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Hard and Soft Infrastructure Development in Africa

Implementing
the WTO Trade Facilitation Agreement in Africa
The Role of the AfDB

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Implementing the WTO Trade Facilitation Agreement in Africa
The Role of the AfDB

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1. Introduction

Development Finance Institutions' (DFIs') objectives are often multiple, and may include investing in sustainable private sector projects; maximising impacts on development; remaining financially viable in the long term; and mobilising private sector capital (Kingombe, 2011). For example, The AfDB's Ten Year Strategy (TYS)[2] for 2013-2022 has two strategic objectives: inclusive growth and the transition to green growth. Core priorities are regional integration, along with infrastructure development, private sector development, governance and accountability, and skills and technology (AfDB, 2013e).

The purpose of this paper is to provide a snapshot of Bank Group financed hard and soft infrastructure multinational operations (MOs) and Regional Operations (ROs) in Africa. From 2009 to 2013, the Bank has financed more than 70 MOs for a total of US$3.8 billion. This and other interventions have contributed to a significant increase in **intra-regional trade**, which more than doubled from US$47 billion in 2005 to US$108 billion in 2011.

After a decade of activity, the Bank's Independent Evaluation Department (OPEV) (2012a) undertook **the 2012 evaluation of the AfDB's MOs between 2000 and 2010**,[3] which provides a basis for the Bank's pending new Regional Integration Strategy (2014-2023), currently being finalized with expected approval by the Board of AfDB in the fall. The evaluation of the relevance and effectiveness of its strategic and operational framework in fostering regional integration through its MOs (2000-2010) found that the Bank has *"developed an increasingly coherent strategic and operational framework to guide its assistance towards regional integration"* and that MOs have *"responded to imperative needs"*. It also found that there has been a significant expansion of funding for "MOs" (from 6 – 15% from 2000 to 2010, and 21% in 2013, sic) and that the quality of these operations appeared to compare favourably with that for national operations (NOs).[4]

However, there exist **a range of future challenges**, not least the need to identify projects that contribute to regional integration (such as trade, transport and transit facilitation projects), which are not necessarily only multinational projects, as well as the need to pay more attention to the "soft infrastructure", the institutional framework and the supporting "regional public goods" and also to hard infrastructure projects.

The need to pay more careful attention to **the "soft" areas of regional integration**, such as institutional design, was further highlighted by the OPEV evaluation, which noted that: While the now previous RIS 2009-2012/13 has worked well in some areas, it had some gaps in others. Many of the RIS Outputs were not clearly defined in terms of indicators, targets and in assigning responsibility and accountability in implementing the RIS's objectives. **As a result insufficient progress was made on soft issues of integration**. In addition to this, the Bank did not dedicate enough capacity and internal resources to fulfil the mandate stated in the RIS.

The paper is organized as follows. Section 2 first presents some of the major trade and transport challenges in Africa and then discuss how to improve Trade and Transport Facilitation. Section 3 provides a selective portfolio review of the Bank's regional hard and soft infrastructure activities. Section 4 presents and discusses a number of soft infrastructure tools. Section 5 discusses briefly the implications

[2] The full document is available at http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-ocuments/AfDB%20Strategy%20for%202013%E2%80%932022%20-%20At%20the%20Center%20of%20Africa%E2%80%99s%20Transformation.pdf

[3] As the evaluation does not include single-country operations (the Bank's databases do not provide such information) that have contributed to regional integration, the overall contribution of the Bank to regional integration may be larger than indicated herein (AfDB, 2012a).

[4] The AfDB (2012a) summary report is based on Policy and Strategy Review; a Portfolio Review; a Quality-at-Entry Review; three case studies of MOs in the infrastructure sector in East Africa, Southern Africa and West Africa; and three Project Performance Evaluation Reviews (PPERs).

of the WTO Trade Facilitation Agreement for Africa and how it can be implemented. This is e.g. done by focusing on the on-going Nacala Development Corridor Project. Section 6 proposes a way forward.

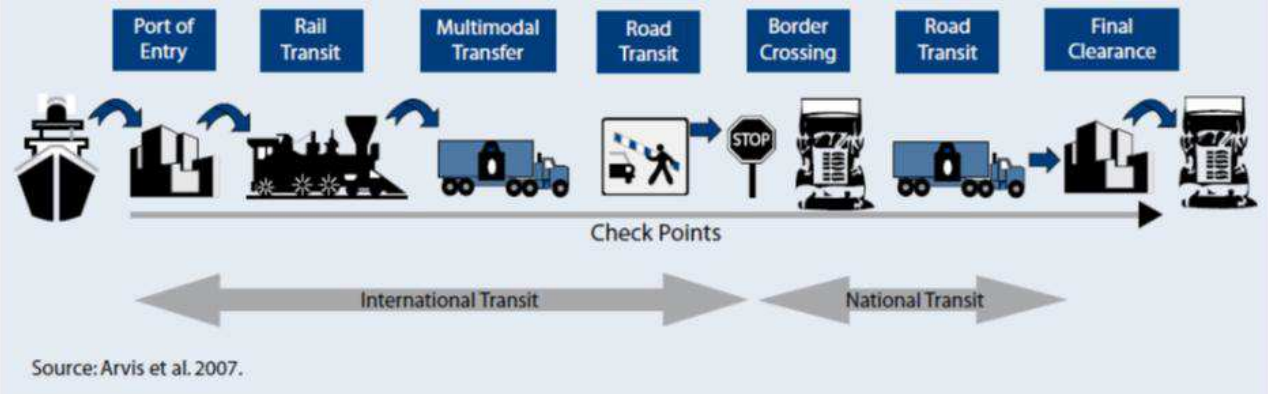
2. Transport in Africa

2.1. Trade and Transport Challenges in Africa

Studies show that **patterns of provision and management of trade logistics services** evolved fundamentally in the 1990s. Notably: global trade induced the development of global transport systems with global service providers operating global routes on one hand; while on the other hand merging of manufacturing and distribution activities and the growing geographical fragmentation of global production processes led to the development of supply chains servicing door-to-door transport solutions.

For Africa these trends pose **a critical challenge**: to ensure that their own trade supply capacity can take advantage of global transport systems available to their competitors. Essentially, this calls on Governments to adopt policy reforms and institutional strengthening that will allow their national and regional transport systems and institutions to keep efficient operative linkages to global trade logistics systems.

Figure 2.1: Basic Sequence for Transit Operations for Imports



Transport Logistics Supply Chain

To bring perspective to the issue of trade and transport facilitation challenges in Africa, the importance of the **availability of adequate, quality and efficient transport and logistics services** cannot be overemphasized. Transport logistics supply chains (Figure 2.1 above) come with transaction points, which attract all kinds of costs in Africa that, if left unregulated tend to get unwarrantedly high. The **cost of time** in transit compounded by **unnecessary delays** along the transit corridors equally frustrate and augment costs for the trader. Very high transaction costs will more likely than not, result in **uncompetitive export goods** for the trader and **unaffordable imports** for the local consumers.

Non-Tariff Barriers

According to the World Trade Organization (WTO) **a number of agreements** deal with various bureaucratic or legal issues that could involve hindrances to trade. Full market access in the context of a Free Trade Area (FTA) and a Customs Union (CU) entails the removal of import tariffs, quantitative restrictions and Non-Tariff Barriers (NTBs). This calls for redress of NTBs that the Regional Economic Communities (RECs) in Africa are faced with.

Transport costs in Africa are unjustifiably higher than in most parts of the world. Land locked countries are of particular concern with costs reported to be averaging 14% of the value of exports compared to 8.6% for all developing countries and higher still for countries, such as Malawi (56%), Chad (52%) and Rwanda (48%). There are wide-ranging NTBs that augment transport costs in Africa.

In a 2009 East African Community (EAC) research of the region's main markets and associated transport costs, results showed the following:

- Kenya's average **transportation cost for maize** decreased by 15 USD in the absence of NTBs;
- **The cost of NTBs applied on maize imports** into Kenya from Uganda and Tanzania was on average $0.09 per ton per kilometer;
- **The cost of beef trade NTBs** in Kenya was $0.17 per ton per kilometer (Table 2.1).

Table 2.1: Example of Transport costs with/without NTBs:

MAIZE	WITH NON TARIFF BARRIERS			WITHOUT NTBS	
	Distance (Km)	Transfer cost per km/maize ton (USD $)	Total Transfer cost (USD $)	Transfer cost per km/maize ton (USD $)	Total transfer cost (USD $)
Nairobi-Namanga	170	0.46	78	0.37	63
Nairobi-Busia	500	0.46	230	0.37	185
Busia-Kampala	250	0.44	110	0.29	73
Dar-Namanga	772	0.35	270	0.24	185
BEEF	**WITH NON TARIFF BARRIERS**			**WITHOUT NTBS**	
	Distance (Km)	Transfer cost per km/maize ton (USD $)	Total Transfer cost (USD $)	Transfer cost per km/maize ton (USD $)	Total transfer cost (USD $)
Nairobi-Namanga	170	0.34	57.8	0.17	28.9
Nairobi-Busia	500	0.34	170	0.17	85
Busia-Kampala	250	0.40	100	0.09	22.5
Dar-Namanga	772	0.43	331.96	0.20	154.4

Source: AfDB, 2011:6.

