – the main import market for Senegalese goods – introduced a new Import Control System (ICS) to manage security declarations for goods imported into Europe. The ICS rule has been mandatory since July 2011. GAINDE 2000 has developed a compatible platform called eTrade Africa, in collaboration with a French partner company (CONEX), to help businesses to meet ICS requirements.

The eTrade Africa Platform offers a gateway, via CONEX, for the transmission of Entry Summary Declarations (ENS) to European customs prior to any entry of goods into European territory. The platform enables Senegalese and other African traders to meet ICS requirements by sending EDI messages, whose validation by European customs is mandatory before any goods are accepted in Europe.

Among other services, the application allows for the registration of businesses, completion and transmission of the Entry Summary Declarations (ENS), modification of requests, and requests for re-routing. Users can also download the EORI form (Economic Operator’s Registration and Identification)⁷² and view information relative to the new regulation.

f. Information resources

Trade Point Senegal

The Trade Point Senegal Foundation was created by the Ministry of Trade in Senegal in 1996 as a result of a Trade Efficiency Programme initiated by UNCTAD and the desire of Senegalese traders to access a simplified and accelerated clearance system.

⁷² Unique ID number for economic operators dealing with European customs. Once attributed by one of the EU member states, this number will be recognised within the entire European Community

The trade information service of Trade Point Senegal (accessible at www.tpsnet.org) began operations in 1998. It provides the following services:

- advertising and browsing of trade opportunities (offers and requests for services, products, skills, technical and financial partnerships);
- access to the Directory of Senegalese Enterprises (which lists over 1,500 companies active in various sectors);
- online advertising;
- the design and hosting of web interfaces; and
- attribution of email addresses to traders.

In an effort to further broaden free access to trade-related information, Trade Point Senegal has initiated a business radio station, Trade FM,⁷³ which broadcasts economic and trade-related news. Its stated objectives are to increase the diffusion of trade-related information, make information more accessible to different language users, and help SMEs and other businesses to participate actively in local and international trade.

Ecobiz Senegal

Ecobiz is an automated system for the management of business opportunities that has been launched by ECOWAS with the aim of contributing to the development of foreign trade in its member countries, and to boosting the ECOWAS Trade Liberalisation Scheme (which is concerned with establishing a regional customs union). As a member of the International Union of Trade Fairs since 1978, Senegal's International Trade Fair Centre (CICES) is the focal point for the project in Senegal.

An Ecobiz portal has been set up (www.ecobizworld.net) with the aim of enabling businesses from member countries in the region to access relevant trade information. The website offers detailed information on commercial events, product offers, requests and business details of registered companies, and directories of enterprises by activity, sector, country or group of countries.⁷⁴ A database has been developed to collect relevant information from businesses in ECOWAS member countries. These can exchange information and engage in trade relations, but traders from non-member countries can only view information on products available, traders and prices. An online portal on rules and regulations (www.ecobizsenegal.com) is also available and is accessible to all.

CICES hosts the portal in Senegal and has distributed forms to traders in an effort to build the database, which is accessible from around the world. By June 2011, about 5800 businesses were registered on Ecobiz across the region – a rather disappointing total – of which about 1270 were from Nigeria and over 900 from Senegal.

ASEPEX

The Senegalese Exports Promotion Agency (ASEPEX) was created in February 2005 with the mission to foster continuous and sustainable development and diversification of Senegalese exports of goods and services. It provides an integrated platform of export services for enterprises and their professional associations. It has an Exports Promotion Fund (FOPROMEX) whose purpose is to accompany Senegalese exporters and support activities aimed at improving the export environment.

⁷³ www.tradefm.net

⁷⁴ <http://www.ecobiz.ecowas.int/fr/faq.htm>

ASEPEX assures the electronic delivery, through the ORBUS Single Window, of certificates of origin other than those required for UEMOA and ECOWAS licensed industrial products. The results expected from ASEPEX activities and services include:

- the generation of a diversified, competitive and attractive export market for commercial businesses;
- the improvement of foreign trade performance; and
- the increased integration of Senegal into the regional and global economies.

Regional integration

Senegal is a member of both the Economic Community of West African States (ECOWAS, which has 19 member countries, 14 of which are members of its free trade area) and the West African Economic and Monetary Union (UEMOA), which is made up of eight countries within the ECOWAS region which have established stronger economic ties including a common currency (the CFA franc).

The origins and role of UEMOA are discussed in Annex 5. UEMOA has established both a free trade zone and a customs union, and is gradually moving towards a common market allowing for the free movement of people, goods and services, coupled with freedom of business establishment. The Community Customs Act within UEMOA, which aims at harmonising customs procedures, has been in force since January 2000. Countries in this customs union have a combined population of around 65 million.

UEMOA has initiated a regional single window study which is intended to enable member-countries to share resources for the implementation, management and development of their own single window initiatives and facilitate standardisation and interoperability. National single windows are already operational in several countries in the UEMOA region, including Senegal and Cote d'Ivoire, as well as Ghana in the wider ECOWAS region, and there are implementation projects in the pipeline in Benin, Burkina Faso and Mali. It is hoped that the sharing of experience will enable countries to avoid pitfalls and to save time and money by accessing regional expertise.

It is felt within UEMOA that the establishment of a Regional Single Window could have several positive impacts in the region including:

- stimulation of an increased volume of intraregional trade;
- increased customs revenues through enhanced visibility of trade;
- reduced logistics costs and improved quality of services; and
- better opportunities for regional businesses to meet the increasing need to share data about consignments on a global basis.

The sharing of resources required for a regional single window requires the pooling of software and infrastructure and the establishment of data communications platforms common to several countries. Ideally, all countries in the region would adopt the same standards and structures for the exchange of data and electronic documents. In practice, however, each country will need to integrate with others using existing facilities and resources (skills and technologies) and it will be necessary to find ways of harmonising systems across frontiers. Those countries that do not have a national single window can participate in the regional initiative by using common resources for a minimum range of services. This should enable them to move forward pending the effective establishment of their national single windows.⁷⁵ Prospects for the regional single window proposal are discussed further in the 'Assessment' section at the end of this case study.

⁷⁵ I. Diagne, WAMU regional single window for trade facilitation study -2009

The main objective of **ECOWAS** (which is also described in Annex 5) is to promote economic cooperation and integration, and thereby development. **The ECOWAS region has a population/market of 210 million inhabitants and a GDP of about US\$ 110 billion.** ECOWAS has initiated a range of activities aimed at promoting regional integration. As well as its free trade area these include:

- establishment of an Inter-State Road Transit Protocol aimed at facilitating formalities of goods transit in the member states;
- establishment of the Observatory of Abnormal Practices on ECOWAS trade/transport corridors (whose role is to assess what is happening on the ground along trade corridors concerning the movement of goods and people);
- progress towards a customs union, originally scheduled for 2005 but not yet completed;⁷⁶
- establishment of an automated business management system (ECOBIZ) to handle contacts between buyers and vendors (see above); and
- harmonisation of transport documentation, including the introduction of the ECOWAS passport format.

A project for the interconnection of information technology systems for customs management is also underway at ECOWAS level.

In addition to ECOWAS and UEMOA, Senegal participates in a number of other continental and regional organisations, including:

- a planned African Union project to interconnect customs IT systems across the continent;
- the creation of the Union of African Shippers' Councils (UASC); and
- the work of the Maritime Organisation of Western and Central Africa (OMAO), whose serving chairman is the Senegalese Minister of Maritime Economy.

Senegal is also an active party to several international cooperation initiatives including the WTO, WCO and UN/CEFACT (where it acts as Rapporteur for Africa), and the following less widely-known organisations/initiatives:

- *The 'Everything But Arms' Programme* - an initiative of the European Community aimed at eliminating contingencies and customs duties for all commodities, except for weapons, imported into 48 of the world's poorest countries;
- *The Africa Growth Opportunity Act (AGOA)* - an initiative of the United States Government aimed at promoting free access to the US market for products from Sub-Saharan countries;
- *The African Alliance for Electronic Commerce (AACE)* – a cooperation framework to promote Single Windows in Africa, of which Senegal was a founder member;
- *The Islamic Centre for Trade Development (CIDC)* – an entity established within the Organisation of the Islamic Conference (OIC) to implement trade fairs and shows, including a number held in Dakar.
- *The Joint Integrated Technical Assistance Program (JITAP II)* – a new Japanese initiative for trade development.

Assessment and prospects

The following paragraphs draw on analysis of the experience described above, interviews with trade stakeholders and discussions held at a national workshop on ICT-enabled trade facilitation held as part of this project in July 2011.

⁷⁶ www.ecowas.int

Senegal's international trade experience is in many respects similar to that of other African countries, though there are also a number of significant national differences. It is based on the exchange of commodities for manufactures (with a substantial trade deficit), though Senegal sends a higher proportion of its exports to other African countries than is typical. Its major port provides an entry point not just for goods into Senegal itself, but also into hinterland countries, especially Mali (in which it is comparable with Kenya, the main port of entry for goods bound for Uganda). Traders are adversely affected by a variety of non-tariff barriers, including inefficiencies and lack of coordination within the country (*e.g.* at Dakar Port, which has not had a functioning port community system) and across international borders, but Senegal has also been a pioneer in customs automation and the use of ICTs in some areas of trade facilitation.

The main objectives of Senegal's national trade policy are to:

- strengthen production capacities, particularly in agriculture;
- establish a world-class enabling business environment in terms of administration, law and customs;
- reform public procurement;
- strengthen investment promotion; and
- improve international trade through regional integration and active participation in multilateral and regional negotiations (WTO, ECOWAS, EU/EPAs *etc.*)⁷⁷

Senegal's experience with ICTs and regional trade is comparable with that of many other African countries. The efficiency of trade can be significantly improved through the optimisation of information flows in trade processes and the use of technology to make markets function more effectively. The four main areas involved in this in Senegal were identified by discussants for this report as being:

- clearance formalities (customs, border clearance, *etc.*);
- transit logistics (shipments, transport routes, *etc.*)
- transaction arrangements (payments between trading parties, logistics partners and government agencies); and
- information resources (on markets, regulation, taxation, products, suppliers and assistance services, *etc.*)

Table A3.1 sets out in summary form the most important opportunities and threats arising for trade facilitation and ICT-enabled trade facilitation that emerged from interviews and workshop discussions.

The most important instance of ICT-enabled trade facilitation in Senegal is probably the ORBUS single window system, which cuts across the four areas of clearance formalities, transit logistics, transaction arrangements and information resources identified above. ORBUS is the result of a public-private partnership between government (Treasury and Customs administration) and logistics actors (freight forwarders, customs brokers, handling companies, shipping agents, *etc.*), through the management committee of customs IT services (CGPID). It has markedly contributed to the modernisation of trade procedures and fostered cooperation among the various entities involved in export, import and transit formalities. The possibility of extending this experience through the development of a regional single window offers opportunities to improve efficiency and coordination across international boundaries.

The development of cross-border e-trade platforms that enable paperless trade, the introduction of intelligence-led risk management systems which facilitate the flow of trade along corridors and at border crossings, and stronger partnerships between businesses in different countries would all prove beneficial in enhancing trade performance in Senegal and West Africa. Support for a regional single window programme should be a priority for the region's RECs. ORBUS' public-private partnership approach offers a good model for

⁷⁷ 3rd Senegal Trade policy review –WTO (Geneva-11th and 13th November 2009)

single window implementation which should help ensure that both government and business objectives are kept to the fore.

Table A3.1: Opportunities and threats for ICT-enabled trade management and facilitation in Senegal

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Tendency to the liberalisation of trade and globalisation ; • Membership to UEMOA (common currency and customs union) and to ECOWAS (Ecobiz and Trade Liberalization Scheme); • UEMOA Regional SW project ; • UNCEFACT Proceedings ; • Establishment of the African Alliance for E-Commerce ; • High rate of mobile phone penetration; • AGOA Program ; • Everything But Arms Program of the European Union ; • The introduction of ECOWAS digitized passport • Existence of all ICT infrastructures to support E-Trade in Senegal (eg. Connexions, e payment, single window, ...) 	<ul style="list-style-type: none"> • Lack of enforcement of transit agreements; • Lack of automated processes at the borders • A countless number of checkpoints along the corridors. • Problems all along UEMOA and ECOWAS transport corridors ; • Inadequate physical integration infrastructure ; • High illiteracy rate; • Low pace of Internet penetration

Clearance formalities

The management of foreign trade has been greatly improved by implementation of the GAINDE automated customs system and the ORBUS single window. The forthcoming implementation of an electronic payment system and Community Information System (CIS) will complement these and should position Senegal amongst African leaders in the modernisation of trade formalities. Continued progress towards paperless trade will further simplify trade processes and open up prospects for interoperability with foreign systems.

As well as national single windows, there is a strong case for Senegal to promote the development of a regional single window, as envisaged by UEMOA. The main purpose of this would be to assure the operation and monitoring of cross-border transactions. Political will is needed to secure this level of commitment, but the rewards in terms of enhanced trade performance could be significant even in a relatively small region such as UEMOA. It will be important for regional governments and trade stakeholders to work together to ensure that all counties within UEMOA can participate effectively.

The regional single window will focus initially on B2B (business-to-business) data exchanges. This means that businesses will submit to national customs administrations data which they have received through the window from their commercial partners. For this reason it will not be necessary to have an agreement binding all customs administrations and other parties as a precondition for the establishment of the regional window. Only the national single windows will be linked to one another, and these will assure the linkage of other stakeholders. Once the regional single window has been established on this basis, the B2G (business-to-government) and G2G (government-to-government) arrangements can be integrated so long as the regional window is felt to be compliant with governments' requirements. In the absence of a multilateral agreement across UEMOA, customs administrations that wish to do so will still be able to sign bilateral agreements and implement new trade facilitation services.

This approach seeks to simplify the implementation process by keeping the chain of responsibilities straightforward and giving each national single window the freedom to define the level of commitment with

which its legal environment and local parties are comfortable. It may provide a model for the development of regional single windows in other regions on the continent.

Transit logistics

The logistics of foreign trade have a major impact on the price of traded goods (and thereby on the likelihood of trade). COSEC has initiated a project to establish an electronic cargo stock exchange, which would make the supply and demand for transport services more visible and allow transit businesses to post offers so that traders can buy transport services point-to-point from their premises. The principle behind this could usefully be extended to include the supply of storage and cold storage, as well as the possibility of placing orders and effecting payment.

Two initiatives are underway in international trade that should improve the logistical environment, both of which have been described earlier in this case study. The implementation of a port community system should improve the efficiency and competitiveness of the Port of Dakar. The electronic tracking of goods in transit for Mali should reduce transit time as a physical escort will no longer be required and inspections can be more effectively targeted. This will help to combat fraud which takes place when goods intended for transit are discharged within Senegal. It could be strengthened by the use of scanners at the border and the establishment of side-by-side border checkpoints.

Logistics improvements of this kind can be supported internationally through the Inter-State Road Transit Scheme, which is a mechanism to facilitate transit of goods within ECOWAS that was first agreed in 1980 based on international conventions. Automation of the Scheme will require customs administrations to integrate the logistics and tracking data into their local systems.

Transaction arrangements

The availability of electronic payment methods for internal trade has increased markedly in Senegal in recent years. Access to banking cards has improved, and these are being used to make payments as well as withdrawals from ATMs. There is scope for awareness-raising to increase usage, which may be helped by the introduction of the regional e-payment system GIM UEMOA. This is a private sector initiative whose mandate is to provide regional capacity for secure electronic payments to banks and businesses at a lower cost than is provided by international service providers such as Visa. It should help to expedite transactions and reduce related costs, including commission charges, for transactions within the UEMOA region.

Mobile transactions are also gaining ground, particularly in the informal sector and amongst businesses in rural areas. At present this is more a matter of money transfer than of transaction payments. However, the commitment of the dominant mobile telephone operator Sonatel to this initiative, together with experience in countries such as Kenya, suggests that it is likely to achieve significant take-off.

If they are to facilitate trade, these more open payment options need to be integrated into traders' information systems. The main role in achieving this is likely to be played by a new generation of innovative private businesses that offer services using new payment methods to meet the needs of small enterprises.

Information resources

ICTs are beginning to be more widely used to access information about trade within Senegal and its region. Trade Point Senegal has been in the vanguard of using ICTs to address the relationship between buyers and sellers in the marketplace. In other sectors, initiatives such as Manobi, which publishes market and other

information of business value through mobile phones to farming and fishing communities,⁷⁸ have played a significant part in increasing ICT use for business purposes. However, in order to maximise the value which ICTs can offer, other needs within the trade environment also have to be addressed, notably in relation to the availability of transport, storage and cold storage.

Where foreign trade is concerned, these needs are well established. The benefits of having information and the cost of ignorance of rules, duties or market opportunities are well understood. The information market, however, requires new players, private as well as public, to structure and shape the resources that will be of value. The development of ICTs to support and promote foreign trade is likely to be gradual, growing as and when ICTs become more accessible and private stakeholders develop the capacity to innovate in service delivery.

On the international front, there are a number of B2B platforms designed to match supply and demand for business information. In Senegal, the TPS Foundation, with its Electronic Trading Opportunities (ETO) platform, and CICES, with its Ecobiz platform, play this role through their networks. However, due to the lack of a certification system for the reliability of suppliers and their offerings, these services find it difficult to expand. As a result, as in other regions, the majority of businesses are still developing market contacts through trade shows and business trips. Many business people also prefer to have direct contact with commercial partners rather than relying solely on email.

In this context it would be appropriate for TPS, ASEPEX and CICES to build their information capabilities into a business centre or service that would enable businesses to access opportunities and obtain information and guidance on regulation, markets and formalities from logistics professionals, financial specialists and other trade experts. A service of this kind could reduce the costs and risks facing businesses in the early stages of expansion into export markets. GAINDE 2000 has a search engine through which users can enquire about national formalities and customs tariffs, and has also entered into agreements with some Asian countries to ensure reliability of suppliers. Its participation in such a service would be of value, and COSEC could also make a technical and financial contribution. Bringing together GAINDE 2000 in this way with TPS, COSEC, CICES and ASEPEX would enable the creation of a business centre hub for internal and foreign trade on a cost-effective basis, which might also provide a model for replication in other countries within the region.

Institutional issues

The ideas put forward in the assessment above, which emerged from interviews and workshop discussions for the project, imply the need for institutional reforms within the trade environment in Senegal. Two ideas in particular emerged from the discussions.

A steering committee of all stakeholders would help to coordinate ICT-enabled initiatives for trade facilitation. There are currently a number of different initiatives underway that seek to improve the business environment. It would be valuable to have a light and flexible coordinating structure to develop these, particularly along the lines suggested in the following paragraph. The stakeholders involved should come from both public and private sectors (trade, transport and customs) and operational players including COSEC, CICES, TPS, ASEPEX and GAINDE 2000.