On-the-Border Challenges

The "soft" dimension of on-the-border trade and transport facilitation refers to the simplification and standardization of customs formalities and administrative procedures related to international trade. In a practical sense this is directly linked to national/regional facilities related to transit cargo or cross border trade. Typically these are facilities used and manpower needed during the **entry** and **exit procedures** at border posts. These include

- Goods inspection,
- Customs declaration forms,
- Warehousing/Storage,
- Security,
- Weighbridges and
- Police check points.

Border Post Delays

Delays at border posts come at a huge expense to the trader; largely through

- storage,
- the securing of goods while in transit, and
- the payment thereof accompanying fees.

Transparency – Trade & Transport Procedures and Documentation

In the case of **transit cargo at border posts**, the lack of transparency and consistency in border procedures and documentation is not only time consuming, confusing and costly, but more critically it breeds an environment conducive to corruption and bribery. These procedures include:

- Quality standards inspection and export certification;
- Weighbridge stations;
- Police roadblocks;
- Business registration and licencing;
- Immigration procedures and work permits;
- Customs procedures and fairness of treatment.

Beyond-the-border Challenges

Beyond-the-border trade and transport facilitation is directly linked to

- the business environment,
- the quality of infrastructure,
- transparency, and
- domestic regulations.

This includes **tangible infrastructure** namely, roads, ports, highways and telecommunications. It is widely known that adequate and quality infrastructure has a substantial impact on enhanced free flow of trade. **Africa's infrastructure deficit** in this context is:

- holding back per capita economic growth by 2 percentage points each year,
- reducing productivity levels by 40 percent.

Roads

In many parts of Africa the quality of roads is below international standards. Statistics show a mere 29.7% of road networks are paved.

Unwarranted Check Points/Road Blocks

Numerous African highways have **unwarranted road blocks along transit corridors**[5] causing: Further delays, unnecessary harassments and requests for bribes. Most police and customs officials taking advantage of unsuspecting and ignorant traders work in collaboration with other officials. This often leaves the trader in a bind and weakens their position.

Land Locked Countries

Africa is host to 16 of the 41 land locked countries in the world. Defined as countries without direct access to the oceans, Landlocked Developing Countries (LLDC) are generally among the poorest of the developing countries, with the weakest growth rates and records of social development.

The Cost of Transport for Land Locked Countries

Over an extended period of time, studies have shown that in comparison to coastal countries **landlocked countries are particularly challenged** in relation to connection to main markets for their imports and exports. For instance, in terms of **cost**, 1000 Km in land transport translates to 10000 Km of sea freight. The situation is compounded for landlocked countries, where distances exceeding 1000 km (from the coast) attracts additional costs ranging from 15% - 25%, compared to coastal countries.

2.2. Improving Trade and Transport Facilitation in Africa

Addressing the trade, transport and transit challenges identified above will require,

- in addition to removal of infrastructure bottlenecks,
- reforms in border and behind the border operations.

2.2.1. Promoting concerted customs reforms and modernization

Important areas where change is required (see section 5.2 below for further details) include:

(i) **Customs simplification and harmonization.** Harmonization of customs laws, regulations, procedures and documentation to comply with relevant international conventions and best practices such as the World Customs Organization (WCO) revised Kyoto Convention.

(ii) **Single Administrative Document for customs in the regions** to reduce the cost of moving goods across borders, through a single customs declaration made in the originating country.

(iii) **Electronic Data Interchange between customs administrations**. Different computerized customs management systems are used by different countries. Even when the same system is

[5] See e.g. data collected by US Aid financed Borderless Alliance and the DFID sponsored Trade Mark Southern Africa (TMSA)).

used they usually do not share customs data and information for both legal and technological reasons.

(iv) **Establishment of Single Windows within each country** in order to offer an integrated solution where information is submitted only once.

(v) **Regional Customs Bond Guarantee** in order to reduce or eliminate administrative / financial costs associated with nationally executed customs bond guarantees for transit traffic.

2.2.2. Developing and Enforcing Transport Facilitation

Transport procedures applied to goods and vehicles entering and exiting a country must be improved, including in the following areas:

(i) **Harmonization of Road User Charges for foreign vehicles.** At present, road user charges vary by country since there are different road financing agreements. This constitutes creation of a unified transport market and has an adverse impact on certain countries.

(ii) **Third Party Motor Vehicle Liability Insurance for cross-border transport**. Currently different countries have different systems, transporters and motorist are required to buy separate insurance coverage for each country they transverse. Additional costs relate to the time require to purchase the duplicate cover, increased paperwork, and the need for drivers to carry extra cash with associated risks.

(iii) **Enforcement and/or harmonization of Axle Load Limits.** The mutual recognition of axle road control certificates requires

a. well-managed weighbridge stations,
b. uniform axle road limits and
c. more robust national enforcement systems.

(iv) **Harmonization of Vehicle Dimensions Standards.** While the RECs have generally agreed on certain standards, laws have generally not been enacted to provide the legal basis for enforcement of these standards.

2.2.3. Strengthening and Developing One-Stop-Border-Posts

One-Stop-Border-Post (OSBP) projects involve the implementation of border control procedures of two neighboring countries in a single joint facility as opposed to separate processing by the two countries in their respective national territories. The term may also be understood in a broader sense, to encompass

i. the harmonization of procedures and documents,
ii. ICT-based automation, and
iii. facility development.

Implementation requires strong political support as well as bilateral and/or multilateral agreements and national enabling laws. Benefits include

- reduced transport costs,
- resulting in reduced costs for imports and exports, and
- increased competitiveness.

Other benefits may

- include the contribution to building trust between two countries like the OSBP between Nigeria and Cameroon at Ekok-Mfum border that is a major element of the peace consolidation between the two countries.

While there are many OSBPs under development in Africa (see case-study in section 5.2 below), the Chirundu border post on the North-South corridor at the Zambia-Zimbabwe border is Sub-Saharan Africa's first fully functioning OSBP.

2.2.4. Developing Logistics Services

Trade logistics are an integral part of trade movements. Trade logistics in the context of trade facilitation would include:

- warehousing,
- distribution,

- information management and global supply chain management to plan, implement, and control the efficient and cost effective flow and storage of raw materials,
- in-process inventory,
- finished goods and related information from point of origin to the point of consumption.

Thus,

i. Streamlining of logistics operating procedures,
ii. development of multi-modal logistics and
iii. adaptation of logistics application software

are priority interventions (AfDB, 2011).

In other words, hard and soft infrastructure developments are embedded in one another and need to be treated simultaneously in any infrastructure project design to achieve optimal development impact.

2.2.5. Tripartite REC Main Trade Facilitation Instruments/Programs

SADC

The SADC Protocol on Trade provides the legal framework required to implement the measures under the TFA. SADC has in place a growing body of trade facilitation instruments including:

(i) Adoption of **SADC Model Customs Act** and SADC Single Administrative Document
(ii) Adoption of a **common customs valuation system** based on the WTO Valuation Agreement
(iii) Application of a **harmonized HS Coding System** – WCO's Harmonized System (HS 2007)
(iv) SADC **Transit Customs Bond Guarantee**: customs transit regime designed to facilitate the movement of goods in transit.
(v) SADC **Integrity Plan** to fight corruption
(vi) introduction of **modern Customs IT systems**-UNCTAD's ASYCUDA.
(vii) **Harmonization of Road User Charges** for foreign vehicles
(viii) **Third Party Motor Vehicle Liability Insurance** for cross-border transport
(ix) Harmonization and enforcement of **Axle Load Limit**
(x) **Harmonization of standards** for the transportation of abnormal, awkward and hazardous loads
(xi) Draft Guidelines for Integrated Border Management (AfDB, 2011).

COMESA

(i) **Common Valuation System:** Introduction of standardised system of valuation of goods based on international standards.
(ii) Adoption of **COMESA Customs Declaration Document (COMESA-CD)** as single goods declaration document
(iii) **Regional Customs Transit Guarantee Scheme (RCTGS):** customs transit regime designed to facilitate the movement of goods in transit in the COMESA region
(iv) COMESA Single Window
(v) Harmonised Road Transit Charges System
(vi) **Advance Cargo Information System (ACIS)**: integrated transport logistics management tool for tracking transport equipment and cargo.
(vii) **The Regional Motor Vehicle Third-Party Liability Insurance Scheme:** provides a guarantee for road accident victims and compensation for damage.
(viii) **COMESA Carrier License**: It allows commercial goods vehicles to operate in all member states with a single license valid throughout the region.