The establishment of a financially and organisationally autonomous National Business Centre could help to resolve many problems, and would not require a great deal of resourcing. The following are among the services which it could provide (both online and through a physical office):

⁷⁸ <http://www.manobi.sn/sites/sn>

- a database of national, regional and international business opportunities, with a labelling system to assure the credibility of suppliers and customers;
- a database of regulations, customs tariffs and formalities in Senegal and other countries of the sub-region;
- a cargo stock exchange, warehousing and conservation platform;
- guidance and assistance for would-be exporters and those wishing to expand into new markets; and
- an accreditation scheme for intermediaries and service providers.

The Centre could also play an important part in advocating and raising awareness of the potential for electronic transactions. Clear terms of reference would need to be drafted following consultations with traders and other stakeholders aimed at ensuring the Centre met the needs of the trading community, and the project would also be best managed as a public-private joint enterprise.

Summary

The Senegalese government has a clear vision for the use of ICT in its economic development strategy in general, and in the trade area in particular. Since the 1990s, many ICT projects have been set up in the business, customs, administrative and logistic areas. The weak point of this approach has been the lack of interoperability and of complementary aspects in the implementation of projects. The result is a lack of synergy and some overlap between initiatives.

A national information and communication infrastructure project initiative will help to harmonise the trade ICT activities to better serve trade and economic policies.

In order to optimize the use of ICT alongside the supply chain in Senegal, there is a need to cooperate at the regional level (WAMU, ECOWAS, etc.). Projects such as ORBUS, Trade point Senegal and ECOBIZ have considerable potential to foster regional trade exchange and integration.

ANNEX 4 - COUNTRY CASE STUDY OF BOTSWANA

Three country case studies were undertaken as part of the research for the trade and regional integration component of the Transformation Ready programme. The findings and implications of these case studies are summarised in Chapter 4 of the main report of the study.

This Annex contains the report of the Botswana case study, which was undertaken by Dr Patricia Makepe. The Botswana case study differed from those of Kenya and Senegal in focusing on surveys of the views of trade administrators and trading businesses on ICT-enabled trade facilitation in the country.

Background

Botswana is a landlocked country in southern Africa which is a member of SADC and of the smaller regional customs union SACU. It has a population of about 1.8 million, which is small for its land area of 581,730km². About 77% of land area is covered by the Kgalagadi desert in the west of the country, and most of the population is concentrated in the eastern part of the country where the climate is more favourable. At the most recent census in 2001, 36% of the population were aged 15 or under and the country has a population growth rate of 2.4% although this is showing a downward trend.⁷⁹

Botswana has been transformed from one of the poorest countries in the world at the time of independence in 1966 into a middle-income country today. This has been made possible by revenues from diamond mining, accompanied by the pursuit of strong macroeconomic policies, sound development planning (through a succession national development plans), cautious management and stable political leadership. As a result, Botswana is relatively prosperous compared with most African countries. It ranked 66th in the IMF listings of countries by GDP per capita for 2010, with a figure of US\$ 8117 higher than any other sub-Saharan country other than the oil exporters Equatorial Guinea and Gabon (and just ahead of South Africa at 72nd).⁸⁰ With the exception of the global downturn year of 2008/9 (when it fell by 3.7%), the country's GDP has grown fairly strongly throughout the first decade of the century, though the rate of growth has been highly dependent on the performance of the mining sector (and so on externally determined diamond prices).⁸¹

Economic growth in Botswana has been accompanied by significant investment in infrastructure and measures to improve human development. The major thrust of the current National Development Plan (NDP 10)⁸² is to promote economic diversification, alongside poverty reduction, macroeconomic stability, public sector reforms, environmental protection, rural development, human resource development and disaster management. The desire for diversification has been fostered by the downturn which saw a 20% fall in receipts from mining.⁸³

In spite of the country's relative prosperity, there is relatively low internet and broadband penetration in Botswana. A number of factors are believed to contribute to this, including high computer prices, the high cost of services, low IT literacy, a lack of local internet content, power supply problems and a perception of low quality service. The international data gateway market in Botswana is not yet competitive and a recent study for the telecommunications regulator considered that ADSL access, leased lines and international data markets

⁷⁹ Central Statistics Office. Census Report 2001

⁸⁰ International Monetary Fund. World Economic Outlook Database. September 2011. International Monetary Fund. Accessed on September 23rd 2011.

⁸¹ Bank of Botswana. Bank of Botswana Annual Report 2010

⁸² Ministry Of Finance and Development Planning. National Development Plan 2010

⁸³ *ibid.*

potential need price regulation.⁸⁴ The regulator and the national competition authority are currently setting up an office to regulate prices in the ICT arena.

SADC has made firm commitments to the role of ICTs in social and economic development. The ICT sector is singled out as an enabling tool for development in the Regional Indicative Strategic Development Plan.⁸⁵ A three-pronged approach to ICT development emphasizes a) the enabling regulatory environment required to attract investment, b) infrastructure development, and c) the engagement of stakeholders in ICT development and human capacity-building. An important SADC achievement has been the strengthening of the ICT regulatory framework in the region through the Communication Regulators' Association of Southern Africa (CRASA).⁸⁶ SADC is now able to craft its own harmonized regulations and standards, in conformity with ITU standards. However, work still needs to be done in this area to ensure that there is better harmonisation in the region.

Trade and trade facilitation

As noted above, diamonds dominate exports from Botswana, accounting for 68% of exports by value in 2010. Other exports are made up of other minerals - copper/nickel and soda ash – and of meat. The country's most important export markets are in Europe, especially the United Kingdom which received 55.3% of Botswana exports in 2010.⁸⁷ This is facilitated by preferential access arrangements that the Lome Conventions and Cotonou Agreements with the European Union have offered developing countries. Following the implementation of the African Growth and Opportunity Act (AGOA) in the United States, Botswana's trade with the US has increased, mainly in textiles.

Within the SACU and SADC region, the main export destination is South Africa which accounted for 13.2% of all exported goods in 2010.⁸⁸ Botswana's regional trade is dominated by South Africa, mainly as a result of the SACU agreement, which has governed its trade policy for the past four decades. South Africa is by far the largest and most economically developed country among SACU members, and has acted as the major regional market for exports of the other Southern African countries, as well as a major source of imports. Botswana has very little trade with SADC countries outside the SACU region.

Botswana is a net importer, acquiring most of its foods from South Africa in the SACU and SADC region (over 80%). Other significant imports include vehicles, fuels, chemicals, metals and other goods.

There is a substantial policy and legislative framework governing trade, which includes the following:

- The National Development Plan (NDP 10) and Vision 2016.⁸⁹ These define the trade policy framework for the country and envisage trade playing a dominant role in economic diversification and poverty reduction.
- The Industrial Development Policy and Competition Policy.⁹⁰ These aim at creating a conducive environment for the private sector to develop under free and fair trade.
- The National Export Strategy (NES).⁹¹ This aims to assist firms to develop export competencies, access financial resources and market information, and thus achieve competitiveness that allows them to penetrate global markets.

⁸⁴ Analysys Mason. Market Study of the Telecommunications and ICT Sector in Botswana 2009

⁸⁵ www.sadc.int/index/browse/page/109; Section 3.7 on Information and Communications Technology

⁸⁶ Botswana Telecommunication Authority. Annual Report 2010

⁸⁷ Central Statistics Office. Botswana External Trade Statistics 2010

⁸⁸ *ibid.*

⁸⁹ Presidential Task Group For a Long Term Vision for Botswana. Vision 2016 (1997)

⁹⁰ Ministry of Trade and Industry. Competition Policy. 2005

- The Investment Strategy for Botswana.⁹² This aims to create a conducive environment for both domestic and foreign firms to invest in the country.
- The Private Sector Development Strategy.⁹³ This aims to develop a globally competitive private sector that is capable of taking advantage of the market access opportunities opened up by other trade policy instruments.
- The Export Diversification Drive (EDD).⁹⁴ This is in two phases. In the short term the Government seeks to use its buying power to promote the use of locally manufactured goods and services. In the medium-to-long term, it seeks to foster an assertive private sector that can participate confidently in export markets.

Botswana's tariffs are governed by the Southern African Customs Union (SACU), which has been in place since 1910 making it the oldest customs union in the world. Botswana is also a member of SADC whose Trade Protocol came into force in 2000, leading to the launch of a free trade area in August 2008. Botswana belongs to the seven-country SADC Economic Partnership Agreement (EPA) group, and was one of the four members of SADC that signed an interim Economic Partnership Agreement with the EU in June 2009. This interim agreement enables Botswana and the EU to work towards a full EPA covering services and investment. As a member of SACU, Botswana also signed a Trade, Investment, and Development Cooperation Agreement (TIDCA) with the United States in 2008, and is currently negotiating a free trade agreement (FTA) with that country. SACU signed a Preferential Trade Agreement with the South American regional economic commission MERCOSUR in 2009.⁹⁵

Botswana ranked 52nd out of 183 countries in the World Bank *Doing Business Index* in 2011, having earned 7th place on its *Doing Business* reformers' list in 2007/8.⁹⁶ The country has computerized its business registration system, simplified registration formalities, and protected investors by making it easier for a company's shareholders to sue its directors. Reflecting the extent of trade facilitation in the country, Botswana has also improved in the 'trading across borders' category by licensing more customs brokers, which has spurred competition and led to lower customs brokerage fees.

The country relies heavily on imported machinery and other inputs to produce goods for exports. Timely delivery of imports is important for a country that depends on imported inputs to produce exports. There is a risk that delays and inefficiencies in transport and clearance of goods may adversely affect production, increasing costs and thwarting efforts to achieve diversification and competitiveness for new export products. Businesses incur high costs due as a result of unnecessary bureaucracy and inefficiencies at points of entry/exist. These also contribute to cargo being damaged or lost.

⁹¹ Ministry of Trade and Industry. Botswana National Trade Policy (2009)

⁹² Sharminski, L. Analysis of Botswana Trade Related Strategies and Policies. (2009). AECOM International

⁹³ Ministry of Finance and Development Planning. Privatization Policy for Botswana (2005)

⁹⁴ www.mti.gov.bw/content/economic-diversification-edd

⁹⁵ www.mti.gov.bw/tradeagreements

⁹⁶ Economics are ranked on the number and impact of reforms. There are ten regulatory reformers indicators which include; starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. *Doing Business* selects the economics that reforms making it easier to do business in 3 or more of the reform regulatory indicators. The countries or economies are ranked on the ease of doing business from the previous year. The greater the improvement, the higher the ranking in the doing business reformers list.

Other barriers affecting trade and investment in the SADC region have been identified in a number of research studies.⁹⁷ These include differing interpretations of rules of origins, lack of transparency in the calculation of duties and other taxes, delays at frequent road blocks, high transportation costs, and bribery and corrupt practices involving customs, immigration, security officers and officials from other regulatory authorities. As international trade grows, it is increasingly evident that Botswana needs efficient customs clearance to ensure a cost-effective business environment.

The Government of Botswana considers trade facilitation an important factor in attracting foreign investment and has initiated several facilitation initiatives. Institutions such as the Botswana Export Development and Investment Authority (BEDIA) and the Botswana Export Credit Insurance and Guarantee Company (BECI) have been set up to facilitate trade and investment initiatives.⁹⁸ The Competition Policy plays a role in fostering a competitive trade environment.

Botswana has streamlined its customs procedures and adopted the ASYCUDA system for customs management. A total of 14 customs stations (all commercial border posts and five regional offices) have been computerised, reducing clearance times.⁹⁹ Other achievements include greater transparency in customs procedures and a reduction in cumbersome paperwork at border posts which are not yet computerised.

The Department of Customs and Excise has been merged with the Department of Taxes to form the Botswana Unified Revenue Service (BURS). This merger was intended to enhance the collection of tax revenue and the effectiveness of the tax system and procedures. However, Botswana has not yet established a national single window system.

There are still a number of other trade facilitation initiatives which Botswana needs to undertake with regard to the permit system, restrictions on capital and financial services in areas such as Animal Health and Production, health and safety, crop production and forestry and on quality standards.

Several initiatives such as the USAID's Southern Africa Trade Hub (SATH)¹⁰⁰ have helped to increase trade and strengthen regional economic ties. The SATH helps to build regional capacity for negotiation and implementation of trade agreements and promotes opportunities under AGOA. Priority sectors include agribusiness, textiles and apparel. The Hub also identifies bottlenecks to market growth and promotes the international competitiveness of Southern African products. Under the SATH Grants Program, there are opportunities for partner organisations to conduct activities to support programme implementation. Those eligible to apply for grants include both private sector and civil society organisations. However, a good many of the organisations in Botswana which are eligible for assistance are hampered by a lack of professional and technical expertise.

ICTs in national trade facilitation: a consultation study of trade managers

This case study of Botswana took the form of consultative surveys of trade stakeholders and of trading businesses. A total of sixty respondents took part in the survey of trade-related government institutions and

⁹⁷ Imani Development International. Update Survey on Non Tariff Barriers to Trade: Botswana Final Report 2007; Imani Development Austral Pty Ltd. An Inventory of SADC Region Non-Tariff Barriers Botswana Final Report 2004. Regional Facilitation Programme; Pierides, C. Non Tariff Barriers to Trade in Southern Africa: Towards Measurement Approach (2007).

⁹⁸ Tabengwa, G and J. Salkin. Deepening Integration in the SADC Botswana a Benchmark for the Region 2006. BIDPA. Friedrich Ebert Foundation.

⁹⁹ *ibid.*

¹⁰⁰ www.satradehub.org/overview/sath-content/about-sath/overview

parastatals, which is reported in the following paragraphs. Their main areas of activity were in the following areas: customs, shipping, trade promotion and facilitation, trade in services negotiations, financial services, construction and beef exports. The results of the survey of trading businesses are reported later in the case study.

Overview

Just under half (44%) of respondents in this group saw it as part of their remit as trade managers to harmonise border procedures or policies, ensure that the policies implemented are appropriate and that flexible ICT policies are applicable to today's market. Half of that number saw it as part of their role to provide guidance in the use of ICTs in Botswana and to facilitate and coordinate ICT implementation.

Looking ahead to the next five years, respondents had a variety of different ideas about areas on which trade management should focus. Significant numbers felt there should be a focus on skills and knowledge development about the use of ICTs in trade (38%), provision of more ICT related programmes (38%) and efficient service delivery as a result of more ICT usage (25%), while others emphasised the availability of more infrastructure (25%), more global competitiveness, harmonization of ICTs with the rest of the economy (12%) and the development of more ICT-based hubs for the movement of goods (12%).

In terms of skills development, about a third of respondents (32%) said that they could offer sponsorship to qualified graduate students to further their studies on ICT-related issues. Some (22%) thought that they should be involved in providing workshops in order to sensitise and educate their stakeholders on new developments in trade and ICT-related areas (22%).

Just under half of respondents (44%) identified support for infrastructure development as a primary role for donors and development partners, alongside testing the best uses of ICTs through research and development.

Efficient trade flows

Survey participants were asked what factors they felt most impeded the efficiency and transparency of trade flows in Botswana. Their responses included a mixture of structural, infrastructural and trade process issues, but the most widely reported impediment to international trade and transport of goods within and outside Botswana was poor infrastructure, reported by 79% of the total. This was followed in second place by delays or inefficiency in the application of customs, which was reported by 36% of the respondents. 35% cited delays or inefficiency in the application of immigration or quarantine procedures at border checkpoints and difficulties or inadequacies in multilateral or bilateral trade and or transit agreements as serious impediments to the flow of goods. Smaller numbers reported the lack of enforcement of adequate performance standards for application of border crossing formalities and procedures (21%), incompatible vehicle standards and transport regulations (29%), and lack of harmonization of customs tariff and regulations (21%). Inadequate and inaccurate information and networking problems resulting in communication delays were each seen as critical impediments to the movement of goods by 14% of the respondents.

ASYCUDA is the platform used for customs automation in Botswana. This was used by respondents for a variety of purposes. A majority of the respondents stated that they used the system mainly for goods declaration and processing (63%) and for payment processing (63%), while half (50%) said that they used it for revenue accounting and 37.5% for cargo control and pre-shipment inspection. Only one respondent used ASYCUDA to collaborate with a regional or international customs agency.

Only two respondents stated that they felt that there was significant progress underway toward custom automation and modernization, perhaps because customs automation and modernisation is fairly new in Botswana, but also implying that there is much more that could be done with ICT-enabled systems in this area. The country in general, including businesses, has not yet in the main adopted electronic formats. For example, even though the European Union has moved towards a single window system, and is a major trading partner for Botswana, the country has not yet moved towards implementing its own national single window.

Respondents were not able to identify whether or how many border points were connected to the central processing site for ASYCUDA. Innovative use of mobile wireless technologies for customs was also very limited. No information was given with regard to the costs of the platform and how these were covered. Similarly official respondents were unable to provide details of the extent to which they collaborate with other customs agencies and what they are doing in project planning, participation and governance. The lack of data and information on these suggest that in the main officials have relied on paper and manual systems while the shift to electronic formats is fairly new. It takes time for people to adjust to new procedures.

However the respondents did understand and appreciate the benefits and opportunities that would come with customs automation. They felt that the benefits would be felt most in the smoother flow of information, greater accuracy and reliability of information, and greater efficiency. Automation should also offer opportunities for businesses to broaden their range of goods and services as time would be freed up for them to compete more extensively in the market. Respondents identified some challenges to implementation such as the need to train users before they were in a position to use the system effectively. There was also some concern that it would be difficult to switch back to manual ways of doing things in the event that electronic systems failed.

Efficient infrastructure, logistics and border management

When asked what their overall view of the application of ICTs in border management, 46% of the respondents felt that it was still at the preliminary stage in Botswana, while 27% said that, while this was the case, it was promising and would ensure efficient trade. A small but significant proportion (18%) emphasised that it would take time for the country to assimilate properly.

Respondents were asked about the use of ICTs for import and export processing, cargo control and pre-shipment inspection, and fraud management along trade routes. The majority of respondents (66%) said that they use ICT for fraud detection in transit goods. Half that number mentioned that they use mobile and wireless technologies to detect fraud in transit goods. Only three, however, stated that they were using scanners, while one reported using an ICT platform to promote air cargo efficiency.

Asked about critical challenges for interconnecting border management agencies, the majority of respondents (66%) claimed that there was a lack of a proper organisational structure in border management, while 22% cited lack of infrastructure development and the lack of time to establish new protocols at border points. Differing priorities, insufficient finance, lack of skilled personnel and increasing corruption were all mentioned by a few.

Asked about opportunities resulting from interconnecting border management agencies, about a third (36%) believed that resulting improvements in coordination would increase trade, while others envisaged improved productivity (27%), job creation (27%), more timely service delivery (18%), easier regulations for clients and sharing of information (18%).

Half of the respondents said that they saw the role of regional cooperation institutions and initiatives as being to provide support, for example in capacity building and in establishing guidelines for the use of ICTs. In addition, they felt that regional institutions should provide technical advice, financial support for infrastructure development and for the establishment of rules and regulations governing regional trade. They felt that there was a need for them to open up opportunities for panel discussion of trade issues by member states.