EAC

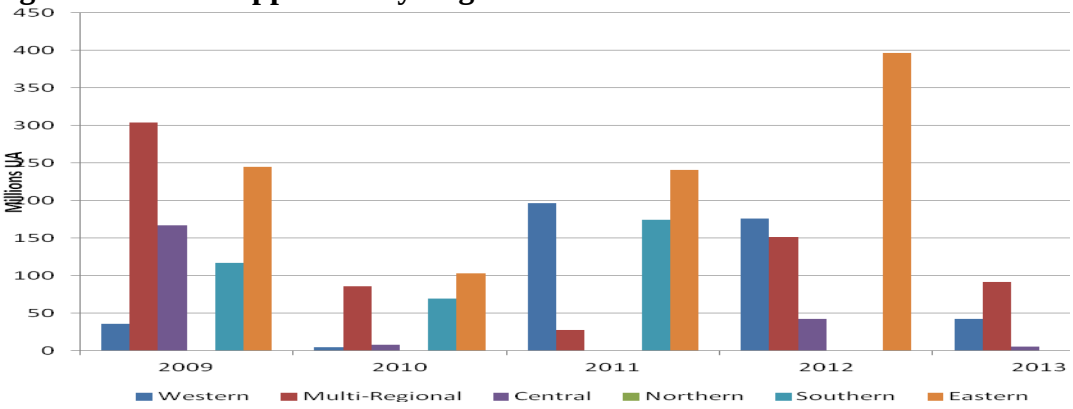
(i) **legal and regulatory instruments** to promote regional harmonization
(ii) EAC **Customs Management Act** (CMA)
(iii) EAC **Customs Management Regulations**
(iv) Adoption of the **Customs Valuation Agreement**
(v) introduction of **modern Customs IT systems – UNCTAD's ASYCUDA**
(vi) EAC **Single Window**

(vii) **Transit transport facilitation** of
   a. Northern Corridor Transit Transportation Coordination Authority (NCTTCA) and
   b. Central Corridor Transit Transport Facilitation Agency (TTFA) (ibid.).

3. Bank Project Portfolio in support of regional integration

Total approvals for MO or RO amounted to UA 956.2 million (over 25 percent of total investment and including UA 812.0 million for loans and grants, UA 133.6 million for private equity and UA 10.6 million for special funds in 2012, with a sizeable private sector component (14 percent). The loan and grant component saw a 10.4 percent increase between 2011 and 2012. Among low income RMCs, the demand for MO projects exceeds the resources available under the African Development Fund (ADF). Nevertheless, a substantial amount of ADF-XIII resources was allocated to MO projects, amounting to UA 683.1 million (UA 310.8 million in grants and UA 372.3 million in loans) (AfDB, 2013e).

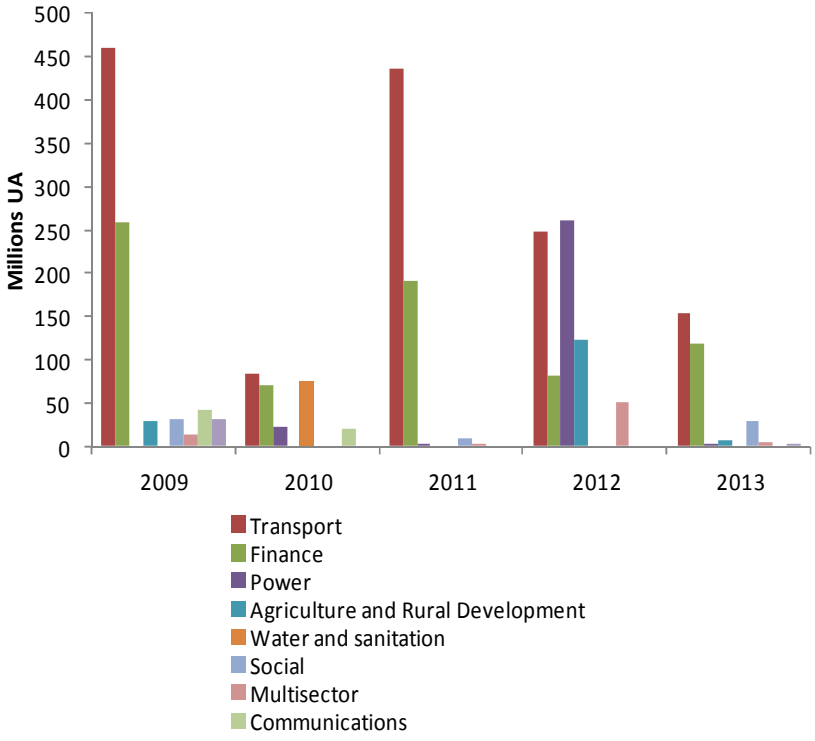
Figure 3.1: Total Approvals by Region



Source: Kingombe and Hodkinson. 2013.

Regional integration is a central pillar of the Bank's TYS and as such, over the last five years the AfDB has undertaken a total of 70 regional projects, with a combined value of UA 2.9 billion (USD 4.5 billion). Nonetheless, while this is a considerable sum, it remains less than 10% of the Bank's total operations portfolio over the same period, holding roughly constant year on year.

Figure 3.2: Total Approvals by Sector



Source: Kingombe and Hodkinson. 2013.

3.1. Transport Infrastructure

Transport is an important sector for the AfDB. There is some sectoral variation in the Bank's ROs portfolio, however the transport sector dominates, reflecting the Bank's comparative advantage in transport provision and the central role transport plays in connecting regions. Between 2000 and 2011, the AfDB commitments to the transport sector increased by more than six times, from UA 150 million to approximately UA 1 billion. Today transport projects comprise almost 50% of the Bank's ROs, whereas they only comprise 17% of the Bank's total project portfolio, second only to energy projects which comprise quarter (25%) of the Bank's total portfolio by value. Half of the projects approved in the transport sector were for regional infrastructure. In 2012 the Bank approved the **Lome-Cinkanse-Ouagadougou CU9 Corridor**, a major transport link forming part of the priority highways of the West African Economic and Monetary Union (WAEMU) (AfDB, 2013e). Given that most transport projects are public in nature, this results in a dominance of public projects over private projects in the Bank's ROs, with the latter representing less than 30%. **Figure 3.2** above gives an overview of the value of the Bank's RO project portfolio, by sector and year.

Moreover, the Bank has commissioned **an independent review of two multinational corridor projects**. These included the Central Corridor (CC) connecting Dar es Salaam with Kigali and Eastern DRC and the BOAT corridor connecting Bamako, Ouagadougou, Accra and Tema port.

Box 3.1 Mali-Senegal Road Project: An award-winning infrastructure project

In 2011 the Bank received an award from the US Treasury for its **Mali-Senegal road project**, which was recognised for *"exceptional impact, best practice and innovation"*. In collaboration with the European Union, Germany, Japan, the Islamic Development Bank and the West African Development Bank, this $320 million project built almost 400 km of road and three major bridges. The route between Bamako and Dakar was shortened by some 200 km, while **illicit fees and charges were reduced considerably**. The project also provided local communities with various infrastructure improvements, including boreholes, animal rest areas, health clinics and schools. These associated investments had a major impact on the rural population of the area. Before the project, women walked an average of 5 km to fetch drinking water; after the project, the average walking distance dropped to 1 km.

Source: AfDB, 2012f:23.

Along the CC, the AfDB's role was to provide technical support to the EAC alongside a wider World Bank Group project that upgraded physical infrastructure. Core goals of the AfDB were the **establishment of a transit transportation facilitation agency**, an EAC customs union and wider transport facilitation measures, including an IT tracking system. The Bank's engagement with the programme was strongly aligned with the Bank's respective Country Strategy Papers (CSPs) and these together with the Bank's Regional Integration Strategy Papers (RISPs) did identify the key obstacles and challenges of the region and how the project hoped to address these. One of these challenges identified included the divergent views on regional integration among the member countries of the EAC with which the Bank intended to work. Nonetheless, it was found that the Bank fully exploited its competitive advantage in engaging with the relevant actors and in facilitating the project.

On the projects core goals, it was found that transit times were reduced along the Dar – Kigali route and the Dar – DRC routes, as well as an overall reduction in transit costs. There was also a reduction in roadblocks along both routes. While all of these have strong inclusive growth impacts, it remains hard to attribute these outcomes directly to the Bank's intervention given the lack of a baseline study, many actors in the project and the developments taking place against the wider backdrop of strong economic growth in the region. The Bank's facilitation roles also involved workshops, knowledge-sharing and information sessions on best practice in the creation the CC – TFA (transport facilitation agency). There were a number of key findings. There were insufficient measures taken to guarantee the

sustainability to the CC-TFA, and the shortage of staff and lack of a long term advisor to ensure efficient set-up and collaboration hampered the delivery of outcomes, as staff based in Tunis were too removed to actively engage the day to day necessities. The inappropriate timespan resulted in inadequate time to effectively set up a strategy for the organization. Alongside this, the IT system proved too complex and ambitious for the expertise that was available.

In the case of the BOAT corridor, the Bank's involvement was more focused on the provisions of physical infrastructure connecting the region. The objective was to connect the WAEMU and ECOWAS hinterland with sea access in Ghana. This involved surfacing roads, **building juxtaposed checkpoints and weighbridges to speed up border crossings**, a cargo information system, technical assistance to WAEMU and institutional mechanism for regional trade facilitation. Key indicators were the provision of 1000 km of roads, 2 checkpoints, production of a single customs booklet and the hiring 2 WAEMU staff.

It was found that generally outcomes related to the Bank's lending operations were effective in delivering on many of the goals, and there was improved access to markets along the route, increased trade and a decline in vehicle costs. The Bank played an important role as an honest broker in facilitating the deal among the RECs. However, there were a number of ambiguous and negative outcomes. It was unclear what impact there was on **the cost of trade**, and there was a potential increase in **invisible costs / NBT's** along the route - at the least they were not eradicated. **Time spent** processing at the Tema port was not decreased.

It was found that **the Bank's non-lending involvement** was not exploited to its full potential. Tema port was not operating efficiently and in a commercially viable manner and as such many trucks from the hinterland preferred to travel along routes to Abidjan port. This in part resulted from the francophone similarities in Cote d'Ivoire in which individuals from Mali and Burkina Faso felt more comfortable, the common currency, as well as the perception among them that Ghanaian officials were unfairly targeting, inspecting and selectively enforcing rules against these drivers.

3.2. Promoting the development of regional legal and regulatory frameworks

The range of administrative and regulatory rules and procedures, that create bottlenecks and may prevent infrastructure initiatives from achieving their development outcomes, is wide and varied. Under the Bank's previous Medium Term Strategy (MTS) and now under the new TYS 2013-22, **governance** is considered a high priority. In practice, the Bank's work in the governance area is focused on economic and financial governance. **Institutional strengthening** is one of the main ways in which the Bank aims to support governance in RMCs and RECs.

Between 2008 and 2011 the Bank channeled more than 22% of its resources to **governance operations**, designed to strengthen the capacity and capability of state institutions. This was above the target of the MTS, and investments in governance are set to continue in the coming years. **Improving governance and accountability** will underpin the Bank's country and regional strategies. The recent client assessment indicated that the Bank has an important role in this area, especially in helping RMCs **build capacity in government agencies** and in other institutions of voice and accountability (AfDB, 2013j).

As a Pan-African institution with credibility across the continent, the Bank supports **African initiatives for monitoring transparency and good governance**, as well as greater involvement in the African Peer Review Mechanism. The Bank's new Governance Framework[6] articulates how it will support Africa's efforts to improve governance and use resources for inclusive development (Op.cit., p.18).

[6] Governance operational framework and action plan: (2014 – 2018). Promoting Good Governance and Accountability for Africa's Transformation.

The public sector accounts for almost all the MO approvals. Public sector MOs are mostly in transport, corresponding to **cross-border roads or capacity building/trade facilitation programmes**.[7] The ADF envelop dedicated to ROs has helped the Bank devote more resources to public sector MOs. **Multisector operations** are generally developed to provide institutional support, -e.g., capacity building for public institutes, government agencies, national statistical offices – to a large number of countries simultaneously (AfDB, 2012a).[8]

Governance Strategic Direction and Action Plan, 2008-2012 (hereafter referred to as GAP I), provided the overall direction for the Bank's strategic work in governance. The strategic orientation of the Bank's governance work in its RMCs over the past five years has been guided by GAP I. Using a combination of programme based operations (PBOs), institutional support projects (ISPs) and technical assistance, as well as analytical and advisory services, the Bank has emphasized economic and financial governance. GAP I focused on Public Financial Management (PFM) and Business Enabling Environment (BEE), addressing the issues at three levels – country, sector and regional. **The vision of the new 2014-2018 GAP II** is that of Africa governed by transparent, accountable and responsive governments and institutions capable of driving inclusive and sustainable growth. Through the new GAP II the Bank will deepen the interventions undertaken under GAP I including in **regional integration** (AfDB, 2014c).

3.2.1. AfDB's role in supporting trade & transport facilitation reforms across Africa

The AfDB has been a strong supporter of trade and transport facilitation reforms and capacity building, which it considers critical to fostering efficient (intra-regional) trade and integrating Africa into regional and global trading systems.

The Bank's approach is built around its focus on addressing the "soft infrastructure aspects" of regional transport infrastructure such as roads, ports, border post and airports which underlies part of the WTO's Trade Facilitation Agreement (TFA) in-so-far as it relates to **freedom of transit and clearance of goods** by customs (see section 5.1 below). In 2013 alone, the AfDB approved infrastructure operations worth US$ 3,113 billion. Over half of this was for transport infrastructure projects across Africa (see section 3.1).

The Bank has also been major financier of regional transport corridors which it considers key to facilitating regional integration and trade. This includes improving road and rail infrastructure that serve ports as a means to access regional and global markets efficiently.

Part of **the Bank's emerging approach** has been to conduct ex-ante studies assessing the trade and transport facilitation needs of regional transport projects, for example, the Senegal-Gambia OSBP study or the feasibility study, detail design and development of a legal framework for operation of two OSBPs along the NACALA Corridor, one between Zambia and Malawi, and the other between Malawi and Mozambique through a NEPAD-IPPF provided Grant of USD 361,229 to the SADC Secretariat (see sections 4.2 and 5.2).

In some cases **the assessment of trade facilitation issues** are articulated and addressed during the implementation of the project. For example, the Bank is co-financing Kazungula Bridge Project to link Botswana and Zambia, and potentially also Namibia and Zimbabwe. Construction of the bridge is underway and is expected to take five years to complete. The project will include construction and equipping of an OSBP, as well as technical assistance for implementation of trade facilitation procedures aimed at

- reducing border transit time, costs, and
- improving border management operations.

[7] **Private sector operations** account for the remaining, consisting mostly of finance operations such as lines of credit, private equity funds, guarantees and other instruments for financial institutions such as the BOAD.
[8] During 2000-2004 the Bank approved 7 MO multi-sector operations, whereas during the period 2005-2010 the Bank only approved 2 MO multi-sector operations (AfDB, 2012a).

The development of trade facilitation measures in this project will have to now take into account the provisions of the WTO TFA as part of the commitments of Botswana and Zambia under the new Agreement.

3.3. AfDB's Intervention and Results for the Last Decade

A recent AfDB (2013c) in-depth assessment of the Bank's assistance at country and regional levels, including 6 regional/development corridors,[9] was designed to answer four main (Evaluation) questions, which include:

(i) how relevant the Bank's transport-related policies are to the Bank's ability to respond consistently to the needs of recipient countries and other clients (**relevance**),
(ii) whether the Bank's assistance is efficiently delivered or not (**efficiency**),
(iii) what the contribution of the Bank is to the transport sector of RMCs (**effectiveness**), and
(iv) to what extent the Bank's assistance in transport has contributed to sustainable results (**sustainability**).

The Bank issued **its transport policy in 1993**. The policy covers all transport sub-sectors and provides a comprehensive set of principles for country proposals to be eligible for loans from the Bank. However, the policy was not utilized as guidelines for identifying and approving transport projects. OITC (Transport and ICT) Department is in the process of developing **a new transport policy and strategy** (including urban transport strategy) with a related Action Plan. It will need to address **the new frontier for transport sector policy development** in Africa, which encompasses major issues such as:

- regional transport facilitation,
- integrated approach of improving the logistic chains,
- road haulage market regulation,
- railways competitiveness, and
- governance in building and managing transport infrastructures and services (AfDB, 2013a).

Some of the **major findings** of the study include:

- **Finding 1: Bank's assistance contributed to mobility and accessibility but too often not to the expected level:**
  - Regional corridor projects are facing such diverse and unexpected stumbling blocks that achieving the ambitious outcomes set to Bank's assistance is yet out of reach. Having them all in line towards the same developmental goal is hypothesized as the natural order – but is not. Results are proportionate to RMCs' commitment to the project and regional integration at large: promising for Central and Eastern Africa and less so for West Africa. However, the evolution between Bank's assistance to BOAT and Central corridor is a good illustration of a learning-by-doing process.
  - **Combination of infrastructure and institutional development is not yet the rule**. Between 2001 and 2011, only 36% of the 129 transport sector projects included **a capacity building component**. The limiting factor of these Bank's projects is the lack of strategic plan aiming at maximizing their contribution to: the local economy and upper level outcomes such as regional integration.