Information resources

The majority of the respondents from government institutions engaged in trade facilitation stated that they provide ICT-based services to their stakeholders through a website (69%). Just over half (54%) said that they provide ICT-based services through automated customs systems. Very few (8%) identified portals as part of their service offering.

Private sector companies

The study administered a separate interview-based questionnaire to private companies involved in import and export activities in Botswana to gauge the perception of these on the role of ICTs in trade and regional integration. The 20 companies that were interviewed came from the following business areas: customs clearing and freight forwarding, container handling, terminal operation, craft and manufacturing sectors, professional services, the ICT sector, equipment hire and delivery. All of these businesses had lodged customs declarations in Botswana. Eleven of the 18 companies that were interviewed said that they lodged declarations manually, while 14 said that they lodged declarations electronically using their own office computers. Only one company said that, while it lodged declarations electronically, it had to use a computer that did not belong to it in order to do so.

The problems that firms identified in lodging declarations manually were principally the result of delays which translated into lost business (82%). Other issues mentioned included too much paperwork (36%), delays at customs (27%), packages being opened (18%), and documents being lost or misplaced (9%).

Almost all of the companies (93%) said that they had computers with internet connectivity, but only one that it had computers with software that computes taxes due. Just under a third (29%) said that their systems allowed clients to send purchase orders electronically. The majority of the companies (72%) said that they had made some new investments in IT as a result of the electronic lodgment of declarations while the remainder (28%) said that they were yet to make this investment in IT.

The general benefits of ICT use in trade facilitation which were most commonly identified by respondents were that it allowed for easier assimilation of information (47%), that it expedited processes (33%) or made them more efficient (20%). Other benefits cited were that it made crossing the border easier (13%), widened the market (13%) and reduced paperwork (7%). Respondents were a little clearer in identifying benefits from shifting to electronic lodgment. Three quarters (73%) said that this had increased speed of clearance and therefore saved time, while 60% said that it was more efficient. A few commented that it allowed for better control (13%) and for better tracing of consignments (7%).

A good many respondents indicated that they were experiencing difficulties adjusting to an electronic form of trade and transactions. The problem most frequently identified by respondents (65%) was the high cost of investing in IT equipment, software and connectivity. Connectivity problems ranked second, cited by just under half (47%). Next came the high cost of training staff (35%) followed by the substantial adjustment required in office procedures and organisation.

Some companies indicated that they have received support from the customs office and other institutions in adapting to ICT based transactions. Just under half (45%) were provided with encoding assistance and/or with staff training, about a quarter (27%) were provided with the ASYCUDA software package, while about a fifth (18%) were allowed to use their own computers at BOC premises.

As for what should be done to support firms in adjusting, the majority of the companies (60%) felt that there was a need to re-introduce training for customs clearing authorities. About a quarter (26%) felt that there was a need to create awareness about the overall benefits which the transition to the electronic format enabled in terms of cost saving to the companies that made the change. A fifth (20%) felt that the provision of a website which enabled them to monitor their own cargo would go a long way towards encouraging companies to shift to the electronic format. Two companies suggested that the provision of upgrade software would encourage them to move to the electronic format.

Looking at the question of what needs to be done to develop automation in trade facilitation overall, rather than from their own company perspective, the largest group of respondents (43%) felt that workshops should be held to build awareness, sensitise stakeholders and advocate use of the electronic format. About a fifth (21%) felt that the introduction of computers for clients at the border would be useful, and the same proportion urged the adoption of policies that were compatible with the programme and improvements in the efficiency of current IT systems. A smaller group (14%) said that more reliable access to ICT programmes and better protection or more security for individual companies' orders would be helpful.

Assessment

The main finding of this case study is that Botswana is still in the early stages of introducing ICTs into trade facilitation. The study suggests that several factors are responsible for this, including low internet and broadband penetration, high computer prices, the high cost of services, low levels of ICT literacy, power supply problems, and a perception of poor quality of service.

The survey findings confirm these suggestions to the extent that respondents perceived ICT applications for trade and border management in Botswana to be relatively novel, and most trade arrangements are still handled manually. Much the largest group of respondents identified poor infrastructure as the most serious impediment to international trade and the transport of goods in and out of the country. This was followed by inefficiency in the application of customs, inefficiency in the application of immigration or quarantine procedures at border checkpoints, and difficulties in multilateral or bilateral trade and transit agreements – issues which are more susceptible to ICT-enabled interventions than is infrastructure. The biggest challenge for interconnecting border management agencies was seen as the lack of a proper organisational framework for implementation. There was also generally a need to build capacity to use ICTs effectively.

As a result of these findings, the following suggestions are made to the government of Botswana and to SADC:

- There should be support from government and business associations for increased evidence-gathering, awareness-raising and advocacy on the role of ICTs in trade facilitation and its potential impact on economic growth and poverty reduction.
- There is a need to harmonise all customs regulations, documentation and ICT systems, and to integrate customs systems with other trade management functions.
- There should be a website or portal providing information on rules and regulations, fees, penalties, procedures and commencement dates, criteria for preferential treatment, certifying bodies and contacts.

- All countries in the SADC region should move towards national single window systems that include the relevant trade, border and inspection authorities at all points of entry/exit.
- All points of entry/exit should have the necessary infrastructure to facilitate ICT-enabled trade management, including power generators as backup in the event of power cuts.
- The use of non-intrusive scanning equipment is needed to reduce physical inspection of goods at points of entry/exit.
- Donors have an important role to play in assisting governments in building capacity for the use of ICTs in trade, as well as through funding of project initiatives such as national single windows.
- SADC must continue to play a role in ensuring that there is adequate cooperation, coordination and harmonisation in the region, including an appropriate regulatory and policy framework to attract investment.
- SADC must continue to provide leadership and gather assistance from donors for infrastructure development, community participation and governance in ICT development, ICT business development and ICT-enabled trade facilitation.

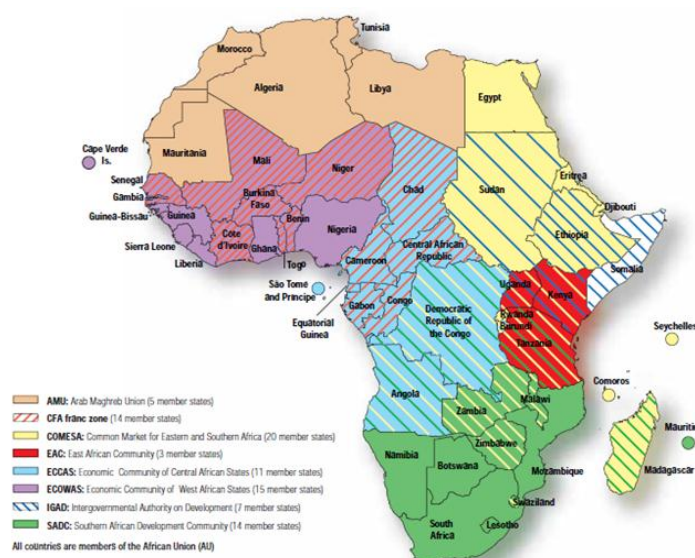
ANNEX 5 – REGIONAL ECONOMIC COMMUNITIES

The African Union has identified eight Regional Economic Communities (RECs) as building blocks towards the African Economic Community (AEC). These are:

- the Arab Maghreb Union (AMU)
- the Community of Sahel-Saharan States (CEN-SAD)
- the Common Market for Eastern and Southern Africa (COMESA)
- the East African Community (EAC)
- the Economic Community of Central African States (ECCAS)
- the Economic Community of West African States (ECOWAS)
- the Intergovernmental Authority on Development (IGAD, in eastern Africa) and
- the Southern African Development Community (SADC).

The geographic location of these RECs is illustrated in Figure A5.1.

Figure A5.1: African Regional Economic Communities



Source: UNEP

The AEC programme envisages four stages of regional economic integration, as follows:

- free trade area
- customs union
- common market
- economic and monetary union.

Progress along the AEC timeline, which the African Union envisages should be completed in 2034, has been variable, with four of the RECs – COMESA, EAC, ECOWAS and SADC – and one sub-regional grouping – the CEMAC group within ECCAS – making much more progress than the others. Their progress to date is summarised in Table A5.1. AMU is not currently participating in the AEC programme.

Table A5.1: African Regional Economic Communities, subgroups and current status

	Member-countries	Free trade area	Customs union	Common market	Economic & monetary union
AMU	5	Not yet established	Not yet established	Not scheduled	Not scheduled
CEN-SAD	25	Not yet established	Not yet established	Not scheduled	Not scheduled
COMESA	19	Established in 2000 with 14 participating countries	Launched in 2009 with three year transition period	Not scheduled	Proposed for 2018
EAC	5	Established	Established	Agreement ratified 2010; five year transition	Scheduled for 2012
ECCAS	10	Not yet established	Not yet established	Not scheduled	Not scheduled
CEMAC	6	Agreed but implementation delayed	Established	Freedom of capital in place	Monetary union with common currency
ECOWAS	15	Established, but with limitations	Not yet established	Initial steps re freedom of movement	Eventual merger of UEMOA and WAMZ envisaged
UEMOA	8	Established	Established	Initial steps re freedom of movement	Monetary union with common currency since 1994
WAMZ	5	As in ECOWAS	As in ECOWAS	As in ECOWAS	Proposed for 2012
IGAD	7	Not yet established	Not yet established	Not scheduled	Not scheduled
SADC	15	Established 2008	Launch was due in 2010 but postponed	Proposed for 2015	Proposed for 2016
SACU	5	Established	Established in colonial period	As in SADC	In progress at practical level

This Annex summarises the performance and ICT/trade-related activities off six of the continent's eight RECs. It does not review CEN-SAD or IGAD as these RECs have very limited substance and have not made any significant progress towards the AEC trade objectives.

REC REVIEW 1 - COMESA

Origins and Progress

COMESA¹⁰¹ is the successor to the Preferential Trade Area (PTA) for Eastern and Southern Africa. The PTA was established by treaty during September 1982, and members agreed to transform it into what was called a common market, COMESA in 1992, with formal establishment in 1994¹⁰² (though it did not have the structure at that time of a common market as the term is used within the AEC structure. COMESA was initially intended to progress to a Free Trade Area in 2000 with a Customs Union target date of 2004, a Common Market target date of 2015, and an Economic Community target date of 2025, by which time there would be a single currency issued by a common Central Bank. The vision of COMESA is 'to be a fully integrated and internationally competitive region, with improved living standards particularly for the ordinary people, and a region that is fully part of the continental integration process.'

Figure 4:8: Map of COMESA



COMESA has a current membership of 19 countries, which are listed in Table X. Some of the members of COMESA belong to multiple regional economic communities (RECs); and these overlapping memberships are also indicated in the table.

Democratic Republic of Congo – SADC, COMESA
Kenya – EAC, COMESA
Madagascar – SADC, COMESA
Malawi – SADC, COMESA
Mauritius – SADC, COMESA
Swaziland – SADC, COMESA, SACU
Rwanda – EAC, COMESA
Uganda – EAC, COMESA
Zambia – SADC, COMESA
Zimbabwe – SADC, COMESA
Burundi – EAC, COMESA

¹⁰¹ www.comesa.int/comesa%20treaty

¹⁰² There is a conflicting source on this: The Secretary General, in the report to the Council of Minister held in Sudan, 13th – 15th March 2003, cites the establishment of the PTA in in 1984

With a total population of 430 million (2008), COMESA forms a major market place for both internal and external trading^{103, 104}. During 2009¹⁰⁵, intra-regional trade within COMESA was over USD12.6 billion. The total imports and exports volumes were, respectively, USD108bn and USD130bn, showing the intra-regional trade is still much lower than total trade volumes. Investment inflows during 2007 were USD 21.6 bn

While the PTA was transformed to the COMESA free trade area, only 14 out of the 19 member states 14 have ratified the agreement. Eritrea, Ethiopia, DR Congo, Uganda and Swaziland are not yet members of the FTA. This reflects the challenges of size and piecemeal consent to key actions leading to integration.

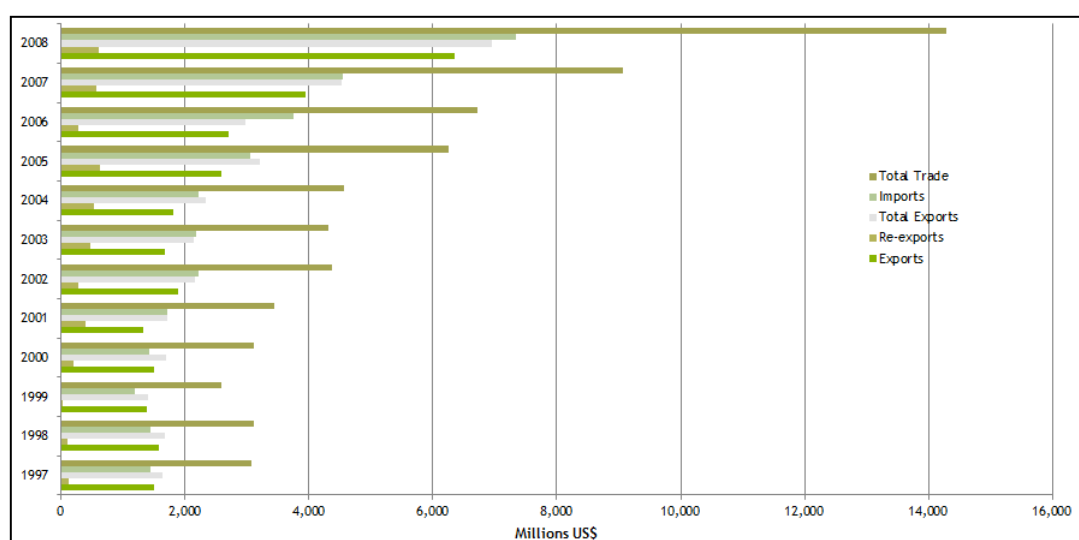
COMESA Trade Performance¹⁰⁶

Intra-COMESA trade reached a value of US\$ 14.3 billion level in 2008. Overall, the general trend has been that of growth year on year with the percentage increase in Total Trade increasing from 34.9% in 2007 to 57.9% in 2008. Figure 2 shows the growth trends.

Figure 3 presents an insight into the biggest intra-trade export contributors in COMESA in terms of both imports and exports. Egypt registered the largest market share (26%) of intra-COMESA exports in 2008, taking the lead away from Kenya that had previously dominated in previous years. Egypt was followed by Kenya (22%), Zambia (12%) and Uganda (8%). From the same source, the share of intra – COMESA imports for 2008 from the biggest contributors were: Egypt (16%), Sudan (13%), and Libya (12%), Zambia (11%), DR Congo (10%), Uganda (8%) and Kenya (7.8%).

Total COMESA Trade Figures are given in Figures 4.9 and 4.10 and in Table 4.13. Trade has continued to grow as imports and exports increased from USD 43bn in 2001, to USD 109bn in 2004, USD203bn in 2007, to US\$ 307 bn in 2008. The 14% growth rate nearly tripled between 2007 and 2008 when the total exports reached USD 157bn, an increase of about 47%, while imports totaled USD 150 bn, an increase of 57%.

Figure 4.9: Intra-COMESA trade performance, 1997-2008



¹⁰³ <http://www.comesa.int/>

¹⁰⁴ http://about.comesa.int/attachments/165_COMESA%20Annual%20Report%202009.pdf

¹⁰⁵ <http://aitec.usp.net/Banking%20&%20Mobile%20Money%20COMESA,%202-3%20March%202011,%20Nairobi/Trust%20Chikohora,%20COMESA%20Business%20Council%20Regional%20Financial%20Instititons%20for%20the%20Regional%20Economy,%20Banking%20Mobile%20Money%20COMESA,%202-3%20March%202011.pdf>

¹⁰⁶ http://about.comesa.int/attachments/165_COMESA%20Annual%20Report%202009.pdf

Figure 4.10: Intra-COMESA export trade shares by country (%age)

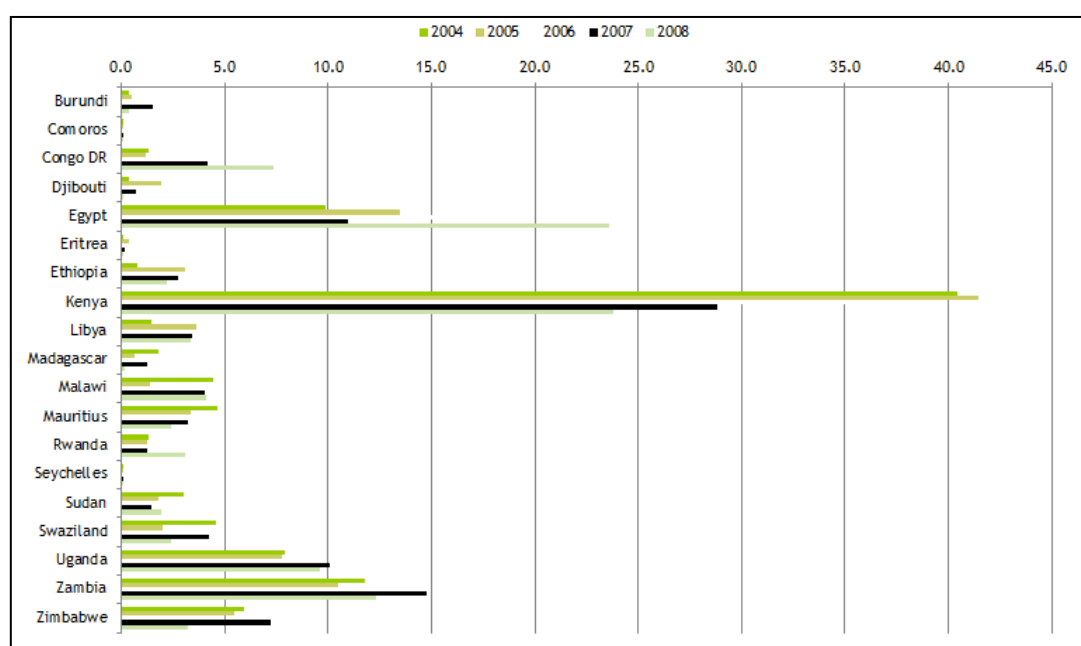


Table 4.13: Intra-regional trade in COMESA: share by country

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports	13964	12977	34659	46185	57004	75355	99023	105044	154510
Re-Exports	650	876	702	1152	1436	2093	1816	2100	2545
Total Exports	14614	13853	35361	47337	58440	77448	100839	107144	157055
% increase p.a.(%)	-	-5.2	155.3	33.9	23.5	32.5	30.2	6.3	46.6
Imports	29881	28704	45650	43906	49599	67891	77677	95962	150602
Total Trade	44495	42557	81011	91243	108039	145339	178516	203106	307657
% increase p.a.(%)	-	-4.4	90.4	12.6	18.4	34.5	22.8	13.8	51.5

Trade performance with key markets based on 2008 figures (Figures 4.11 and 4.12) reveal the challenge COMESA faces: Only 4% of total exports and 5% of total imports are intra-COMESA, pointing to the fact that almost all trade is directed outside COMESA.