- **Finding 2: The 1993 Transport policy did not channel Bank assistance towards a forward looking vision of Africa's transports:**
  - Bank's assistance to RMCs (and RECs) did not refer to a given transport sector policy, or a shared understanding of guiding principles (theory of

[9] Rwanda-Burundi, Mali-Burkina Faso- Ghana (BOAT corridor), Tanzania-Rwanda (Central corridor), Burkina-Niger, Cameroon-Chad, Swaziland-South Arica.

change, policy framework). CSPs and PARs alike did not relay the 1993 transport policy.

- **A transport sector policy and regularly updated Action plans covering all modes of transport are now lacking** to reinforce operational synergies between RISPs and CSPs, and for enhancing the Bank's leadership in the transport sector. Some areas where AfDB could focus more attention are: the introduction of performance-based contracting: ensuring there is sufficient competition when tendering: translating sound strategies into action plans and implementing them, and advocating member states to encourage greater private sector opportunities.

- **Finding 3: Policy Dialogue but also other non-lending activities were not mobilized to the extent to contribute significantly to sustainably achieving Bank assistance objectives.**
  - Bank's assistance to the transport sector was **insufficiently utilized for building a potentially fruitful policy dialogue.** Its contribution to transport sector development through non-lending activities was marginalized by the project management culture. Only with regional corridor projects (the relatively recent ones) was the Bank strongly engaged in Economic Sector Work (ESW) and policy dialogue.
  - **Weaknesses are apparent in skills internally available in the Bank** for transport sector policy and dialogue, as well as on institutional development. Hiring consultants stayed a marginal practice.
  - **Non-lending activities such as policy dialogue** itself but also ESWs that can feed it and technical assistance that can accompany it were associated to lending activity only in the most recent regional initiatives. Field Offices proved instrumental in the respect. Decentralization contributed to encourage entering into non-lending activities.

- **Finding 4: Albeit encouraging recent trend, improved Quality at Entry will be key for enhancing Bank assistance performance – notably for achieving ambitious results.**
  - **Quality at Entry concerns** are impacting delays and cost overruns and specifically the quality of the engineering design proved often to be a major issue during project implementation.
  - **Market failure in the public works industry** in Africa acted as a multiplying factor – and forbids price decrease.
  - **The conception process of Bank assistance** is still heavily biased by formalism at the cost of enhanced quality at entry. The range of assessments at design stage is narrow and often lacks the necessary depth.
  - **The time and budget availed for appraisal missions** are a well-acknowledged limiting factor.
  - **The skills' mix of appraisal mission** does not reflect the needed integrated approach and combination of lending and non-lending activities.
  - **Combination of infrastructure and institutional development** is far from being the rule in Bank's assistance, with at best minimal resources left for tackling huge and persistent challenges that affect effectiveness and sustainability. There is a scope for further improvement in facilitating drivers for change in appraisal. The contribution of supporting reforms champions, enlarging demand for governance, and caring about inclusively elaborated institutional stretches on the path to reforming sector governance is increasingly valuated by donors.
  - Institutional shortcomings of the executing agencies are generally vastly underestimated in PARs. More generally, **analysis of assumptions and risks** was routinely conducted, not providing the expected back-up for maximizing the potential benefits of positive changes and mitigating the effects on achieving projects' objectives for negative ones.

- **Strategic adjustments during projects' implementation were insufficiently backed by ESWs** to ensure that changes will provide the best value for money of Bank's assistance.
- The predominant **skills mix utilized** by the Bank for appraisal is not fully compatible with the increasingly complex environment on which Bank assistance intends to impact on (AfDB, 2013a).

- **Finding 5: The potential of Result-based Monitoring and evaluations in improving Bank assistance's performance was not utilized.**
  - **M&E systems**, internal to the Bank and run by RMCs, did not monitor the achievement of expected outcomes; they did not provide baselines too.
  - **They are restrained to activity-based monitoring** fed by supervision on one hand, and administrative statistics on the other hand.
  - **Bank's staff capacity is still too weak** regarding result-based monitoring guiding principles (understanding of the chain of effects) and practice (designing indicators and monitoring and evaluation systems).

Furthermore, **OPEV has recently completed another evaluation on the Bank's work to support institutional strengthening in the (economic and financial) governance area, which are specifically designed to support RMC or REC institutions.**[10] This was the focus identified in the Bank's 2008-12 Governance Strategy and Action Plan (GAP-I). The OPEV evaluation covers the period 2002-2012 and focuses on **institutional strengthening projects (ISPs)**,[11] which are the main tool the Bank uses to help strengthen governance institutions or capacity building with a view to improving performance of key institutions crucial to the governance sector (AfDB/OPEV, 2012i). This evaluation also addresses four overarching questions relating to:

(i) what the Bank is doing;
(ii) how it is designing and managing its interventions;
(iii) what results it is achieving; and
(iv) what factors hinder or enable good results.

Taken together, these questions cover the above mentioned standard evaluation criteria – relevance, efficiency, effectiveness, sustainability. Four main methodological components were used including four case studies of which the last is focusing on the **Bank's institutional support to COMESA and ECCAS.** The evaluation finds investments have not markedly increased over the period, but that different instruments have helped direct funds to Bank priority areas.

AfDB/OPEV(2012i) examines **what the Bank is doing through stand-alone projects**, which can be funded through a range of instruments, to support institutions in the area of governance, from three perspectives: (i) the type of support and the funding involved; (ii) the funding channels used and where and how funds have been deployed; and (iii) the relevance to the Bank's own and to RMC priorities. The Bank has maintained an approach in which it can combine TA with training and purchase of equipment. This combination is recognized to be useful by beneficiaries, who report negative experiences in dealing with stand-alone technical assistance, without the tools or support to follow it up.

[10] The OPEV (2012i) evaluation was based upon a database, which included 115 evaluations extracted from evaluation databases and websites of both bilateral and multilateral organisations since 2002, of which 61 evaluations were retained. Of the 61 evaluations, 45 were categorized as either high or medium relevance. Although those categorized as low relevance still had some bearing, more time was allocated to reviewing documents considered of higher relevance.

[11] Though not all of them are coded as such in the Bank's data system. However, no single code captures all the relevant project data. OPEV(2012i) there had to construct a new database by triangulating information extracted from the Bank's information systems, from databases held by specific departments (OSGE, OPSM, OSFU) and the Bank's document repository. The database contained a total of 170 projects **composed of one or more of technical assistance, studies, equipment and software and training** with a total approval value of UA 444.3 million.

In both **the Paris Declaration and Accra Agenda for Action** emphasis was placed on capacity development and harmonization, explicitly including the need for donors to increase coordination in the area of state capacity building.[i] The Bank has increased the share of its technical assistance, which is coordinated with countries, according to monitoring data for the Paris Declaration.[ii] However, its involvement in the increasing number of pooled arrangements that exist– either for capacity development in general or for specific areas like public financial management (PFM) or public sector reform (PSR) - remains low.

Although rarely pooling its funds, **there is evidence that the Bank is working to coordinate its institutional support with others'** particularly through information sharing and gap filling. This is important as the governance field involves numerous actors – both in terms of institutions involved and the external partners (AfDB/OPEV, 2012i).

Overall, the Bank's commitment to support institutional strengthening in the crucial area of governance is relevant to its own and to RMCs' strategic priorities. All parties confirm the capacity challenge is important to tackle in general, and also specifically in the governance area. The prioritization of capacity comes not only from the Bank but from RMCs and other stakeholders. The OPEV evaluation finds that in general, the Bank is set up for **large infrastructure projects** and that there is room for differentiation in how **smaller and "softer" interventions like ISPs** are designed and implemented, and the skills and guidance needed to maximize their success. Of the eight projects included in the case studies carried out by AfDB/OPEV(2012i), one included an organizational assessment as part of the project (ECCAS).

Inconsistency in the level of objectives for ISPs makes it difficult to track and to aggregate results for institutional support. Comparative analysis of the stated goals and objectives for projects at design stage illustrates inconsistency in the level of ambition and the extent to which institutional capacity and performance are considered (table 3.2). The Bank's design, appraisal and quality assurance processes are not designed for ISPs, which are smaller and need to be more flexible than traditional infrastructure projects.

Other dimensions of organizational capacity are often more difficult to support. Organization structure can be highly politicized, allowing inefficient or ineffective structures to be maintained. The ECCAS case highlights the challenges in addressing the structural dimension. Similarly, dimensions like organizational value and style of leadership, cannot be imposed from outside. However, some agencies have sought also to support these areas, including through development of leadership skills and strategy, which can be done through specialized training and technical assistance (AfDB/OPEV, 2012i).

In terms of organizational performance, the evidence from the case studies suggests that the Bank's support to develop institutional capacity has played a contributing but not isolated role. The evaluation collected evidence on organizational performance through discussion with key informants and also by verifying improvements in supported organizations' delivery (e.g. production of required accounts, reports, etc.). However, in only one case did institutional performance not improve despite enhanced individual and organizational capacity. Support to ECCAS, which contributed to partially enhanced capacity, did not lead to improvement in performance due to the context in which the organization and staff operate (AfDB/OPEV, 2012i). Operations aimed at developing capacity building and institutional development have been relatively less successful, with some exceptions such as the Common Market for Eastern and Southern Africa's (COMESA's) Public Procurement Reform and Capacity Building Project (AfDB/OPEV, 2012a).

Table 3.2: Factors which are identified as influencing results in the full set of 61 evaluations

Tier 1: (Over 60%)	• Understanding the context • Country ownership and leadership • The realism of the time period • Clarity of objectives but flexibility in implementation • Appropriate monitoring and evaluation

Tier 2: (More than 45%)	• Quality of needs assessment (a sub-set category of understanding of context) • Existing partner capacity • Demand rather than supply driven support • Understanding that technical cooperation or training do not automatically lead to capacity development.
Tier 3: (Between one third and 45%)	• Aligning to partner programmes and priorities • Strong coordination with country partners or other development partners • Political buy-in.

Source: AfDB, 2012i:5f.

A number of consistent lessons emerged from this OPEV review of the evaluation of ISPs. Five lessons in particular were strongly evident across the majority (over 60%) of the 61 evaluations included. These are lessons, which underscore the importance of:

i. Understanding the context;[12]
ii. Country ownership and leadership;[13]
iii. The realism of the time period;
iv. Clarity of objectives alongside flexibility in implementation;
v. Good monitoring and evaluation (see Table.3.2; AfDB/OPEV, 2012i).

4. Institutions as "soft infrastructure"

4.1. Trade Facilitation

There is a broad and a narrow **definition of trade facilitation**.

- In **a *narrow* sense**, trade facilitation is focused on reducing the costs and uncertainty of transporting goods across national borders, including the documentation needed to do so.
- **The *broad* definition** includes an improvement of the commercial and policy environment in which transactions occur, including but not limited to (see also section 2.1 above):
    - the harmonization and simplification of customs procedures,
    - greater transparency of regulations and procedures,
    - usage of information and communication technologies (ICTs), and
    - reforms and coordination of the agencies that implement trade facilitation matters.

Trade and Transport Facilitation is a key cross-cutting element of the AfDB's new Regional Integration Strategy (2014-2023). The AfDB has a comprehensive portfolio of **trade and transport facilitation (TTF) projects** (see Annexes 1, 2 and 4). Selected examples include:

- Kazungula Bridge Project (connecting Zambia-Botswana with a focus on OSBP construction & operationalisation);
- Nacala Road Corridor (including IPPF feasibility studies on possible construction of OSBP at Malawi/Zambia & Malawi/Mozambique borders) (see section 5.2 below);
- Arusha-Namanga-Athi River Corridor (with a focus on OSBP operationalization enhancing knowledge in modern customs practices and revision of the Customs Management Act etc.);
- Lomé-Ouagadougou corridor road rehabilitation and transport project;
- Trans-Gambia Road Bridge and Cross-Border Improvement Project (with a Study on OSBP design);
- Doussala (Gabon) - Doumblise Road project;
- Kribi-Campo Road Project;
- Congo-Cameroon Road Project etc.

The AfDB's TTF activities constitute the *"Soft" infrastructure*, which is critical to complement the Bank's investments in the *"Hard" infrastructure*. The AfDB's revised Trade and Transport Facilitation

[12] Poor needs assessment is discussed in the AfDB (2012i) evaluation under understanding the context.
[13] Coordination is discussed in the AfDB (2012i) evaluation under ownership and leadership.

Framework (TTFF) (2014 forthcoming) provides an approach to mainstream and link trade and transport priorities within the Bank's regional & country operations.[14]

An increasing number of developing countries are now fully integrated in global trade and take part in global and regional supply chains. Thus, excessive times spent at border crossings have become even more crucial than before. Developing countries that **facilitate trade create a competitive advantage** that could result, for instance, in an increase of foreign direct investment (FDI) in export oriented production sectors. The use of new technologies has opened windows of opportunity for trade and transport facilitation: Customs automation has helped eliminating cumbersome manual procedures.[15] For instance, thanks to specific software and modern equipment, new management approaches such as risk management and post clearance audits have been improved. Government agencies are indeed in a better position to address security concerns without hindering trade, although revenue is still a priority for most governments in Africa.

In the last decades, many tariffs have decreased. **Transactions costs**, including logistics and procedural ones, and NTBs are now in many cases more determinant than Customs duties and taxes. Thus, **facilitating import, export and transit procedures** appear nowadays as a genuinely effective way to ease integration into global trade.

Experience has shown **the importance of planning, and mobilizing the necessary resources** to carry out comprehensive trade facilitation reforms. It is recognized that despite the high level of involvement of donors in Africa there are still a vast need for capacity building and technical assistance for the implementation of the more than 40 TF measures within the WTO (see Annex 3).[16] It is therefore imperative that trade facilitation efforts are aligned with national priorities and regional programmes. National Trade Facilitation committees (NTFC) therefore play a crucial role, through which all relevant governmental bodies and representatives of the private sector actors could be actively engaged (UNCTAD, 2013b).[17]

The reason being that **trade facilitation consists of a cross-cutting, continuously process improving and fine tuning approach.** As import, export and transit formalities are determined by many different public and private actors, the design and implementation of reforms streamlining these procedures need to be inclusive. This is where and why these NTFCs can play a decisive role as argued by UNCTAD.

Established trends in global trade make trade facilitation a must and **NTFCs are suitable instruments to implement national trade facilitation reforms.** Hence, one could assume that every country has a working NTFC (cf. Article 13: institutional arrangements of the WTO TFA). Well, experience shows that this is not always the case. Data from UNCTAD suggests that while in some countries, there is no NTFC at all, in other cases, existing ones do not function properly.

What challenges do they face, in general? Analysis shows that NTFCs, when they fail, do so for three main reasons:

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[14] **Behind the Border** the AfDB c*ollaborates with national institutions and RECs to address human capacity and institutional weaknesses; and support elimination of NTBs along transport & transit corridors.* **At the Border** the AfDB addresses: Operational issues: support documentation and process harmonization; Legal issues (e.g. pushes for agreements/protocols); and Weak Border Infrastructure (e.g. One Stop Border Posts & IBM). **After the Border** the AfDB addresses: Public policy issues (e.g. sudden shift in tariffs); NTMs; Political & Commercial Risks (e.g. support for strengthening of RECs and DSU mechanism). For further details see AfDB. 2014. Trade and Transport Facilitation Framework: Approach Paper. Revised edition.

[15] The most widespread system is ASYCUDA, developed and implemented by UNCTAD since 1981 in more than 90 countries and territories (UNCTAD, 2008).

[16] In 1996, trade facilitation enters the agenda of WTO to later be included in the Doha Round in 2001. By 2004, it was formally part of the negotiations within the WTO.

[17] In 1974 first, UNECE WP4 and then in 2001, the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) recommended governments to create **national trade facilitation committees** including representatives from both public and private sectors.

(1) lack of a clear mandate, work programme and/or proper budget;[18]
(2) inappropriate composition or
(3) lack of leadership.

Notwithstanding those challenges, **the participation of the private sector is essential** for identifying needs and priorities of the reforms, helping designing solutions and new procedures to overcome inefficiencies and assist the government agencies in the implementation of administrative reforms. Trade Facilitation means a more effective administration that, with less interference and more effective controls, will be able to better fulfil its duties to protect society in the interest of the greater number. Trade facilitation means also more competitive private trading communities, which should be able to access regional markets through efficient transport and trade support services, on equal footing with their competitors. For this to happen for the benefit of both, **traders and governments**, their constant cooperation in collaborative platforms such as NTFCs remains highly important. In sum, trust between public and private sector representatives is a key to the success of the NTFCs.

4.2. One-Stop Border Posts and Single Window Border Management

This sub-section will briefly address the following questions:

- What lessons can be learnt from African experiences regarding integrated border management and inter-agency cooperation?
- What is necessary to facilitate effective inter-agency cooperation in border management (domestic policy, legal and institutional matters)?

Integrated border management currently enjoys strong focus on the trade facilitation agenda, with a range of modalities for the management of border procedures being adopted. These include OSBPs and single window border management modalities.