Figure 4.11: COMESA trade shares in key markets - exports

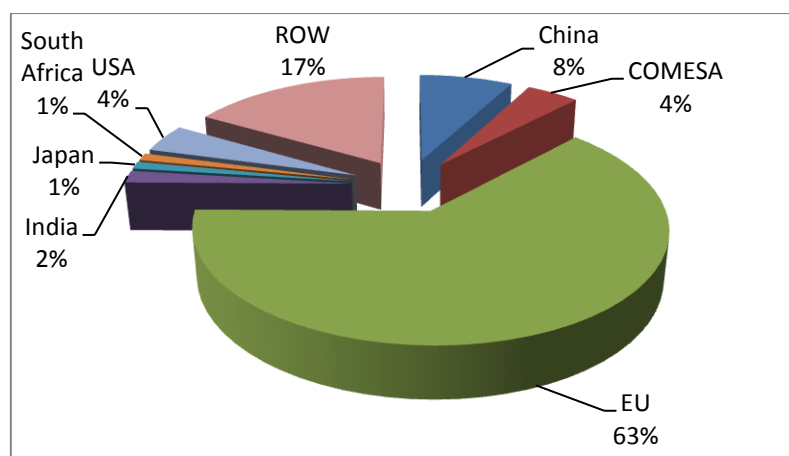
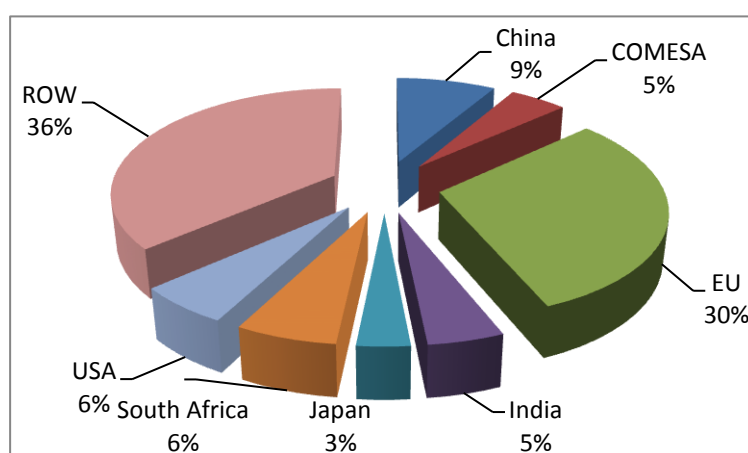


Figure 4.12: COMESA trade shares in key markets - imports



While trends exhibited in the trade statistics show growth, it is clear that there is still a very low level of intra-regional trade in COMESA as compared to trade with non-COMESA countries. This can be attributed to internal and external trade constraints, a non-complementary production structure and low level of industrialization, low macroeconomic convergence of member countries, protectionist trade regimes and various supply-side constraints, and - most critically - overlapping memberships and the inconsistency of countries' regional integration strategies. COMESA is a less obviously coherent region than most of the other RECs, such as ECOWAS, EAC, SADC and even ECCAS.

COMESA regional trade initiatives

Launch of the COMESA Customs Union in 2009

The COMESA Customs Union was launched during 2009 to enable the free movement of goods without any tariff barriers. A transition period of three years was given to enable Member States to make the necessary adjustments to the requirements of the Customs Union, and to align their national tariffs to the common external tariff (CET). Once the Customs Union is fully implemented, the COMESA region will have reached a higher level of deepening in the process of regional economic integration. In other words, the bulk of policy reforms that entail trade liberalization in the marketing of goods will have been completed by this time. Goods entering the COMESA Market will move freely within the region, with the elimination of tariff barriers. With its high total population, the COMESA Customs Union will be an attractive investment market.

Consolidation of the Free Trade Area (FTA)

The COMESA Free Trade Area (FTA) was launched on 31st, October 2000 in Lusaka, Zambia. The number of Member states in the FTA has increased as has the number of actual tradable goods. By the end of 2009, 14 out of 19 the Member States had become full members of the FTA.

COMESA is undertaking a number of measures to consolidate the FTA. These include the implementation of a Common Tariff Nomenclature to harmonize the commodity coding and description systems of the Member States; the operationalization of the COMESA Competition Authority; and capacity building in the area of statistics.

Launch of the Regional and Payments Settlement System

The Regional Payment and Settlement System (REPSS) was announced in June 2009 and is scheduled to begin operating before the end of 2011. REPSS is a proposed money transfer system within COMESA, using SWIFT and XML standards. It provides for COMESA money transactions to go through member states' National Banks

linked to a central REPSS clearing house headquartered at the Central Bank of Mauritius with backups in South Africa and Zimbabwe. It is expected that this will reduce the time and taxation that are being incurred as a result of routing money transfers within the region through the US and Western European banks. It will also reduce interest that accrues on transactions such as those on overdrafts. It will see the business of clearing money conducted within 24 to 48 hours, with charges of 1 – 4% of the total amount transferred as opposed to international charges that go up to 10%.

Launch of the One Stop Border Post (OSBP)

The OSBP is aimed at addressing the challenge of duplication of processes (customs, immigration, health, agriculture, security, etc) on both sides of a border by merging entry/exit processes, and potentially cutting down costs and delays by 50%. The Chirundu OSBP at the Zambia/Zimbabwe Border, the first of its kind in Africa, was launched in 2009 under the auspices of the COMESA-EAC-SADC Tripartite Arrangement within the broader programme of the North-South Corridor Initiative. This will be replicated in other border posts on the North-South Corridor and the rest of the Corridors in the COMESA-EAC and SADC region. It is the first multi-user and fully symmetrical OSBP. This one stop customs procedure for crossing from one country to another should not only reduce delays and cut down costs of doing business, but also improve competitiveness. Initial experience at Chirundu is described in Chapter 3.

COMESA, EAC and SADC Tripartite FTA¹⁰⁷

Plans are under way to institute an operational Tripartite Free Trade Area between COMESA, EAC and SADC. The main proposal is to establish the FTA on a tariff-free, quota-free, exemption-free basis by simply combining the existing FTAs of COMESA, EAC, and SADC. In 2009, the Tripartite Task Force for the three RECs completed work on the proposed roadmap, and drafted legal and institutional instruments for establishing the Tripartite Free Trade Area with a membership of 26 African countries: this encompasses half of the membership of African Union.

Within the context of this framework, the three RECs have undertaken significant steps in: the harmonization of the rules of origin; the simplification of customs procedures and documentation; the rationalization of customs bond guarantee schemes; the development of customs training and capacity building programs; the development of harmonized standards; the coordination of competition policies and institutional frameworks; and the identification, and elaboration of mechanisms for addressing non-tariff barriers. These are landmark achievements. The main benefit of the Tripartite FTA is that it will be a much larger market, with a single economic space and will be more attractive for investment and large-scale production.

Other trade initiatives in COMESA

There are several other initiatives by COMESA, at different stages of inception or implementation, aimed at promoting regional trade and integration. These include the agreement on the COMESA Common Investment Area (2009) that still has to be actualised; the African Trade Insurance Agency; and the Proposed COMESA Monetary Union.

ICT Initiatives in COMESA

The very nature of COMESA in terms of regional coverage and diversity makes it difficult to implement any integrated ICT initiative. COMESA's focus has therefore been largely on the development of proposals related to ICT, focusing especially on policy, law, and regulatory guidelines/model documents. The overall motivation

¹⁰⁷ Convergence of COMESA-SADC-EAC Regional Frameworks, Lunogelo B. and Mbilinyi, Apronius V. , The Economic and Social Research Foundation (ESRF), Nov 2009

of initiatives and proposals is promoting “the use and awareness of Information Technology to lead to the Information Society and to contribute to socio-economic integration”. This includes establishing conducive harmonised environments within the ICT sector that promote local and foreign investment as well as the exploitation of ICT resources in all sectors. The following guidelines and model documents have been produced to date:

- i. National IT Policy;
- ii. Consumer Protection;
- iii. Universal Service/Access;
- iv. Equipment Type Approval and Standards;
- v. Pricing;
- vi. Spectrum Management;
- vii. Regulatory Guidelines on: Interconnection; Universal Service; Licensing; Satellite and Other Wireless Services;
- viii. e-government and e-legislation guidelines help governments in creating environments that support e-commerce.

The second area of activity has been the establishment of associations aimed at creating consultative fora to promote regional harmonisation of policy and regulation in SADC. These include the Annual Regional Telecommunications Conference (ARTC) and the Association of Regulators of Information and Communication for Eastern and Southern Africa (ARICEA).

Other programmes include the Regional Infrastructure Projects, aimed at establishing a regional communications network, for example the proposed COMTEL Transmission Network. COMTEL has however been on the books for quite a long time. There are also initiatives in E-learning and Free and Open Source Software (FOSS) development.

ICTs in regional trade

Absence of general acceptance (by member states) of provisions that would lead to common/compatible trade platforms means there are very few examples of common implementation of ICT for regional trade. COMESA’s role to-date, as far as ICT in Trade is concerned, has been mainly promotion; guidance; capacity building, and facilitation of countries in the integration of ICT in trade.

One key initiative has however gained a high degree of penetration, not just in COMESA, but generally around Africa. This is the Automated System for Customs Management (ASYCUDA)¹⁰⁸. ASYCUDA has been promoted across the member states by COMESA working with UNCTAD, and it is now deployed in all member states except Djibouti, Egypt, Kenya and Mauritius.

ASYCUDA is an automated Customs data management system that can handle all Customs clearance related processes¹⁰⁹. This is achieved through simplified and harmonized procedures, and standardized trade documents. The system allows for the electronic processing of declarations, risk management, transit operations and expedited clearance of goods, in addition to collecting timely and accurate statistical data for fiscal and trade policy objectives. The modularity of ASYCUDA means that new or advanced programs (modules) can be added on at any time to suit the needs of a given country. Such add-on modules cover customs functions such as risk management, transit operations or new security standards, depending on national priorities. ASYCUDA is discussed more fully in Chapter 3.

¹⁰⁸ www.asycuda.org/awbenefits.asp

¹⁰⁹ http://r0.unctad.org/ttl/technical-notes/TN21_Asyncuda.pdf

REC REVIEW 2 - EAC

Origins and Progress

The East African Community traces its roots to the colonial period, when Kenya was a colony of the UK, Uganda a Protectorate of the UK, and Tanganyika (the mainland part of Tanzania) a territory administered by the UK under international mandate. The first Customs Union, between Kenya and Uganda, began in 1917, and was later joined by Tanganyika in 1927. The East African High Commission existed from 1948 – 1961, and was succeeded by the East African Common Services Organisation (1962 – 1967). Up to the early sixties, there was a common currency; a single telecommunications network and a single postal network. There were common services in other areas, for example the railways and harbours, the University of East Africa, and research organisations.

The East African Community was first formally established as a community of independent states in 1967. Concern about economic dominance by Kenya, and the divergent political paths of the countries – compounded when Idi Amin overthrew Milton Obote as president of Uganda in 1971, led to a formal dissolution of the EAC in 1977. The early nineties saw new political will to re-establish the Community, and this started with the East African Co-operation from 1993 – 1999, followed by the re-launch of EAC in 1999¹¹⁰. The current member countries are Burundi, Kenya, Rwanda, Tanzania, and Uganda, the smallest grouping of any of Africa's RECs.

Figure 4.13: Map of the East African Community



The stated objectives of EAC include the undertaking to establish “a Customs Union, a Common Market, subsequently a Monetary Union and ultimately a Political Federation”.

The progression roadmap, according to the EAC Treaty of 1999, is a Customs Union by 2005, a Common Market by 2010, Monetary Union by 2012, and Political Federation at a time to be determined. A unique policy feature of the EAC amongst Africa's RECs is that decisions by the Council of Ministers, made up of designated ministers, one from each of member states, are binding on the member states. It should be noted that the EAC also has a formal legislature as well as a court of appeal, although these have limited powers and functionality. The timetable for the common market has been delayed, but steps towards some common market principles have been put into effect.

The stated vision of the EAC is to have a prosperous, competitive, secure and politically united East Africa, and its stated mission is to widen and deepen economic, political, social and cultural integration in order to

¹¹⁰ EAC Treaty, <http://www.eac.int/treaty.htm>

improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investment

The total population (2010) is 133.5 million. The total GDP (at current prices) for 2009 was USD74.5bn.

As already discussed under COMESA, overlapping membership of more than one regional agreement is a challenge. Both, Kenya and Uganda are members of the EAC and COMESA, but they have opted to remain out of the SADC. Meanwhile, Tanzania is a member of the EAC and SADC though not of COMESA. In addition to preferential regional access, EAC members (Kenya, Tanzania and Uganda) enjoy preferential access to the EU and the U.S. markets under the Cotonou Agreement and the African Growth and Opportunity Act (AGOA), respectively.

The multiplicity of REC memberships has increased the complexity of regional trade arrangements among member countries. For instance, tariffs notified under COMESA differ and are often lower than those notified under the EAC, which allows importers the possibility of benefiting by importing under the COMESA rather than the EAC rates. This has the potential to influence the distribution of gains from regional agreements that raises concerns about losses of tax revenues.

There are also some advantages of multiple memberships - these enhance market access for investors and producers to the partner countries' markets. For instance, investors in Kenya and Uganda have access to the COMESA market; similarly, Tanzanian investors have access to an additional 215 million consumers in the SADC markets

EAC Trade Performance¹¹¹

Figure 7 shows the share by country of intra-regional trade in EAC from 2005 – 2008 as well as the totals for each year¹¹².

Total trade declined by 12% from USD1.85bn in 2005 to USD1.62bn in 2006. This was followed by an increase of 22% to 1.98bn in 2007, and an even sharper increase of 37% to USD 2.72bn in 2008. The increase could be related to the establishment of the Customs Union and increasing efforts to eliminate non-tariff barriers. While Kenya remains a dominant player, the gradual reduction in trade imbalances, especially between Tanzania and the rest, is noteworthy. It should be noted that Rwanda and Burundi were not members during the period covered by the data.

Figures 4.14 to 4.16 illustrate EAC trade, including intra-regional. While Intra-EAC exports are only 18% of the total, it should be noted that this is much higher than the comparative percentage of 5% for COMESA.

The performance of EAC imports from within the region compares very poorly with imports from the rest of the world. The same challenges that apply to COMESA apply to this region, especially low industrialization. It appears that the member countries produce similar goods and services at similar costs (which are higher than the rest of the world), creating limited opportunity for high-volume trade and encouraging extra-EAC at the expense of intra-EAC trade.

It is important to note that intra-regional trade figures can be heavily affected by informal cross-border trade¹¹³, which refers to the movement of legally generated goods and services across borders that escapes the regulatory and taxation arrangements, and formal monitoring frameworks of governments. Informal

¹¹¹ EAC Trade Report 2008

¹¹² It should also be noted that unlike COMESA, online data for the EAC is difficult to find, pointing to a need to manage the EAC statistical base better.

¹¹³ Victor Ogalo, Informal Cross-Border Trade in EAC: Implications for Regional Integration and Development. CUTS African Resource Centre, Nairobi (2010)

Cross-Border Trade is such an important aspect of regional trade in the EAC that it cannot be neglected. It is for example, estimated to impact Uganda's intra-EAC trade volume by as much as 80%. This is discussed further in a section of Chapter 3.

Figure 4.14: EAC intra-regional trade, 2005-2008

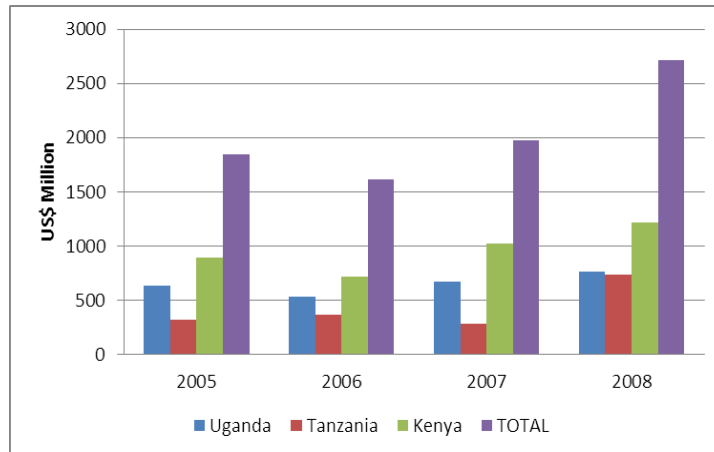


Figure 4.15: EAC trade shares in key markets - exports

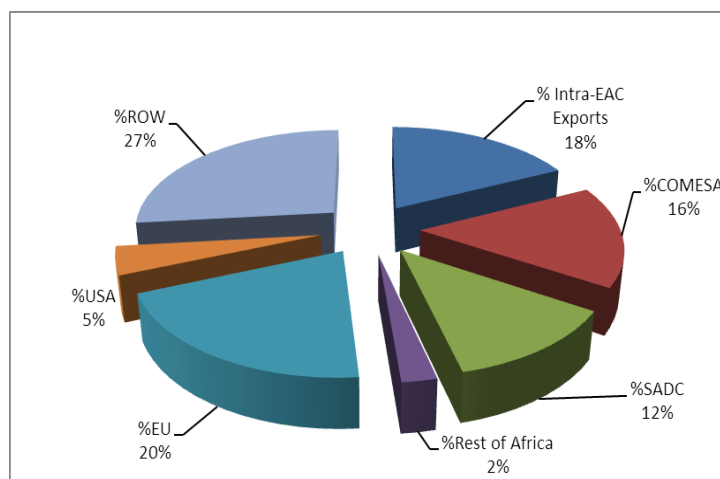
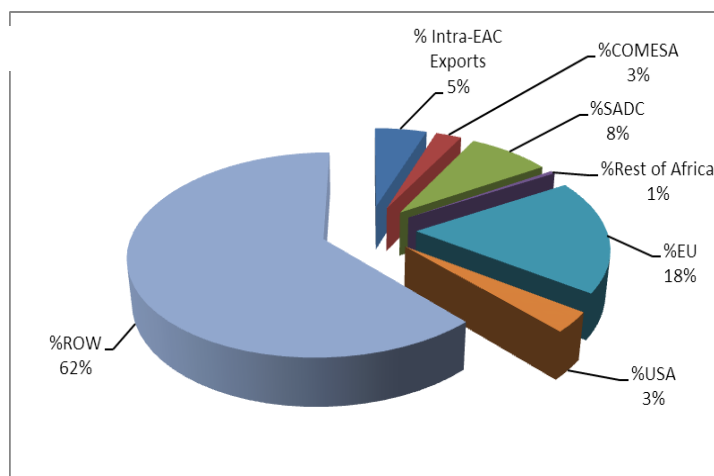


Figure 4.16: EAC trade shares in key markets - imports



EAC Regional Trade Initiatives

EAC Customs Union¹¹⁴

The EAC Customs Union (CU) was launched in 2005 with the objectives of liberalization of intra-regional trade in goods; promoting production efficiency in the Community; enhancing domestic, cross-border and foreign investment; and promoting economic development and industrial diversification (EAC, 1999). There are two broad areas of cooperation highlighted in the Customs Union - first, customs management and general trade matters; and second, establishing and adopting uniform and common trade procedures in the Community.