4.2.1. OSBPs

The initiative of OSBPs is one of the main tools for trade and transport facilitation (see section 2.2.3). The concept is used **to minimise delays at cross-border points** on major transport corridors in the region, often as a result of poor facilities, manual processes, lengthy and non-integrated procedures and poor traffic flow.
Under the OSBP concept, all traffic would stop once in each direction of travel, facilitating faster movement of persons and goods, and allowing border control officers from the two Partner States to conduct joint inspection (AUC, 2013). In what follows we will again provide **a few regional snapshots** of how these concepts are being implemented in a couple of the 8 AU recognized RECs, namely EAC and ECOWAS.

EAC

The EAC Partner States, adjoining States and the Corridor Transit Transportation Facilitation Agency (CCTTFA) have raised concerns about **the inordinate transit delays** caused by repeated inspections done by multiple authorities along the Central Corridor. These repeated checks add unnecessary delay and cost (official and unofficial) to the journeys that trucks make along the Central Corridor. Indeed, it has been reported that trucks often have to stop as much as 20 times between Dar Port and Kigali and this can add up to 15 per cent to the cost of transporting goods along the corridor.

With the above mind, in February 2012, the Central Corridor Transit Transportation Facilitation Agency (CCTTFA) and Tanzania's Ministry of Works in consultation with EAC Secretariat (EAC) and support from TradeMark East Africa (TMEA) commissioned a feasibility study to **rationalize the required number of formal checks** that transit trucks currently incur along the Central Corridor. During the

[18] The fact that NTFC are not necessarily institutionalised structures makes it difficult to implement their programmes; further ownership of the NTFC programmes is another challenge, on the other hand the lack of clarity on who is responsible for implementing trade facilitation measures proposed between the ministry of trade and Finance ministry through customs administration makes it difficult.

feasibility study the three main agencies responsible for undertaking formal checks along the Central Corridor;

- the Tanzanian National Roads Agency (TANROADS) who **control the weighbridges**,
- the Tanzanian Police Force (TPF) who check **the condition of vehicles** and
- the Tanzanian Revenue Authority (TRA) who carry out **customs checks**

all agreed to **co-locate and coordinate** their respective checks at three strategic locations roughly 10 to 12 hours (500km) driving distance from each other at Vigwaza, Manyoni and Nyakanazi. Here, transit trucks would be required to stop and undergo coordinated and official inspections in a secure location off the main road.

These **One Stop Inspection Station (OSIS)** facilities are expected to set aside sufficient space at each site for a filling station and mechanics garage, which will be operated by the private sector. Each site is also expected to include secure parking and rest room facilities for truck drivers to rest and access useful information on driver safety, transit documentation and health issues.

The main benefits of **collocating and coordinating the three checks at each One Stop Inspection Station** include:

i. **Reducing the time and cost** of transporting transit goods along the corridor by only requiring transit trucks to stop at three locations along the Central Corridor. According to the Government of Tanzania's "Big Results Now" (BRN) Initiative the project will reduce the number of official checks for transit trucks from 17 to 3 along the Central Corridor.
ii. **Improving road safety** by reducing accidents caused by tired drives.
iii. **Reducing road congestion** brought about by trucks parked along the roadside and
iv. Introducing **electronically linked weigh in motion weighbridges** to reduce truck weighing times.

Each location has been carefully selected to capture the largest amount of transit traffic.

- **The site at Vigwaza** is the first major weighbridge location outside of Dar es Salaam capturing both central corridor and the Dar es Salaam Corridor traffic to Southern Africa.
- **The site at Manyoni** captures traffic from the central corridor traffic as well as traffic coming from Kenya into Tanzania.
- **The site at Nyakanazi** captures Ugandan, Burundian and Rwandan Traffic.[19]

The project has now become **a key deliverable in the Government of Tanzania's recent Big Results Now (BRN) Presidential Initiative** and therefore has all the political support it needs to be successfully implemented. High level approval for the projects implementation has also been obtained from the Transport Ministers of the region and the Government of Tanzania's Cabinet.[20]

In the last years, the EAC has seen the number of OSBP significantly increased. The East African Legislative Assembly (EALA) has even passed **a One Stop Border Posts Bill** in April 2013 in order to facilitate trade through the efficient movement of goods and people within the EAC thereby paving way for becoming Community Law if assented to by the EAC Heads of State (UNCTAD, 2013b). Following the approval by EALA, the AfDB is collaborating with the EAC Secretariat to develop OSBP Regulations for use in the region.

Common Border posts designated in the EAC as OSBPs e.g. include:

- The Taveta-Holili border and the Namanga border (Kenya-United Republic of Tanzania);
- Busia and Malaba borders (Kenya – Uganda); and
- The Kanyaru-Akanyaru border (Burundi-Rwanda).

[19] **The number of sites identified** in the feasibility study also corresponds with recommendations of another EAC study, which looked at identifying the optimum number of weighbridge locations along East Africa's major transport corridors carried out by the Bureau of Industrial Cooperation at the University of Dar es Salaam.
[20] For further information see Trademark East Africa.

For example, the recently inaugurated and **AfDB financed OSBP at the border of Burundi and Rwanda** shows an OSBP designed in a unique style not the common juxtaposed OSBP found elsewhere. Here, **a joint building** was established in the centre of the common control zone and it is being shared equally by border services of both countries. The infrastructure and control procedures developed at this border permit commuting passengers and vehicles to stop only once to complete the entry and exit formalities at a single clearance point. There is a parking yard provided for heavy vehicles, trucks and coaches where inspections of Customs, immigration and other operating regulatory agencies of both countries are jointly accomplished. This project resides in the signed bilateral agreement between the two countries that has been translated into the agreed operational procedures in place.

ECOWAS/UEMOA

Checkpoints across West Africa are directly correlated with bribes and delays that slow trade, increase costs and discourage investment. Armed with data from the USAID Trade Hub and the West African Economic and Monetary Union (UEMOA) road governance initiative, stakeholders in Niger pushed for changes to improve road transport across the region. The government of Niger's decision came just weeks after the second annual **conference of the Borderless Alliance**, the USAID Trade Hub supported private sector coalition to increase trade, and about a month after a Borderless Alliance membership drive in the country.[21]

4.2.2. Single Windows[22]

The "electronic single window" (SW) concept is becoming more and more popular. It is almost unanimously considered as a miraculous solution to all challenges related to the facilitation of import, export and transit procedures. However, one could also argue that addressing some of those issues in forehand is necessary in order to ensure the successful and smoothly implementation of any SW project. Notwithstanding this optimistic assertion, it should be stressed that successful SWs typically are the result of long-term incremental work. In other words, the SW is not really an IT system but rather a series of sometimes painful government reforms such as:

- Re-engineering other government agencies business processes,
- enabling legal environment for electronic trading and
- simplifying, standardizing and harmonizing all required trade documents, procedures and data.

The next step in development toward entirely paperless trade is establishment of a **regional Single Window arrangement**, or rather – a network of National Single Windows (NSWs). One of the benefits of a regional arrangement is that an exporter's application to trade can be transferred to the import country, where the data is received as an import transaction. Traders have electronic access to all the requirements for trade in the destination country. At the same time, plenty of cost and paperwork are eliminated. A regional Single Window can also facilitate customs transit, particularly if the design involves a regional transit agreement between the participating countries (Naula, 2012).

In what follows we will take a brief look at how far the same two RECs are from achieving this vision.

EAC

Rwanda was the first EAC country that introduced **a working single window**.[23] The Rwandese project was recently developed with the support of UNCTAD's ASYCUDA program. What is most impressive

[21] Niger joined the USAID Trade Hub-UEMOA road governance initiative in 2012. A preliminary review of data collected in the last quarter of 2012 showed that Niger had the highest level of delays per 100 km in the region, the second highest level of checkpoints and the third highest level of bribes.

[22] Based on substantial inputs from Tapio Naula (OITC/AfDB).

[23] CrimsonLogic, a leading provider of eGovernment solutions and services headquartered in Singapore -- under a government contract between Kenya and Singapore, successfully rolled out **the Kenya Electronic Single Window System**, officially known as Kenya TradeNet. The system is CrimsonLogic's 18th live Trade Facilitation implementation so far, and its first major project in Kenya. **Kenya TradeNet** is the first comprehensive Single

of the Rwandese case is that they managed to launch the SW in a relatively short period of time. However, benefits are already tangible:

- Accurate operation efficiency in document processing;
- Cost savings and effective deployment of resources;
- Enhanced transparency in government services;
- Reliability of information provided via emails and SMS to update importers on the status of their consignment clearance as well as
- A prompter collection of revenues for the government.