The CU is underpinned by a common EAC Customs Management Act. The provisional structure and application of internal tariffs is asymmetrical to take into account the fact that Kenya's economy is more developed than the economies of its EAC partners. At the time of implementation of the Protocol, goods exported by Tanzania and Uganda within the Community were to have a duty-free status while selected exports from Kenya to the other member countries would attract a variation of tariffs during a five-year transitional period. However, the key aim was to achieve intra-regional tariff liberalization by gradually phasing out tariffs on the selected list of Kenyan imports by 2009.

Elimination of Non-tariff barriers to trade^{115, 116}

Non-tariff barriers (NTBs) in East Africa include variations and duplications, in documentation, policies, and procedures, compounded by having to work with multiple national agencies, in dealing with: customs and administrative documentation; immigration procedures; cumbersome inspection requirements; police and sometimes military roadblocks; trade and road use regulations; transiting procedures; border crossings; and business registration and licensing. NTBs have for a long time been a point of concern for traders in the region, and there has been strongly lobbying by them for action against NTBs in all member countries.

The EAC has developed a list of requirements for harmonisation and simplification of procedures and forms. It has also developed a roadmap that goes beyond generalisation of what needs to be done to pin-pointing locations, agencies, actions to be taken and when they should be taken.

EAC is a participant in the pilot Chirundu one stop border post, along with COMESA and SADC. There is also a programme, implemented at national level, of improving the major transport corridors.

Trade Facilitation

This is a general action umbrella under which the partners are cooperating (through technical regional meetings) in simplifying, standardizing and harmonizing trade information and documentation.

Competition Policy and Law

While some of the EAC members states do not yet have national competition laws, the EAC Competition Policy & Law was adopted by 2004 with the objectives of maintaining and promoting competition and providing for consumer welfare especially in matters relating to cross-border trade. The law also establishes the East African Competition Authority. The Act was assented to by the Heads of State in 2006.

¹¹⁴ www.eac.int, The impact of tariff reductions under the East African Community Customs Union: Intra-trade effects on Uganda

¹¹⁵ Monica A. Hangi: Non-Tariff Barriers in Trading within the East African Community. Economic and Social Research Foundation (ESRF), 2010

¹¹⁶ EAC Secretaria: Draft EAC Time-Bound Programme for Eliminating non-Tariff Barriers

Available resources on the Act give a lot of information about content, regulations, and processes. There is however no reference to appointment of the Authority as yet.

Miscellaneous Initiatives

- i. Standards and Measures are provided for under Article 81 of the Treaty. The Article addresses standardisation, quality assurance, metrology and testing as means of promoting trade, investment, and consumer protection.
- ii. Procedures addressing the re-export of goods: These are aimed at eliminating payment of duties on re-exports;
- iii. Anti-dumping measures and regulations are also included in EAC arrangements.

ICT Initiatives in the EAC

The EAC Development Strategy 2006 – 2010¹¹⁷ captures “Information and Communication Technology integrated into regional development initiatives” as a development objective, and there is considerable focus on mainstreaming ICTs in all initiative. In addition to mainstreaming, the EAC has identified regional connectivity as a constraint on economic activity, and therefore defined specific strategic interventions to address this.

Within the Strategy, “Information and Communications Technology (ICT) covers telecommunications, postal services, broadcasting and information technology. EAC recognises the importance of ICT in meeting the challenges posed by globalisation, facilitating the regional integration agenda, and enhancing the socio-economic development prospects of the region. There is a need to develop an inclusive, balanced, and socially equitable information and knowledge-based society that is founded on coordinated national strategies to effectively integrate ICT into regional development policies”.

The key strategic interventions agreed include completion of the implementation of the Cross-Border Connectivity Project; Completion of Regional Telecommunication Trunking Project; Co-ordination and harmonisation of information and communication technology policies; and facilitation of the implementation of the East African Marine Cable.

The following initiatives that fall under the overall strategy are highlighted:

The Regional ICT Support Programme^{118,119,120}

The Regional ICT Support Programme, RICTSP, includes selected countries in COMESA, IOC, and IGAD and, at commencement, all of the EAC. The financing agreement was signed during June 2004 with implementation planned to end 2009 and project closure during 2011. RICTSP was financed by the 9th European Development Fund (EDF) and implemented by COMESA as Regional Authorizing Officer (RAO). A decentralized approach made EAC responsible for implementation of the programme in the partner states (Kenya, Tanzania and Uganda at the time of commencement).

The objective of RICTSP was to contribute to the Eastern and Southern African region's integration agenda through promotion of an enabling ICT environment, targeted at economic growth and poverty reduction, by removing some of the major constraints to the efficient use of ICT

¹¹⁷ www.eac.int

¹¹⁸ www.wougnet.org/Events/docs/EACIncubatorProject-FrequentlyAskedQuestions.pdf

¹¹⁹ euroafrica-ict.org.sigma-orionis.com/downloads/Awareness_Workshops/Nairobi/S_Batuwa.pdf

¹²⁰ egov.comesa.int/attachments/article/28/COMESA_Regional_e_Government_Framework.pdf

Three Key Results Areas were defined under RICTSP:

- i. The development and monitoring of implementation of ICT policy guidelines and strategies including and monitoring of e-readiness status;
- ii. Provision of high-speed Internet connectivity to selected key regional stakeholders and, further reduction of costs of doing business in the region, and migration to ASYCUDA++ in selected countries;
- iii. Improved and efficient access to economic, commercial and policy information, and the establishment of incubator projects to demonstrate the viability of the Internet, including e-commerce. This went hand in hand with improved capacity for entrepreneurs to exploit ICT opportunities and e-commerce techniques (targeted especially at SMEs).

Protocol on Regional ICT Networks

The Protocol on Regional ICT Networks has as its overall focus the provision of a seamless integrated broadband network across the community, based on open access principles. The East African Backhaul System was an earlier element that provided a critical building block. The roll-out of national fibre backbones in Kenya, Rwanda, Tanzania, and Uganda also provides another important building block.

An important aspect of the protocol is the intent “to address legal, policy and regulatory obstacles in relation to the provision of cross-border services ...”. Cross-border connectivity is one of the disabling features of regional communication in Africa.

The technical designs, after review during 2009, were due for completion late that year or early 2010.

ICTs in Regional Trade

The most important initiatives for ICTs in trade have focused on the revenue side with tax authorities being the main center of implementation. The three specific examples are ASYCUDA, RADDEX, and SIMBA.

ASYCUDA^{121,122}

Uganda and Tanzania have been part of the ASYCUDA (discussed under COMESA) implementation programme while Kenya uses SIMBA.

One of the findings of the Tanzania Time Release Study revealed that there was higher customs processing efficiency in stations where ‘ASYCUDA++’ has been implemented such as Mwalimu Julius Nyerere International Airport (Dar es Salaam) compared to other stations that were still operating with ‘ASYCUDA 2.7’. ‘ASYCUDA++’ supports electronic data interchange.

The operating system used in Uganda Revenue Authority (URA) Customs is ASYCUDA which was started in 1996 and was later upgraded to Asycuda ++. Asycuda ++ connectivity in Uganda has been implemented in 97% of customs stations which account for 99 % of the total revenue collected. Under the first phase of the modernisation plan, most of the modules within the Asycuda ++ system were activated and interfaced with the Kenya Revenue Authority’s Simba system through RADDEX (discussed below). ASYCUDA ++ brought about significant reductions in the time taken to process customs documents, and greater impact has been felt by the business community in terms of reductions in the cost of business. However, the current system has limited functionalities. These include; limited interoperability with other systems; lack of support for enterprise wide risk management; complicated navigation; and upgrades that do not allow for involvement of

¹²¹ www.trademarka.com/downloads/pars/par11_uganda_ura.pdf

¹²² http://www.trademarka.com/downloads/pars/par11_uganda_ura.pdf

key business stakeholders. As a result, URA now wants to move to a higher version of ASYCUDA called ASYCUDA World. The upgrading of the existing data processing system into the Customs clearance process will bring about faster clearance of cargo, improve revenue control, and provide up-to-date, accurate information on trade in goods.

Revenue Authorities Digital Data Exchange (RADDEx)¹²³

The RADDEx software is a tool for trade facilitation. It provides a means of communicating customs data between existing different Customs Computer Systems. It is described in a box in Chapter X.

RADDEx' software is designed to work with connectivity that is available, utilizing minimal bandwidth and employing processes that can retry for a very long time until they succeed. For example, if power is down for a week, the RADDEx server will pick up from where it left off when it is re-started. RADDEx transmits customs declaration data, in near real time, from the point of initial lodging, through to all transit points, to final destination. The RADDEx architecture employs messaging through web services and the available infrastructure utilizes minimal bandwidth with no requirement for constant connectivity.

RADDEx is an automatic process, a system of information exchange that takes place behind the scenes, while its users only access the information on the surface. The automatic electronic transmission of customs data directly results in decreased transit delays through provision of advance notification, facilitation of pre-lodging, elimination of duplicate data entry and risk analysis.

In East Africa, where RADDEx is fully implemented in Partner Member States, more than 900 declarations per day are transmitted from the port of Mombasa in Kenya through Malaba border post at the Kenya/Uganda border. These declarations are accessed by customs officers and clearing agents, days before the goods arrive at the border, often facilitating instant crossing, saving transport costs in excess of \$700 per day. These lower transport costs should directly contribute to a lower end price of the goods when they reach the market place.

SIMBA^{124,125}

SIMBA 2005 is a **Single Window (SW)** automated system. Launched in January 2005, it is a high performance computer system that is the basis for Kenya's customs automation. It facilitates the electronic lodgment of documents leading to a paperless customs clearance process in Kenya. The application faced a lot of start-up challenges but now appears to have stabilised. SIMBA (National) was launched during January 2011.

The inherent challenges of incompatibility with ASYCUDA (used by the other countries in the EAC) were addressed when RADDEx was adopted by the member countries.

Single Window System¹²⁶

The Single Window (SW) System is a trade facilitation concept whose implementation allows cross border traders to submit documents such as customs declarations, applications for import and export permits, certificates of origin and trading invoices at a single location. TradeMark East Africa (TMEA) is furthering single window principles by building databases of procedures, rules, and regulations for trade facilitation agencies to be used by both their staff and the trading community.

¹²³ pdf.usaid.gov/pdf_docs/PNADW150.pdf

¹²⁴ www.gainde2000.sn/customs_computer_service/dossier/DOSSIER_uk.pdf

¹²⁵ www.ileap-jeicp.org/downloads/Unlocking%20Trade%20Facilitation%20for%20Development%20in%20Kenya.pdf

¹²⁶ www.trademarka.com/downloads/pars/SWISP.pdf

Integrated Sharing Portals (ISP) facilitate the sharing of information via ICTs between trade facilitation agencies at ports and border posts. In the EAC, Kenya, Tanzania and Rwanda have each set up various forms of national single window initiatives. In all these countries, the approach has been to implement a high level single window system with linkages to ports authorities, revenue authorities and other trade facilitation organizations without addressing individual organizations automation requirements. TMEA proposes to address these requirements by developing simple automation and dissemination systems that feed information to the larger national single window systems.

REC REVIEW 3 - ECOWAS

Introduction

The Economic Community of West African States (ECOWAS) was founded in 1975, and has 15 member-states (see map and list in Figure X). The aim of ECOWAS as stated in its founding Treaty of Lagos is primarily to promote economic integration across the region. Article 2(1) of the Treaty states that ECOWAS is ‘... to promote co-operation and development in all fields of economic activity particularly in the fields of industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions and in social and cultural matters for the purpose of raising the standard of living of its peoples, of increasing and maintaining economic stability, of fostering closer relations among its members and of contributing to the progress and development of the African continent’.¹²⁷

Figure 4.17: Map of ECOWAS



For various reasons – including logistical, infrastructural, financial and political obstacles - most economic activity in the ECOWAS region was (and continues to be) largely unaffected by the Community and its goals. The Treaty of Lagos was revised in 1993¹²⁸ (amongst other things) to clarify the aims and objectives of the Community. This revision emphasised the aims of moving towards economic and monetary union. The Revised Treaty also identified ECOWAS as the sole economic community in the region for the purpose of economic integration and confirmed its role as a “pillar” for the realisation of the African Economic Community.¹²⁹

ECOWAS brings together countries that are of very different sizes in terms of population and wealth. However, the most significant difference between states within the region is probably linguistic. Eight of the countries are Francophone, five are Anglophone and two are Lusophone. These linguistic differences are accompanied by other aspects of the region’s colonial legacy, including established trade and migration routes, and legal and regulatory systems.

Another complicating factor in regional integration is what amounts to a continuing alternative to ECOWAS ‘position as the primary West African REC. Soon after the creation of ECOWAS, Francophone West African

¹²⁷ Treaty establishing the Economic Community of West African States (Treaty of Lagos). 28 May 1975.

¹²⁸ Treaty of ECOWAS. Available at <http://www.afrimap.org/english/images/treaty/ECOWAS%20Treaty.pdf>

¹²⁹ Essien, V. (2006) Regional Trade Agreements in Africa: A Historical and Bibliographic Account of ECOWAS and CEMAC. Available at http://www.nyulawglobal.org/globalex/CEMAC_ECOWAS.htm

States established the Communauté Economique de l'Afrique de l'Ouest (CEAO) which has similar objectives as ECOWAS. Furthermore, the revision of ECOWAS' Treaty of Lagos coincided with the emergence of the (mainly) Francophone Union Economique et Monetaire de l'Ouest Afrique (UEMOA). This has impacted on the evolution of economic and monetary integration in the region and - because monetary integration aids in the creation of interdependent markets - the language group division in West Africa has impacted on the development of the regional market.

UEMOA - established in 1994 by Benin Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal and Togo (Guinea-Bissau joined in 1997) - is a monetary and customs union among countries that have the CFA franc as their common currency. UEMOA countries have achieved a degree of macroeconomic convergence and have adopted a customs union and common external tariff. They have combined indirect taxation regulations and have initiated regional structural and sectoral policies.

Other (mostly Anglophone) member countries of ECOWAS have since inaugurated a West African Monetary Zone (WAMZ) which was launched in 2002 by Gambia, Ghana, Guinea, Nigeria and Sierra Leone. WAMZ aims to establish a common currency (the Eco) by 2015 (2020 in some sources). The ultimate goal is for the CFA and Eco to merge. However, as experience in other world regions testifies, the creation of a new common currency is a very complex and challenging task – the more so if there is not a high degree of integration in other aspects of economies.

Regional trade in ECOWAS

Trends in economic growth in the ECOWAS region are summarised in Table 4.14.

Table 4.14: Trends in Economic Growth within ECOWAS

	2002	2003	2004	2005	2006	2007	2008*	2009**
ECOWAS	3.7	6.8	5.1	5.7	5.4	5.6	5.8	4.9
UEMOA	1.8	3.1	2.8	4.2	3.1	3.1	3.8	3.5
BENIN	4.4	3.9	3.1	2.9	3.8	4.6	5.0	3.8
BURKINA FASO	4.6	8.0	4.6	7.1	5.5	3.6	5.0	3.5
COTE D'IVOIRE	-1.6	-1.7	1.6	1.8	1.2	1.5	2.3	3.7
GUINEA BISSAU	-7.1	0.6	3.2	3.5	1.8	2.7	3.3	2.9
MALI	4.3	7.6	2.3	6.1	5.3	4.3	5.1	4.1
NIGER	5.8	3.8	-0.8	8.4	5.8	3.3	9.5	3.0
SENEGAL	1.2	6.7	5.6	5.6	2.3	4.7	2.5	3.1
TOGO	-0.2	4.8	2.5	1.2	3.9	2.1	1.6	2.5
WAMZ	4.6	8.8	6.8	6.4	6.0	6.35	6.44	5.3
GAMBIA	1.3	7.4	6.6	6.9	7.7	6.9	6.1	3.6
GHANA	4.5	5.2	5.6	5.9	6.4	6.3	7.3	5.9
GUINEA	4.2	1.2	2.3	3.0	2.4	1.8	4.9	1.2
NIGERIA	4.6	9.6	6.6	6.5	6.0	6.5	6.4	5.3
SIERRA LEONE	6.5	10.7	9.6	7.6	7.2	6.4	5.6	5.9
Others	6.1	2.4	1.9	4.2	8.1	7.7	6.8	4.8
CAPE VERDE	5.3	4.7	4.3	5.6	8.2	6.7	5.9	4.0
LIBERIA	7.8	-1.9	-2.8	1.4	7.8	9.5	7.1	4.9

Source: WAMA, Central Banks and ECOWAS Member States

Source: West Africa Monetary Agency (WAMA) *Microeconomic Convergence Report*. 2009. p.13. Available at <http://www.amao-wama.org/fr/Publications/rep/Convergence%201%20sem%202009/MACROECONOMIC%20CONVERGENCE%20REPORT%20FIRST.pdf>

According to the West Africa Common Industrial Policy (WACIP),¹³⁰ ECOWAS' vision is to see intra-regional trade in the region increase to 40% by 2030. Currently, intra-regional trade is a small part of ECOWAS economic activity and accounts for about 10% and 11% of total exports and total imports respectively. In 2008, total ECOWAS intra-regional trade was valued at US\$6.9 billion, while total ECOWAS trade with the world was valued at US\$64.4 billion. The value of ECOWAS intra-regional trade has been increasing – it rose from US\$3.2 billion in 2002 to peak at US\$9.9 billion in 2006 before falling to US\$6.6 billion and US\$6.9 billion in 2007 and 2008 respectively.

West African depends more on imports from other continents than on exchange among States - 80% of exports and 70% of imports take place with international trade partners. Trade between ECOWAS countries and other countries in Africa is just about 14% of their total international trade. West Africa's manufacturing industry, which is dominated by agro-industry, accounted for a mere 7.36 % of the regional GDP of 2006. Over four-fifths (80%) of the region's global manufacturing came from four countries: Nigeria, Côte d'Ivoire, Ghana and Senegal, whose shares were 39.7%, 23.4%, 10.0% and 9.3% respectively.

Informal trade accounts for most of regional trade and is conducted via cash (local currencies) with its attendant risks and inconveniences. Formal trade is conducted in foreign currency, mostly US dollars and Euros, through the correspondent banking system, making it costly and time consuming. The result is an inability of ECOWAS economies to integrate their markets effectively, while settlements for trade remain expensive, time consuming, and cumbersome.

Intra-regional trade is constrained by a variety of tariff and non-tariff barriers – including political resistance to implementing integration programmes – and therefore differences and unpredictability in trade policies and procedures. Inadequate or absent transport infrastructure is also critical. Although cargo volumes have increased by about 300% from 4.7 million tonnes in 1998 to 13.4 million tonnes in 2008, there has not been a corresponding increase or improvement on basic logistical infrastructure.

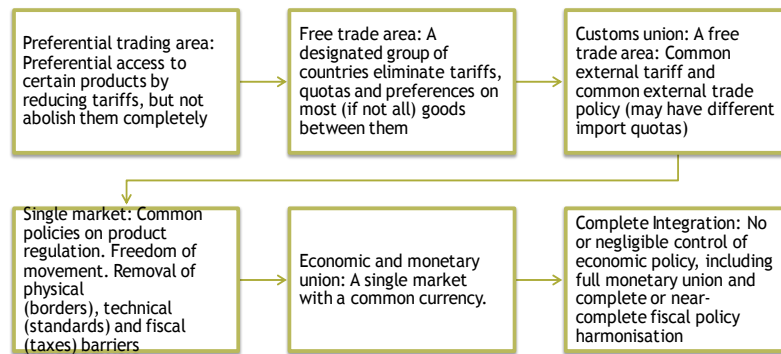
Whilst UEMOA has already attained economic and monetary union, ECOWAS is still struggling to implement a free trade area. ECOWAS and UEMOA have agreed on a common plan of action on trade liberalization and macroeconomic policy convergence. The organisations have also agreed on common rules of origin to enhance trade, and ECOWAS has agreed to adopt UEMOA's customs declaration forms and compensation mechanisms. However, implementation is likely to prove more difficult to achieve than agreement that it should take place.

Strengthening intra-regional trade in ECOWAS

The steps ECOWAS intends to take in achieving regional integration are summarised in 4.18. Whilst officially ECOWAS is described as being at the stage of creating a single market and working towards economic and monetary union, in practice this is not the case. There are severe gaps in the implementation of prior stages of economic integration, for example the common external tariff cannot be said to be implemented in practice, and non-tariff barriers pose significant limitations on the free movement of goods.

¹³⁰ A 20 year action plan for the period 2010 to 2030.

Figure 4.18: ECOWAS Plan for regional economic integration



ECOWAS has established a number of programmes for attaining regional economic integration and supporting intra-regional trade. These can be listed as follows:

1. Core Trade Integration Programmes (DTIPs) such as:
 - a. ECOWAS Trade Liberalization Scheme (ETLS)
 - b. ECOWAS Common External Tariff (CET)
 - c. ECOBIZ System
 - d. West Africa-EU Negotiations of EPA
 - e. Free Movement of Persons – ECOWAS Passport
 - f. ECOWAS Trade Negotiation Capacity Building Project
2. Trade-Related Integration Programmes (TRIPs) such as:
 - a. The West African Common Industrial Policy (WACIP)
 - b. Transport – infrastructure constructions/development
 - c. Regional Road Transport and Transit Facilitation Programme
 - d. The Interstate Road Transport (ISRT) Convention
 - e. Telecommunications and Information and Communication Technology
 - f. Energy: The West African Power Pool (WAPP), and West African Gas Pipeline (WAGP)
 - g. ECOWAS Common Agricultural Policy (ECOWAP)

Further details on some of these projects are provided in the following paragraphs:

The *ECOWAS Trade Liberalization Scheme (ETLS)*¹³¹ comprises a set of protocols that guide transit operations and the movement of goods and people across the region. It was first implemented in 1979 with only agricultural products, handicrafts and crude products, but opened up to industrial products in 1990. These goods are granted the following concessions: (i) total exemption from import duties and taxes, (ii) no quantitative restrictions and (iii) non-payment of compensation for loss of revenue for items (i) and (ii) as a result of their importation. The stated objective of the ETLS is to establish a customs union among the member states of the Community (Member States). The ECOWAS Customs Union aims to achieve total elimination of customs duties and taxes having equivalent effect, removal of all non-tariff barriers, and establishment of a common external tariff (CET).

The *Common External Tariff (CET)* is one of the instruments for harmonising ECOWAS Member States and moving towards a Common Market. Following the establishment of the ECOWAS Customs Union, the common

¹³¹ See <http://www.etls.ecowas.int/>

external tariff provides a common nomenclature so that customs procedures are transparent, readily followed and delays at borders decreased. The ECOWAS-CET draws on the basic UEMOA CET and is composed of four tariff bands, or rates of customs duty, namely:

- 0% Essential social goods.
- 5% Goods of primary necessity, raw materials and specific inputs.
- 10% Intermediate goods.
- 20% Final Consumption goods

A fifth band was recently added at 35% for “Specific goods for economic development”, in response to arguments for the need to protect infant industries. Implementation of the CET by member countries has, however, been slow.

The *Regional Road Transport and Transit Facilitation Programme*. Although road transport infrastructure is relatively well developed in West Africa, the volume of transport flows within the region remains low. The main reasons for relatively modest traffic flows along the interstate corridors include: (i) the existence of numerous check points; and (ii) non-tariff barriers due to uncoordinated procedures for goods and passenger interstate traffic. To address these, ECOWAS and UEMOA Commissions have elaborated the *Regional Road Transport and Transit Facilitation Programme for West Africa* by harmonizing their transit facilitation programmes. Components of this programme include:

- simplification and harmonization of road transport regulations, procedures and documents;
- establishment of joint control posts at borders along inter-State corridors; and
- updating of the road transit information system.

Other activities relating to transport include:

- the creation of observatories along inter-state corridors, including the Observatory of Abnormal Practices, an initiative of the West Africa Trade Hub and UEMOA, supported by USAID, which monitors barriers to the free movement of goods and people along the Tema-Ouagadougou, Bamako-Ouagadougou and Lome-Ouagadougou corridors;¹³²
- Implementation of the Yamoussoukro Decision on air transport liberalization;
- sensitisation of coastal member states on the ECOWAS Decision on preferential treatment for ECOMARINE at West African seaports;¹³³ and
- development of a West African regional interconnecting railway network.

The use of ICTs in trade facilitation within ECOWAS

The use of ICTs in regional trade facilitation in ECOWAS, as elsewhere, begins with having the right infrastructure in place. ECOWAS’ Telecommunications programme’s objective is ‘to establish a common

¹³² Reports of the Observatory can be downloaded at <http://www.watradehub.com/competitive-environment/transport/15th-joint-usaid-trade-hub-usaid-atpe-atp-uemoa-report-road-govern>

¹³³ ECOMARINE is a shipping company created in September 1999 by the African private sector with the support of ECOWAS. ECOMARINE’s objectives are to provide coastal cargo and passenger shipping services, construct load centers and inland dry port, provide coastal shipping feeder services, and also related linkage infrastructures and services. The company launched its first ship in 2003 and enjoys certain advantages in the region (aimed at improving its competitiveness against foreign shipping companies). This includes being granted “National Carrier Status” in all ECOWAS countries and being given priority berthing rights by the Port Management Association of West and Central Africa (PMAWCA) etc.

liberalised telecommunication market with fully open and interconnected network; and to achieve an internet penetration rate of at least 10-20% of internet users.”¹³⁴

ECOWAS has completed on a number of initiatives to support this objective. These include the following:

- INTELCOM I (1983-1992) – The objectives of this project were to: (i) open-up access to member States that had no reliable connections with the outside world; (ii) complete the missing links in the Pan-African Telecommunications Network (PANAFTEL) in West Africa; and (iii) establish direct telephone connections between capital cities of Member States. ECOWAS judges that it has attained more than 95% of these objectives.¹³⁵
- The Regional African Satellite Communications Organisation (RASCOM). The objective of RASCOM is to improve inter-urban communication between each African country and provide facilities for data, telephone, radio and TV broadcasting services including the exchange of radio and TV programmes between African countries. RASCOM successfully launched the RASCOM-QAF1R satellite in August 2010. The satellite (entirely dedicated to the African continent) provides low-cost international connectivity between African countries and connects rural parts of Africa through low-cost terminals. As well as communications access, it will provide direct access to television and broadcast radio services.
- The Telecommunications Regulation Harmonization Project – which develops a strategy for the harmonization of telecommunications policies in the ECOWAS region.

Projects that are in the process of implementation include:

- INTELCOM II – The objective of this project is to secure a modern and reliable regional telecommunications network which integrates the telecommunications market in ECOWAS countries resulting in a regional network capable of offering a wide range of services including multimedia and broadband.
- RECs Institutional Capacity-Building – ECOWAS Wide Area Network (ECOWAN) -) – “a public sector e-governance platform that will connect the Commission, other ECOWAS institutions and affiliated government offices of Member States.” ECOWAN is based on mixture of V-SAT technology and fibre-optic cables and will link all ECOWAS national focal points and ensure that missing cross-border infrastructure are put in place – specifically links between Guinea Bissau, Guinea, Sierra Leone, Liberia, Cote d’Ivoire and Mali. ECOWAN is the infrastructure support for other regional ICT projects such as the Regional Trade Information System (see Example 1). As well as infrastructure development, ECOWAN also incorporates capacity development through the establishment of training centres; as well as content, applications and network security.

A number of important decisions specific to UEMOA were made at a meeting of Telecommunications Operators and Regulators in October 2000, including the harmonisation of communication rates and a resolution urging operators to apply a target rate of 3000CFAF/mn for all intra-UEMOA calls. Furthermore in 2006 the UEMOA Commission made it a priority to build a sub-regional high-speed telecommunications

¹³⁴ Obideyi, G. “Trade Integration Programmes: The ECOWAS Experience”. Presentation at *APDEv Trade Knowledge Exchange*. Abuja, Nigeria; 09 –10 May 2011. Slide 26. Available at <http://www.africa-platform.org/sites/default/files/events/Trade%20Integration%20Programmes%20in%20The%20ECOWAS%20Power%20Point%20Presentation%20Rev%201%20Abuja%20-09%20-10%20May%202010.pdf>

¹³⁵ Kessides, Ioannis N.; Noll, Roger G.; and Benjamin, Nancy C. “Regionalizing Telecommunications Reform in West Africa” Policy Research Working Paper No. 5126. World Bank, Development Research Group. November 2009. Available at <http://vle.worldbank.org/bnpp/files/Regionalizing%20Telecommunications%20Reform.pdf>

network connecting Member States. This has been accomplished to an extent although it is unclear if this as a result of the UEMOA initiative or of the INTELCOM II project.

ECOWAS' ICT programme aims to modernise the operational systems and mechanisms of both the ECOWAS institutions and of Member States. The ECOWAS Community Computer Center (CCC) was established following a decision by the Council of Ministers in 1986 and began operations in 1996. In a bid to enhance trade capacity in the region, ECOWAS CCC has helped in the installation of customs computerisation systems (ASYCUDA); trade statistics systems (EUROTRACE); and trade information systems (SIGOA TOPS). ASYCUDA is operational in 12 Member States in the region; EUROTRACE in 14 Member States; and SIGOA TOPS in most Member States.

ECOWAS' ICT programme is also developing an IT inter-connectivity project to enhance implementation of regional statistics and multilateral macroeconomic surveillance of Member States. There is, however, a lack of up-to-date information on ICT projects and/or ICT elements of projects being conducted by ECOWAS. Information that is available is not centralised and is accessed on individual websites and in disparate reports.

ECOWAS ICT projects therefore tend to fall into two broad categories: policy harmonisation projects and large-scale regional infrastructure projects. Some automation projects appear to exist at national levels or as part of a pilot project of select number of Member States (e.g.). ICT projects undertaken by UEMOA (in particular infrastructure projects) appear to have higher completion rates than ECOWAS; this may be due to such projects being of comparatively smaller scale.

A box on the Ecobiz information system is included in Chapter 3. Boxes 4.1 and 4.2 illustrate two further ICT/trade initiatives which are underway in the region.

Box 4.1 – Regional Trade Information System (RTIS)

RTIS is an ECOWAS initiative designed to generate efficient flows of harmonised trade data across the region. It facilitates easy exchange of customs data within and among the member states, which should greatly reduce internal customs procedures (e.g., customs escorts) and customs clearance time at borders, and overall transport time (e.g., avoiding repeated data entry because only the country of departure need do this). RTIS also allows for quicker availability of data for the compensation mechanism of ECOWAS' Common External Tariff and easier reconciliation of customs data between the points of transit origin and destination. Finally it facilitates trade analysis across products, countries, importer/exporter, port, or supplier (e.g. ad hoc querying and creating/customising reports).

ECOWAS is implementing a five-country pilot of RTIS in Nigeria, Benin, Togo, Ghana, and Burkina Faso¹³⁶. The components of the system are:

- Ports Management Systems
- Customs Administration Systems
- Clearing & Forwarding Systems
- Legal, Insurance & Banking Systems
- Settlement & Payment Systems

¹³⁶ For status of the RTIS project as at October 2007 see: CARANA Corporation. *FINAL REPORT. West Africa Global Competitiveness Hub: West Africa Trade Hub/Accra*. Report prepared for the United States Agency for International Development. 2007. Available at http://pdf.usaid.gov/pdf_docs/PNADP519.pdf
ECOWAS. *2007 Abridged Work Programme: Community Computer Centre*. Available at http://www.comm.ecowas.int/dept/b/b1/en/b_b1_workprogramme.pdf

RTIS' content is delivered on ECOWAS' Wide Area Network – ECOWAN: an intranet delivered using V-SAT Technology with nodes installed in the capitals of all Member States.

This project relates to The Gambia, Guinea (Conakry), Sierra Leone and Liberia, but is part of a larger project implementation in WAMZ countries aimed towards full economic and monetary union, including the improvement of basic infrastructure of the financial sector through the upgrading of payment systems. The project has policy, process and technological components. Technological system improvements include the development of a Real Time Gross Settlement (RTGS) payment system - a large value funds transfer system that interfaces with SWIFT for sending and receiving payment messages, as well as an Automated Clearing House (ACH) and Automated Check Processing (ACP). The project also involves upgrading Banking Application systems to incorporate Scriptless Securities Settlement System (SSSS) and upgrading telecommunication and power facilities to operate the system.

Road transport is the main medium for goods transit in Africa, and one of the most important sources of non-tariff barriers. This is illustrated by the Improved Road Transport Governance (IRTG) map in Figure 4.19, which focuses on the UEMOA region.

JULY 1st - SEPTEMBER 30th 2010

CORRIDORS

- Trade Hub*
- ATP*
- ALCO*

ALCO data remains unchanged from previous quarter

CONTROLS

- Police
- Customs
- Gendermaines
- Immigration (Trade Hub & ATP)
- Others: Unions, Water and Forest Services, Health Services, Former Neighbours, Municipalities
- Trade Hub & ATP
- Others: Immigration, Unions, Water and Forest Services, Health Services, Municipalities (ALCO)

* Data from trucks with and without highly required documents

BORDER CROSSING TIMES

SENEGAL per 100 km
2.3 controls
\$6.09 USD bribes
15 minutes of delay

BURKINA FASO per 100 km
1.8 controls
\$5.56 USD bribes
14 minutes of delay

BURKINA FASO per 100 km
3.2 controls
\$35.30 USD bribes
46 minutes of delay

MALI per 100 km
2.2 controls
\$5.15 USD bribes
12 minutes of delay

COTE D'IVOIRE per 100 km
2.4 controls
\$11.63 USD bribes
13 minutes of delay

GHANA per 100 km
1.9 controls
\$2.03 USD bribes
13 minutes of delay

GHANA per 100 km
2.6 controls
\$9.75 USD bribes
28 minutes of delay

GHANA per 100 km
3.2 controls
\$7.03 USD bribes
23 minutes of delay

GHANA per 100 km
4.5 hours Kodjoviakopé (bribe)
\$12.42 USD bribes
147 minutes of delay

TOGO per 100 km
1.9 controls
\$3.24 USD bribes
12 minutes of delay

TOGO per 100 km
1.8 controls
\$2.24 USD bribes
12 minutes of delay

BENIN per 100 km
2.2 controls
\$80.42 USD bribes
13 minutes of delay

BENIN per 100 km
4.4 controls
\$95.03 USD bribes
66 minutes of delay

NIGERIA per 100 km
17.1 controls
\$54.01 USD bribes
55 minutes of delay

BORDER CROSSING TIMES

SENEGAL per 100 km
1.4 hours Niame (bribe)
\$1.4 hours Niame (bribe)

COTE D'IVOIRE per 100 km
5.9 controls
\$6.97 USD bribes
106 minutes of delay

BORDER CROSSING TIMES

GHANA per 100 km
5.1 hours Elabé (bribe)
\$1.2 hours Elabé (bribe)

BORDER CROSSING TIMES

GHANA per 100 km
4.5 hours Kodjoviakopé (bribe)
\$12.42 USD bribes
147 minutes of delay

TOGO per 100 km
1.9 controls
\$3.24 USD bribes
12 minutes of delay

BENIN per 100 km
2.2 controls
\$80.42 USD bribes
13 minutes of delay

NIGERIA per 100 km
17.1 controls
\$54.01 USD bribes
55 minutes of delay

ATLANTIC OCEAN

<http://www.watradehub.com/sites/default/files/resourcefiles/dec10/13th-irtq-map-english-print-me.pdf>

81

operations (including transit facilitation), cargo tracking, trade statistics and trade information. Significant opportunities also exist for the application of ICTs in reporting, monitoring and reducing un-official practices that significantly hinder trade – such as fraud, bribery, smuggling etc.

Opportunities also exist for further implementation of ICTs in promoting intra-regional trade in terms of creating the environment for increased trade to occur (e.g. the WAMZ payment system project). Although (as shown by examples presented here) improvements are being made in implementing ICT infrastructure, significant gaps still exist and need to be filled; such as the existence of non automation of procedures despite exponential growth in trading activities in the region; and obsolete equipment and differences in degree and type of automation and trade (e.g. customs clearing) procedures amongst Member States. Opportunities also exist for new applications of ICTs such as facilitating transit and cargo tracking.

Some challenges to realisation of the opportunities presented above include poor coordination and cooperation between administrations in the Member States resulting in uncertainty, and unpredictability of the policy environment which reduces gains that can be made via application of ICTs. Another challenge is poor dialogue between the private sector and government/ECOWAS, resulting in slow uptake of ICT services/applications and effectiveness of initiatives. Also, large amounts of economic activity occur in the informal sector and are not adequately captured by current (formal) ICT projects. Overlapping objectives and initiatives of the two regional entities ECOWAS and UEMOA pose a challenge while the slow pace of integration between the two entities results in duplication and is compounded by trade and trade-related institutions working independently of one another. Lastly, over ambitious projects and initiatives result in revisions to scope and low completion rates leading to reduction in confidence.

REC REVIEW 4 - SADC

The Southern African Development Community (SADC) began as the Southern African Development Coordination Conference (SADCC) in 1980 with Angola, Botswana, Lesotho, Mozambique, Swaziland, Tanzania and Zambia as initial members. SADCC became SADC in 1992 following the independence of other Southern African countries, and its primary objective shifted from a political one (seeking the end of apartheid in South Africa and supporting the 'frontline states' in the anti-apartheid struggle) to economic integration.

Figure 4.20: Map of SADC



SADC currently has a membership of 15 States with a combined population of 257.7million. However, more than half of the countries in the region have populations that are less than 15 million. Variations in country characteristics extend to economic and social development indicators. Whilst SADC includes the most industrialised country in Africa (South Africa), it is predominantly made up of smaller agricultural/natural resource based countries that rely on a few primary commodity exports.

Regional integration efforts in SADC have led to significant reductions in tariff barriers; however non-tariff barriers persist and increase the cost of doing business as well as contributing to the fragmentation that characterises the regional market.

The cost of doing business in SADC

Overall, in all SADC countries, the cost to export is lower (per container) than the cost to import. The time it takes to export and import goods has decreased in almost all countries in recent years, although some countries have benefited from more of a decrease than others.

Cost to export:

Over a six year period (2005 to 2010) the steepest increase in the cost to export have been experienced in countries that have witnessed political upheaval - Zimbabwe and DRC. Gradual increases are evident in Botswana and Lesotho. Export costs appear to be relatively stable in all other countries and are seen to reduce in Swaziland and slightly so in Madagascar.

Cost to import:

In all countries the cost to import has increased over the six years analysed. This rise has been gradual in some countries (Tanzania, Mozambique, South Africa) and more pronounced in others (Botswana, Angola, DRC and

Zimbabwe). Costs appear to be stabilising in countries such as Namibia, Malawi, Tanzania and Mozambique and (in recent years) reducing in countries including Zambia, Madagascar, Lesotho and Swaziland.

Time to export:

Countries where decreases have been significant in the number of days it takes to export are Madagascar, Lesotho, Angola and Zambia. In Madagascar this number decreased from 48 days in 2005 to 21 days in 2010 (a difference of 27 days). There has been no change in the number of days it takes to export in Namibia, Seychelles and South Africa.

Time to import:

Countries where decreases have been significant in the number of days it takes to import are Madagascar, Tanzania and Lesotho. This number decreased from 48 days to 25 (a difference of 23 days), and from 51 to 31 (a difference of 20 days) in Madagascar and Tanzania respectively (over the period 2005 to 2010).

Intra-regional trade in SADC

Intra-regional trade between SADC members has been relatively constant/stable in recent years. This can be contrasted with increases in trade between the REC (member countries) and the rest of the world. Intra-regional trade is also dominated by trade with South Africa, either via bilateral agreements or within SACU (the smaller customs union that includes Botswana, Lesotho, Namibia and Swaziland as well as South Africa). Furthermore, intra-regional trade tends to be dominated by a few products and exports - predominantly primary agricultural products and minerals.

The following points summarise key characteristics of intra-regional trade in SADC:

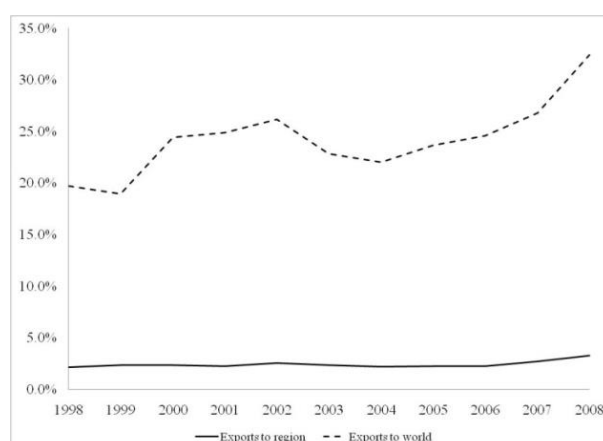
- (i) SADC's market is fragmented in that member countries trade more with regions/countries outside the REC than within it. (see 21)
- (ii) Most SADC countries (an exception being Madagascar) are highly trade-dependent on the region – in particular on trade with South Africa (see 22).
- (iii) Trade within the region is concentrated in just a few products and is predominantly in primary agricultural products and minerals. Diversification into higher value-added manufacturing exports to other member States has been minimal.¹³⁷
- (iv) Specialisation in trade (across and within products) has remained limited. Countries do not appear to be exploiting opportunities for goods and/or services they have an advantage in other regional markets¹³⁸.

Despite intra-regional trade being low (when compared with trade with other regions/the world), countries in SADC remain highly dependent on trade with other member countries – in particular South Africa. In addition to SACU countries; Mozambique, Zimbabwe, Zambia and Malawi each export between 10 to 34 percent of their total exports to South Africa.

¹³⁷ World Bank. *Harnessing Regional Integration for Trade and Growth in Southern Africa*. 2011. Available at http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1239120299171/5998577-1254498644362/6461208-1300202947570/SA_Regional_Integration.pdf

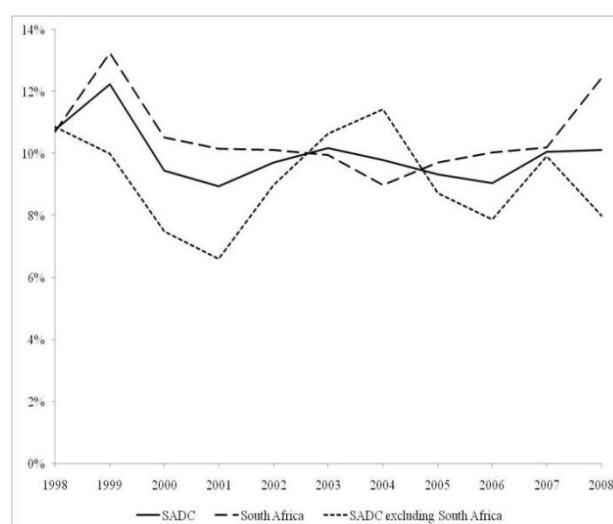
¹³⁸ Ibid.

Figure 4.21: SADC exports as a percentage of GDP



Source: World Bank (2011) *Harnessing Regional Integration for Trade and Growth in Southern Africa*. p.12

Figure 4.22: Regional trade as %age of total trade among SADC countries



Source: World Bank (2011) *Harnessing Regional Integration for Trade and Growth in Southern Africa*. p.19

Trade amongst countries in the region is guided by a number of instruments including through membership of SADC or the customs union SACU; and for some countries through the COMESA Free Trade Area (FTA); or by bilateral agreements between countries (some of which were established before, and precede the SADC Trade Protocol (and FTA), and the COMESA FTA). These are described below.

SADC

SADC members trade under the SADC Trade Protocol¹³⁹ which provides for preferential terms and secured commitments from member states to phase down their tariffs for agreed goods and services. 85% of intra-SADC merchandise trade flows are duty-free and the remaining 15% are scheduled to be liberalised in most member States by 2012. Based on the protocol (as one of its objectives) a free trade area (FTA) was formally launched in SADC in August 2008 and is being implemented by: Botswana, Lesotho, Mauritius, Mozambique, Namibia, South Africa, Tanzania, Zambia, and Zimbabwe. SADC has also finalised a Regional Indicative

¹³⁹ SADC. *Trade Protocol*. 1996. Available at <http://www.sadcstan.co.za/Secure/downloads/protocol.pdf>

Strategic Development Plan (RISDP)¹⁴⁰ which is a strategic plan/document that “outlines the necessary conditions that should be realised towards the attainment of SADC’s regional integration and development goals” (SADC 2003:7). The RISDP recommends that SADC should establish a customs union by 2010, a common market in 2015, monetary union by 2016 and a single currency by 2018.

SACU

SACU is comprised of a sub-set of five SADC countries: the BLNS countries - Botswana, Lesotho, Namibia, Swaziland, and South Africa; and is one of the oldest customs unions in the world (established in 1910). SACU countries have a common external tariff (CET) and have harmonised customs tariffs, customs valuation, trade remedies and excise taxes. SACU also negotiates as a bloc to conclude trade agreements with third parties – this includes agreements with the European Free Trade Association (EFTA), MERCOSUR (an economic and political agreement between Argentina, Brazil, Paraguay and Uruguay), and a Trade, Investment and Development Cooperation Agreement (TIDCA) with the United States.

COMESA

Some SADC members are also members of COMESA and members of its FTA. These include: Madagascar, Malawi, Mauritius, Zambia and Zimbabwe. COMESA has agreed a framework for common external tariffs. Trade between FTA and non-FTA COMESA countries is conducted under a preferential trade agreement (PTA). As at 2011, COMESA FTA account for more than 80% of COMESA GDP and takes up about 85% of intra-COMESA trade.

Bilateral Agreements

Bilateral trade agreements between SADC member countries are also in force and precede the SADC Trade Protocol, SADC FTA and COMESA FTA. These are identified in Table 4.15 below.

Table 4.15: Summary of membership of SADC FTA, SACU, COMESA FTA and bilateral agreements

	SADC FTA	SACU	COMESA FTA	Bilateral Agreements
<i>Angola</i>				
Botswana	X	X		With Malawi, South Africa and Zimbabwe
Congo, Democratic Republic			X	
Lesotho	X	X		
Madagascar			X	
Malawi			X	With South Africa, Zimbabwe, and Mozambique

¹⁴⁰ SADC. *Regional Indicative Strategic Development Plan*. 2003. Available at <http://www.sadc.int/attachment/download/file/74>

	SADC FTA	SACU	COMESA FTA	Bilateral Agreements
Mauritius	X		X	
Mozambique	X			With Malawi and South Africa
Namibia	X	X		With South Africa and Zimbabwe
<i>Seychelles</i>				
South Africa	X	X		With Botswana, Malawi, Mozambique, Namibia, and Zimbabwe
Swaziland		X		
Tanzania	X			
Zambia	X		X	
Zimbabwe	X		X	With Botswana, Malawi, Namibia, and South Africa

Strengthening Intra-regional trade in SADC

Several projects and initiatives exist to promote and strengthen regional trade in SADC. These focus on two main areas: (i) providing support to institutions – including policy and regulatory harmonisation; and (ii) developing trade infrastructure – specifically transport and communication networks.

With respect to institutional support, projects/initiatives include:

- Customs Modernization and Trade Facilitation towards the SADC Customs Union Project – a European Commission (EC) project under the 9th European Development Fund (EDF)
- The Southern Africa Trade Hub: funded by USAID to deliver targeted technical assistance to governments, the private sector, and civil society organizations in support of advancing regional integration and increasing the trade capacity of selected value chains within Southern Africa
- Support to the SADC Regional Integration and Multilateral Trading System - funded by the European Union and implemented with the technical assistance of UNCTAD.

A summary of some of the on-going infrastructure projects in the region is presented in Table 4..¹⁴¹ Such projects appear to take an holistic approach, focusing on physical infrastructure and complementary use of ICTs. For example the North-South Corridor project looks to rehabilitate and/or upgrade physical transport infrastructure whilst at the same time implementing ICT-assisted One-Stop-Border-Posts.

¹⁴¹ For summaries of other priority SADC projects see: SADC, *SADC Regional Infrastructure Projects*. Note dated. Available at http://www.cbglobal.org/CBCG_Library/SADC%20List%20of%20Projects.pdf. Also, SADC, *SADC Infrastructure Development Status Report for Council and Summit*. 2009. Available at <http://www.sadc.int/cms/uploads/SADC%20Infrastructure%20Brochure%20-%20English.pdf>

Table 4.16: Examples of on-going/pending infrastructure projects

	Name and Location	Description	Value	Trade impact
1	North-South Corridor Project, DRC, Botswana, Malawi, South Africa and Tanzania	Aid-for-Trade Project that seeks to pilot infrastructure development (relating to roads, railways, ports and inland waterways) in the North-South corridor as well as address traffic bottlenecks through the implementation of a <i>Comprehensive Transport and Trade Facilitation Project</i> . Project includes provision of One Stop Boarder Posts.	>US\$3-4bn	Rehabilitation and upgrade of the busiest trade corridor in Africa - centred around the port of Durban, South Africa and follows the key routes to Lubumbashi, Dar Es Salaam, Blantyre through Botswana, Zimbabwe, Zambia to Malawi, Democratic Republic of Congo and Tanzania. Priority One-Stop-Border-Posts include Beitbridge -Chirundu (currently ongoing), Kasumbalesa (Zambia/DRC), Nakonde/Tunduma (Zambia/Tanzania), Nyamapanda (Zimbabwe Mozambique).
2	Botswana/Mozambique deep-water port and railway line project	Development of onshore deep-water port in southern district of Matatuine, Mozambique; and construction of a 100-km heavy bulk railway line from the port to Serule, Botswana.	US\$7bn	Botswana believes project will reduce its reliance on South African ports and reduce time taken to transport its imports and exports. It currently takes up to 22 days for merchandise to arrive, be unloaded and reach its destination and Botswana hopes the ports project will reduce this to an average of 6 days.
3	Trans-Kalahari Rail project, Botswana and Namibia	Construction of a 500-km rail line to connect Botswana's Mmamabula coalfield to Port of Walvis Bay, Namibia (with possible connection to South Africa's Waterberg coalfield.	US\$5-9bn	Provides alternative coal transport route to existing Richards Bay Coal Terminal (RBCT). Proposed rail link will enable exports to reach overseas market a week earlier than exports from RBCT.

The use of ICTs in trade facilitation within SADC

The SADC RISDP document states that: "...it is imperative for the SADC Region to review and refocus development strategies and approaches by aggressively using ICT as a catalyst for socio-economic development and prosperity." SADC's approach to achieving this is contained in its Declaration on Information and Communications Technology (ICT)¹⁴² which sets out commitments, amongst other things, to create favourable regulatory environments for the development/deployment of ICTs/ICT infrastructure; and promote

¹⁴² see SADC. *Declaration on Information and Communications Technology* Available at <http://www.sadc.int/index/browse/page/176>

the use of ICT in/for business development. The RISDP specifies Areas of Focus with respect to Information and Communications Technologies that include:

- Creating the requisite harmonized policy environment, as well as legal and regulatory frameworks to promote ICT diffusion and use;
- Human resources development and institutional capacity building for rapid and effective ICT diffusion and use; and
- Promoting ICT applications across all sectors and improving universal access to ICT tools in order to improve efficiency and productivity.

As with its infrastructure objectives, SADC also has a list of priority ICT projects some of which are summarised in Table 4.17.¹⁴³ The majority of projects focus on ICT infrastructure. There are limited examples of region-wide applications of ICT that are focused on information sharing. Furthermore, ICT implementation in the automation of processes and procedures tend to be conducted at national levels with (again) few examples of region-wide projects. Where bilateral projects (between countries), or projects that are being implemented along a trade corridor exist, they are mostly in the pilot phase. The focus of ICT projects within SADC is on building a harmonised policy and regulatory environment with decisions to automate or computerise aspects coming later. However delays are experienced in automating standardised documents and procedures and therefore the region is not gaining the maximum benefit from harmonisation.

Table 4.17: SADC priority regional ICT infrastructure projects

	Name and Location	Description	Value	Status
1	SADC Region Information Infrastructure (SRII) Phase I, SADC Member States	Interconnect SADC Member States with broadband optic fibre transmission systems and to the submarine cables of the west and eastern coast of Africa	US\$ 250m	Digitalisation of transmission links and expansion of digitalised transmission links completed.
2	SADC Region Information Infrastructure (SRII) Phase II, SADC Member States	As above	US\$ 800m	Implementation of "fibre regional transmission highways" 80% complete as at 2009*
3	Connect Africa Summit Goals 1 and 2, SADC Member States	Goal 1: interconnect all African capitals and major cities with ICT broadband infrastructure and strengthen connectivity to the rest of the world by 2012 Goal 2: Connect African villages to broadband ICT services by 2015 and implement shared access initiatives such as community telecenters	US\$ 55bn (pledged)	Not yet started – feasibility study required
4	Internet Exchange Points (IXPs), SADC Member States	Implementation of national and regional IXPs	US\$2m	Not yet started – feasibility study required

¹⁴³ For more descriptions of these projects see SADC. *SADC Infrastructure Development Status Report for Council and Summit*. 2009. pp. 47-53.

Opportunities and Challenges

Reforms to facilitate trade in Southern Africa are moving away from tariff liberalisation (which is being largely achieved) to tackling non-tariff barriers and non-tariff measures. SADC priority projects however appear to be focused on borders/customs efficiencies. ICTs can be used to facilitate trade in other ways, such as information sharing that can lead to increased predictability of the trade environment.

Opportunities exist for the use of ICTs in reducing/eliminating non-tariff and other barriers to trade - for example supporting a common/harmonised transit management system, or supporting risk management through the tagging and tracking of goods/containers. The functionality of IT systems can also be increased to aid the process of monitoring trade related aspects of regional integration. Opportunities exist for the use of ICTs in mitigating the existence of multiple (and at times complex) trade procedures across SADC countries by supporting standardisation and information sharing (as the Trans Kalahari Corridor project has done¹⁴⁴). Implementation of one-stop shops and border post (for example the Forbes/Machipanda border post between Zimbabwe and Mozambique) provide opportunities for greater cooperation between States which can be facilitated using ICTs.

There are, however, many challenges that need to be overcome in using ICTs to support trade in the region. These include increasing implementation of ICT projects that have been 'justified' through initial feasibility studies and moving beyond pilot phases. Ground work/studies on how ICTs can be used to achieve/promote harmonisation have been undertaken. The challenge is in getting the recommendations of such studies implemented. There are also challenges in ensuring compatibility between different IT (trade) systems used by authorities in different countries. Initiatives aimed at harmonising information systems in member countries began after countries had already invested in their IT systems and as such some neighbouring countries have implemented different systems. Establishing compatibility would help to ensure efficiency in such things as the clearing of goods – leading to reduction in time at border posts as well as related costs. Comparability would also increase the availability of information on the products, prices and capacities of member countries.

¹⁴⁴ Ibid

REC REVIEW 5 - AMU

The AMU includes five North African countries (Algeria, Libya, Mauritania, Morocco and Tunisia) which have strong historical, cultural and language affinities. The first steps towards the AMU occurred in 1964 when a meeting of economic ministers from Algeria, Libya, Morocco, and Tunisia established the Conseil Permanent Consultatif du Maghreb (CPCM), to coordinate and harmonise the development plans of the four countries as well as interaregional trade and relations with the then European Economic Community. However, for a number of reasons, these plans never came to fruition, and it was not until the late 1980s that impetus was restored to this integration project. The AMU was established in 1989 in Marrakech by the Heads of State of the five countries that signed its treaty.

Figure 4.23: Map of the AMU



The objectives of the AMU are to:

- improve social and economic integration;
- establish a free trade area by dismantling barriers, creating unified customs area;
- attain progressive realisation of free movement of persons, services, goods and capital between member states; and
- adopt common policies to facilitate trade, agriculture and social development.¹⁴⁵

The Council of Head of States is the supreme institutional organ that has the authority to make decisions. The AMU Council has met annually since 1993 to take decision on regional issues. A council of Foreign Affairs Ministers also meets regularly to prepare for the sessions of the Council of Heads of State and to examine proposals formulated by subordinate committees and four specialized ministerial commissions (economy and finance, human resources, basic infrastructures and food security). In 1992, the AMU's Secretariat General, was established permanently in Rabat. It has an annual operational budget of over US\$1.7 million, attained through equal contributions from each member.

More than thirty multilateral agreements have been signed by AMU countries, including agreements on trade and tariffs, trade in agricultural products, investment guarantees, avoidance of double taxation, and

¹⁴⁵ <http://www.africa-union.org/Recs/AMUOverview.pdf>

phytosanitary standards. However, the integration process within the AMU and implementation of these agreements has been destabilised by geopolitical factors. In addition, although the AMU is recognised by the African Union as one of the eight regional building blocks for the African Economic Community, it does not participate in the AEC project.

At present, the AMU remains institutionally weak due to its small budget, the political challenges in the AMU member countries, and the lack of national coordinating mechanisms to implement its agreements, including those relevant to regional trade. Countries still face administrative barriers, quantitative restrictions, high-priced procedures, exchange restrictions that will constrain regional trade and ICT use. No regional free trade area has yet been established. The long standing political stand-off between Algeria and Morocco and disagreement between Libya and Tunisia have been major obstacles to regional integration. Progress towards greater integration is unlikely during the current political uncertainty in the region.

AMU countries are also divided between various regional communities that made it difficult to sustain cooperation within North Africa. Libya is a member of COMESA and three countries (Libya, Morocco and Tunisia) are members of the Community of Sahel-Saharan states (CEN-SAD) that was established in 1998. The Agadir Agreement was signed by Egypt, Morocco and Tunisia and Jordan in 2004 in order to optimize the Euro-Mediterranean partnership. North African Countries have also entered into bilateral trade arrangements with other countries outside the region. Tunisia and Morocco have free trade agreement with the United States and Turkey. All AMU member countries have bilateral agreements with the European Union.

Trade between the AMU region and the rest of sub-Saharan Africa is insignificant. The high proportion of oil in exports from the region and high degree of dependence on the European Union market affects this overall balance. Trade between the AMU region and other regions in Africa is also limited by geography: the Sahara desert presents a major barrier to cross-border trade with countries to the south.

These multiple trade affiliations have made it difficult to build the AMU as a primary trade association for the region, which is one of the least economically integrated in Africa in spite of shared cultural and linguistic features. Intra-regional trade between the Maghreb countries accounts for less than 4% of the region's total trade.¹⁴⁶ Tariffs applied to imported products are amongst the highest worldwide and customs revenues are high and highly protected. The average for MFN customs duties applied in the region is 21% for North African countries against 10.8% for Asia and 9.5% for Latin-American countries.¹⁴⁷ The economic constraints and disincentives resulting from these barriers have been exacerbated by inefficient large public sectors, a lack of foreign investment and very limited industrial diversification.

Nor has the AMU played a significant part in the ICT sector. The AMU Secretariat has done little to promote ICT for development either in general or with respect to trade. However there has been strong ICT sector growth in the region. Mobile teledensity exceeds 100% in Algeria, Morocco and Tunisia. Mauritania and Libya have penetration rates over 60%. Morocco, with over 1.5 million mobile broadband subscribers, is one of the leading nations in Africa in the broadband market. Algeria, Egypt, Morocco and Tunisia have well developed ICT and IT-enabled service sectors that have become competitive regionally and at the global levels. This has included some regional integration. For example, a major Egyptian company (Orascom) has established subsidiaries in Algeria and Tunisia, and Tunisia's main telecommunications company is investing in Mauritania (Mauritel).

¹⁴⁶ African Development Bank, Regional report on North Africa 2011, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/RAP%20Afrique%20nord%20Anglais.pdf>

¹⁴⁷ North African development forum, <http://www.northafricaforum.org/anglais.html>

There have been significant developments in service exports in the region. The business process outsourcing (BPO) market has grown considerably over the last decade in Morocco, Tunisia and Egypt, as a result of concerted efforts in the improvement of infrastructure and the development of an enabling environment for ICT-enabled enterprise, including the establishment of technology parks and (most importantly) the development of highly skilled human resources.

- Morocco is seen as a leading African country in broadband penetration and telecommunications networks. It has established a number of BPO parks including Morocco Techno park, Casashore, Rabat, and ForeShore. The country currently has about 200 call centres, including thirty large-scale centres, employing a total of over 18,000 people.
- Tunisia has had considerable success with ICT-enabled services. With over 200 call centres, it has become one of the leading **outsourcing destinations** in both Africa and the Arab region. Measures that have been taken by the government to support this include improvements in infrastructure and ICT skills and the creation of technology parks. Tunisia's high level of technical skills (and perhaps its high level of graduate un(der)employment have, among other businesses, attracted aeronautic companies (including Airbus, which is moving part of its operation into the country).
- Egypt is not a member of the AMU, but shares many characteristics with AMU countries. It has seen a number of initiatives to support the BPO sector, including support for small and medium enterprises, training through eduEgypt, and support for international marketing by established BPO operators in the country. It has an established system for converting graduates from other fields of study to the BPO market.

The strong ICT infrastructure which has been developed by national agencies in the AMU region means that there has been less external support to ICT development than in sub-Saharan African regions. UNECA has promoted legislation in the area of electronic commerce, with its strategy in this field being adopted in Morocco, Tunisia and Egypt. The European Union has financed the EUMEDCONNECT project which links academic institutions in Algeria, Tunisia, Morocco and Egypt to international research networks. The African Development Bank has financed a study for a North African Backbone to improve connectivity and the policy environment for regional cooperation.

The use of ICTs in trade is more advanced in North Africa compared with much of the rest of the continent. Algeria launched customs reform in 2004 and has been using the Automated Customs Management System (SIGAD)¹⁴⁸. Morocco and Tunisia have pursued customs reforms with the aim of reducing the time spent on customs inspections. EDI systems have been set up in Tunisia (SINIDA Tradenet) and Morocco (SADOK) to reduce time spent in the clearance of goods. Tunisian Tradenet brings together banks, freight forwarders, port authorities, customs, maritime agents, importers and exporters and the ministry of trade through a national single window.

The relatively small amount of intra-regional trade and of trade with other African regions represents both a challenge for trade facilitation (including ICT-enabled facilitation) and a barrier. Regional integration offers AMU countries a potential opportunity to achieve economies of scale, while strengthening their competitiveness through targeted physical and economic infrastructure development and reforms to facilitate cross-border trade, investments and financial flows, knowledge-sharing and migration. The political changes in the region and limited international support for integration mean that regional initiatives to facilitate trade can only move forward slowly at present.

¹⁴⁸ Algeria Administrative Reform and Maintenance,
<http://unpan1.un.org/intradoc/groups/public/documents/caimed/unpan019417.pdf>

One area in which there has been significant progress has been in the development of harmonised and automated payment systems in North Africa. L'Union des- Banques Maghrébines (UBM), a regional body for financial institutions, has played a pivotal role in coordinating and harmonizing the regulatory framework for banking and financial activities within North Africa. In December 1991, the five central banks in the AMU region signed a multilateral agreement to help facilitate interbank payments within the Union. The agreement they reached, the basis for the Union, sets unified modalities of payments between the five central banks, and provides for monthly settlement of balances between any two countries without interest being charged on interim balances. The unit of account is the SDR (Special Drawing Right, an international reserve 'currency' established by the IMF), and the settlement currency is chosen by the creditor country. The Union has been pushing for financial integration among the Maghreb states and for the adoption of a single currency. It has carried out capacity-building workshops and research to facilitate financial integration of the banking sector. However its efforts have been constrained by social and political difficulties in the region.

Opportunities and challenges

The advances in the ICT sector and experiences in customs modernization in Algeria and Morocco, and the progress made with implementing a National Single Window in Tunisia, present a good opportunity for experience sharing on enhanced application of ICTs for facilitation of trade in the AMU region. At present, however, as noted at the start of this review, the AMU Secretariat remains very weak due to lack of adequate resources and the absence of national coordinating mechanisms to implement its agreements, in particular those relevant to regional trade. The AMU has not been able to attract donor support for its programmes in particular in the area of trade, and efforts in this area are likely to remain extremely limited.

The political transition that is taking place in North Africa (particularly in Egypt, Libya and Tunisia) is likely to have a significant impact on the speed of regional integration in the AMU region, as its outcomes become more clear. This may include improvements in trade facilitation and the use of ICTs for trade purposes. More generally, political change at national level may lead to a re-evaluation of the purpose and role of the AMU and of its potential both within the region and in Africa more widely. The relationship between the AMU and Egypt may also be significant here. It is difficult to judge how things will develop at this stage of political evolution. The partners should monitor the situation closely and be ready to take advantage of any opportunities that arise to pursue their trade and integration objectives.

REC REVIEW 6 - ECCAS

The Economic Community of Central African States (ECCAS) was established in 1983 to facilitate regional cooperation between ten countries in its region - Angola, Burundi, Cameroon, the Central African Republic, Chad, the Republic of the Congo (Brazzaville), the Democratic Republic of Congo (DRC), Gabon, Equatorial Guinea, and São Tomé e Príncipe. However, ECCAS did not function effectively for many years after its establishment, as a result of financial problems and conflict within the region. Formal contact between ECCAS and the AEC project only began in 1999.

Figure 4.24: Map of ECCAS



Six of the ten member-states of ECCAS (Cameroon, the Central African Republic, Chad, Congo (Brazzaville), Gabon, and Equatorial Guinea) are members of Central African Economic and Monetary Community (CEMAC). CEMAC was established in 1999 building on the foundation of the Customs and Economic Union of Central Africa (UDEAC), which first came into being in 1966.

The aims of ECCAS include:¹⁴⁹

- promotion and strengthening of cooperation in fields of trade and customs, including the elimination between member states of customs duties and any comparable charges levied on imports and exports;
- abolition of quantitative restrictions and other trade barriers between member states;
- establishment and maintenance of a common external customs tariff;
- establishment of a trade policy applicable to states outside ECCAS;
- progressive elimination of obstacles to the free movement of persons, goods, services and capital and to the right of establishment within the region;
- harmonisation of national policies to promote joint activities, particularly in industry, transport, communications, energy, agriculture, natural resources, trade, currency, human resources, tourism, education, culture, science and technology.

Trade between member states of ECCAS is almost negligible compared with those countries' overall trade, and is far less than that found in other sub-Saharan regions. Intra-regional trade accounted for only 1.2% of total trade in 2009, while trade with Africa as a whole only reached 9.4%. As well as high levels of conflict, the region exhibits particularly strongly many of the factors inhibiting intra-regional trade which were discussed in

¹⁴⁹ http://www.iss.co.za/AF/RegOrg/unity_to_union/pdfs/eccas/eccastreaty.pdf

Chapter 2, notably inadequate cross-border infrastructure and a lack of complementarity between the export and import requirements of countries in the region, both resulting from the colonial legacy.

In addition to these factors, the region suffers from a range of trade-specific problems including inefficient transit regimes, incomplete reduction of intra-regional tariffs, misclassification of goods, the persistence of ad hoc duty and tax breaks, the introduction of miscellaneous surcharges, and double taxation of products in transit at the port of entry (mainly Douala in Cameroon) and in landlocked countries.¹⁵⁰ Underlying challenges include lack of initiative by the private sector and low capacity of regional institutions (not surprising in view of the high levels of regional conflict), disconnection between national and regional priorities, and lack of stakeholder dialogue on trade and other policies.

The ECCAS treaty seeks, over time, to establish a customs union in Central Africa involving the elimination of customs duties as well as quotas and other restrictions, prohibitions and administrative trade barriers. The timetable adopted by the members specified that in the first stage, members were to refrain from establishing any new customs duties on trade between themselves and from increasing those duties that were already in place. The next projected step was to create a Free Trade Area through the progressive reduction and ultimate elimination of intra-regional customs duties. As part of the process of creating a Customs Union, a Common External Tariff was to be established through the elimination of differences between countries' respective tariffs and the adoption of a common customs and statistical nomenclatures. This would then result in the establishment of a Customs Union by the end of the third stage, which was originally envisaged for DATE.

ECCAS has adopted several protocols with a view to eliminating tariff and non-tariff barriers and implementing additional programmes designed to improve trade such as harmonization of macroeconomic policy, infrastructure development in transport and communication. These have covered issues including trade liberalisation, trade facilitation, cooperation in transit and transit facilities, customs cooperation, compensation for revenue loss, freedom of movement, rights of establishment of regional citizens, and cooperation in various economic sectors. However, the implementation of these protocols and of a free trade area has been extremely slow, not least because ECASS was largely inactive during the 1990s because of enduring socio-political instability and conflict in the region. As a result, none of the objectives of ECCAS' trade liberalisation programme has so far been achieved.

Within the ECCAS region, however, CEMAC has made much more significant progress in trade liberalisation and regional integration. CEMAC operates a monetary zone for its member-countries at a fixed exchange rate originally pegged to the French franc and more recently to the Euro. It has maintained a functional free trade area since 2000. It has also been able to take other initiatives relevant to trade facilitation including the free movement of persons, the free movement of capital, and the harmonisation and coordination of macroeconomic and sector policies.

The major international land trade routes in the ECCAS/CEMAC area are the N'Djaména - Douala and the Bangui - Douala corridors, which link the port of Douala by road or a combination of rail and road to the landlocked Chad and Central African Republic. These corridors are the longest in the region and transverse a large number of checkpoints, causing delays which result in very high costs. The main barriers which need to be addressed therefore include:

- inadequate road and rail infrastructure along transport corridors;
- multiple check points along transit routes; and
- delays in port and customs clearance.

¹⁵⁰ World Bank, CEMAC Transport and Trade Facilitation Project Appraisal Report, http://doc.abhatoo.net.ma/doc/IMG/pdf/africa_region_transport.pdf

Compared with other regions of the Continent, Central Africa has limited basic infrastructure. Sectors in which the region lags behind the rest of the continent include roads, drinking water, sanitation and information and communication technologies. The Central African energy sector is also the least developed in the continent, while internet and broadband penetration are lower than in other African regions.

The World Bank and the African Development Bank are the main actors in the development of the ICT sector with the financing of the Central African Backbone (CAB). Recognition that the absence of necessary communication infrastructure has hindered regional integration prompted the Banks to undertake a feasibility study in 2007 of the potential for a Central African Backbone which could reduce the very high telecom costs in landlocked countries in central Africa, improve quality, route diversification and coverage of telecom services, and enable regional integration through Public-Private Partnership implementation.

The results of the study showed that there is strong potential for rolling out backbone infrastructure that will facilitate regional integration. The objective of the resulting Central African Backbone (CAB) plan is to provide cheap broadband connectivity in Central Africa to all capital cities, main secondary cities and establishing redundancy linkages in order to support ECCAS and CEMAC objective of economic integration. The CAB is estimated to cost about \$700 million to interconnect ECCAS member States and Sudan. The concept of the Backbone has also been endorsed by CEMAC Heads of State.

The World Bank financed the first phase in 2010 with the aim of providing connectivity as well as technical assistance to implement regional connectivity and promote further sector liberalization. In selected countries, the programme will support the deployment of selected e-Government applications and services making use of improved connectivity in order to increase government efficiency.

Phase I will cost US\$30 million and covers Cameroon, CAR and Chad to complement an existing 1000 km fiber-optic network already installed next to the regional oil pipeline. Phase 2 is expected to include other Central African countries and Nigeria, and could mobilise a further US\$130m in financing. When completed, the CAB should benefit 13 countries in Central Africa and provide the much needed broadband connectivity to facilitate regional integration.

Some member-countries of ECCAS have made some progress in modernising customs. Burundi, Cameroon, the Central African Republic, Chad, the Republic of the Congo, the Democratic Republic of Congo (DRC), Gabon, Equatorial Guinea, and São Tomé e Príncipe have adopted ASYCUDA systems, while Angola has implemented a national single window after engaging the UK-based trade consulting firm Crown Agents. Cameroon has been active in integrating the Port Community Systems to its ASYCUDA system and developed a national single window system known as Guichet Unique du Commerce Extérieur (GUCE).

This is a single window system that has been operational at the Port of Douala since 2004 as a joint association between government and private stakeholders. GUCE connects all the border agencies in Cameroon and serves as a platform for secure exchange of documents between banks, customs, operators, phytosanitary agencies and operators. It is one-stop shop for facilitating trade in ECCAS region, although it focuses mostly on goods clearance in Douala. The installation of GUCE has reduced the waiting time for clearance of goods: it is claimed that import time has been reduced from 20 days to 3 days.

Although the efficiency of clearance operation has improved, businesses continue to complain that the clearance time is high. The average clearance time inside the GUCE is five days for imports and three days for export, but that required to draw merchandise out of the port is much longer.

The government of Cameroon has been working towards an integrated paperless single window, with electronic payments in order to reduce clearance time further. The main challenges of attaining a fully functional electronic single window include inadequate coordination and collaboration and lack of willingness to share information among the stakeholders. The World Bank has been supporting the development of a paperless e-GUCE and training in change management. A full operation of e-GUCE is expected to reduce the clearance and transit delays at the port of Duala further, with positive benefits for the movement of goods across the ECCAS region, in particular through the Duala-Bangui and Duala-Ndjamena corridors. The e-GUCE will speed up port transactions, enhance security and reduce costs.

Opportunities and challenges

The ECCAS region faces considerable challenges in trade facilitation if it is to overcome the exceptionally low level of intra-regional trade and very high trade costs found within it. Massive investment will be required to bring transport infrastructure up to standard, where both road and rail are concerned, to improve the availability and capacity of energy provision, and to establish better communications networks. Border security and ongoing conflict remain severe problems that will make it difficult to improve trade levels and performance in the region (as they will in the IGAD region). The institutional capacity of the ECCAS secretariat needs to improve dramatically if it is to provide the mechanisms and leadership needed for trade facilitation and liberalisation, not least the application of ICTs to increase the flow of goods, people and financial resources across the region.

Despite lagging behind other regions in East, Southern and West Africa, Central Africa does have potential to integrate more effectively if it overcomes the geopolitical challenges. Some have even argued that it could become a favoured transit zone between the East, Southern, Northern and Western regions. The ECCAS region could also benefit from the progress in the eastern, southern and western African region in particular from the experiences of USAID funded trade hubs and the public and private partnership programmes for facilitating trade such as TradeMark East Africa and TradeMark South Africa. Some have argued that the region has a potential latecomer advantage in moving to the latest technologies such as integrated national single windows. The completion of the Central African Backbone will also increase information flow and automation at border posts that should enhance regional trade. ECCAS member States have shown interest in revitalising the Community through increased budgetary contributions and the adoption of fast track approach towards regional integration. It is expected that this initiative will give new impetus to ECCAS, but there are substantial barriers to overcome if it is to join the four more successful RECs in promoting regional trade and advancing wider economic and political integration.