However, for its effective implementation, **specific legislation for single window should be approved** in advance. This will help dealing with those agencies which are reluctant to participate in the process of implementation despite the signed memorandum of understandings between administrations. Moreover, TradeMark East Africa (TMEA) has established a Single Window for application of various trading licenses and submission of trade documents to the various government agencies by the clearing and forwarding agents in order to move cargo within the EAC region as a way to save time spent logging in documents.[24]

ECOWAS

West Africa is more developed in introducing NSW's. **Senegal is considered an African Best Practice**. In 1995 a reform group headed by Senegal's Ministry of Trade introduced **a single window system for electronic trade facilitation, ORBUS,** as part of a reform agenda to improve the country's business environment (see Figure 4.1).[25] Launched in 2004, the system transformed customs clearance, streamlining the process through transparent, electronic transactions initiated by a single request from the importer or exporter. Traders could collect and process the necessary documents and authorizations prior to customs declaration **in about half a day** rather than the four days required before the system was implemented. With **its real-time data**, government agencies could better monitor and control transactions, contributing to more secure transactions and revenues.[26] Senegal's single window was designed in three stages:

- Deciding on a model;
- Developing consensus among stakeholders; and
- Developing the technical parameters for the system (World Bank, 2009).

The government of Senegal has been working to **adapt the single window to the changing needs of stakeholders** and is addressing remaining bottlenecks in the customs area. The single window will be integrated with other trade systems at customs, the ports, and the Treasury Department (World Bank, 2009). Encouraged by the Senegalese example 13 other countries joined their forces and formed the **"African Alliance for e-Commerce (AACE)** to expedite introduction of electronic solutions trade facilitation in Africa (Naula, 2012).[27]

Window system in the East African Community, and one of the very few in the world that integrates a complex heterogeneous government agencies ecosystem onto a single common platform, streamlining clearance process for sea, air and land cargo. Source: http://www.prnewswire.co.uk/news-releases/kenyas-national-single-window-system-to-launch-257633291.html Tanzania and Uganda are also working on it nowadays.

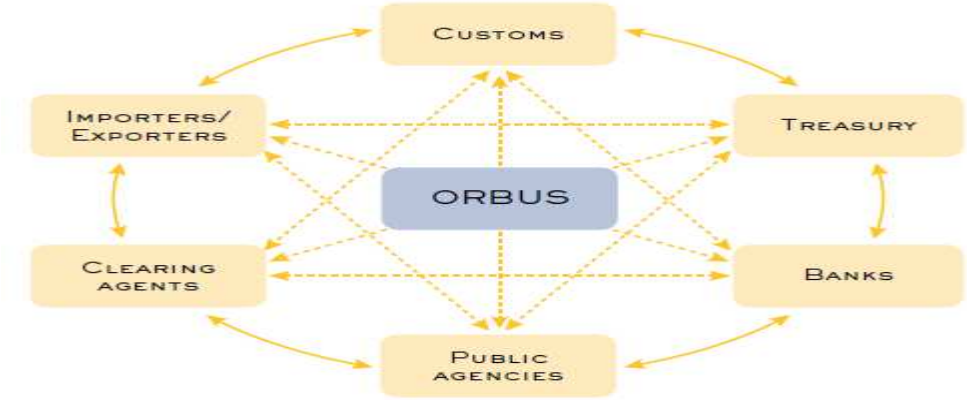
[24] The Single window portal: http://www.trademarkea.com/our-projects/economic-corridors/

[25] To identify the most suitable The TPS team decided that it was best to develop a customized system. In 1996 TPS launched a study to identify the needs of all members of the trading community as the basis for a customized, single window solution. A workshop was held to bring together key private and public entities to unveil the study's recommendations. To identify the most suitable model for Senegal, a TPS team visited Singapore in 1996, which at the time was operating the only single window model in the world. The TPS team decided that it was best to develop a customized system.

[26] Moreover, also Ghana and Cameroon have introduced SWs.

[27] Similar success stories are heard from many other countries such as Mauritius and Tunisia, which **both have introduced the SW**. Tunisia has a doing business trading across border rank of 32 compared to Senegal's ranking of 65 (World Bank 2012 quoted in Naula, 2012).

Figure 4.1: Stakeholder Contacts Enabled by Senegal's Single Window System



Note: In its first stage, Senegal's single window system provided a technology platform and a set of services to enable transactions among more than 300 key players in the trading community. The second stage will enable access to the port authority and other transport service providers.
Source: World Bank, 2009:3.

4.2.3. Joint Border Posts (JBPs)

The overarching aim of the JBPs is to facilitate cross-border transport and movement by

- removing NTBs to transit,
- reducing transport costs and
- minimising transit time for persons, goods and services.

Politically, this will also bring together border administrators from country pairs as well as give a sense of regional integration, unity and security.

ECOWAS is embarked on constructing three Joint Border Posts (JBPs) at:

- Seme-Krake (Nigeria/Benin),
- Noepe (Ghana/Togo) and
- Malanville (Niger/Benin)

to ease cross-border movements, curtail harassments and reduce time and costs associated with cross border movements. As part of the Joint Border Posts project, **a Regional Supplementary Act** is being developed to guide the implementation of JBPs across the region. The Act will enable the cohabitation of border control personnel from two countries within the same facility to undertake simultaneous checking to reduce border crossing-time and cost. Operational manuals are also being developed to form the bases of ensuring uniformity in border crossing points across the region (AUC, 2013).

The President of the Commission, Kadré Desire Ouédraogo, gave this indication when he visited the **Noepe Joint Border Post (JBP)** Construction Site on the Togo-Ghana frontier. Saying that the programmes were aimed at improving trade and economic development in the region, Ouedraogo said *"There cannot be integration without free movement of people, goods and services."* The 10.28 million-Euro Noepe project, being handled by an indigenous company and which has reached more than 90 percent completion, is one of the seven JBPs along the borders of nine ECOWAS Member States –

- Nigeria-Benin,
- Benin-Togo,
- Togo-Ghana,
- Ghana-Cote d'Ivoire,
- Benin-Niger,
- Ghana-Burkina Faso and
- Guinea Conakry-Mali.

The seven are being supported under the EU Transport Facilitation Project for some African, Caribbean and Pacific (ACP) Countries.

The ECOWAS chief also expressed optimism that the issues raised during the inspection would be addressed during an **anticipated coordination meeting** that would involve all the stakeholders towards rectifying any identified gaps. *"ECOWAS will take all the necessary steps required to put the project into meaningful use,"* the president added. **Noepe is to serve as a model for the JBPs**, from the EU grant of 63.8 million Euros to ECOWAS under the EU Transport Facilitation Project covered by the ninth EU Development Fund (EDF). Each JBP is divided into zones for: passenger operations, freight/transit handling and livestock inspection.

The JBP programme was borne out of the desire by the ECOWAS and UEMOA Commissions to increase the competitiveness and efficiency of the main transport corridors in West Africa so as to boost inter- and intra-regional trade as well as international, trade which is a key factor of growth and contributor to poverty alleviation.[28]

5. Post Bali implementation programme in trade facilitation

Twelve years after adopting the Doha Declaration and after more than nine years of negotiations WTO Members found in Bali **a consensus on a Trade Facilitation Agreement (TFA)** at the Bali Ministerial Conference in December 2013, as part of the so-called wider "Bali Package". The WTO TFA is a major component of the Bali package and the first ever agreement adopted by the WTO.

- The final agreement contains provisions for faster and more **efficient customs procedures** through effective cooperation between customs and other appropriate authorities on trade and transport facilitation and customs compliance issues.
- It also contains provisions for **technical assistance and capacity building** in this area.
    - A newly established **Preparatory Committee** was mandated to ensure the expeditious entry into force of the agreement and to prepare for its efficient operation.[29]

The TFA aims to make trade faster and cheaper through more efficient customs and transit procedures. The Agreement contains two sections.

- First, it has provisions aimed at **expediting and simplifying customs procedures** so that importers and exporters can move goods more efficiently and cheaply across borders. This includes transparency in the legal and regulatory framework, and more efficiency regarding processes and fees. Such information should be made readily available via the internet and through specified sources for enquiry. The Agreement also **promotes cooperation** through open communication between governments, traders and relevant stakeholders. There are provisions on goods that are in transit, which are particularly important to Africa's 16 landlocked countries as well as to coastal countries also looking to generate maritime and logistics business based on regional transport corridors.
- Second, **the TFA also involves assistance for developing and least developed countries to aid in trade facilitation related issues**, including training customs officials, and providing funding for infrastructure and costs associated with implementing the agreement. The trade facilitation portion of the agreement obviously has the potential to have significant impact for developing, low-income and landlocked countries. The unbundled costs of different categories of intervention measures under the TFA are a sound investments when weighed against the possible benefits that implementation could provide to Africa if it is executed successfully (Manduna et al., 2014).

[28] A different but related JBP project for the Nigeria-Cameroon border is being supported by the **African Development Bank (AfDB**) with a grant of US$ 26.5 million. Source: Nigeria: ECOWAS fast tracking regional integration through free movement. Pana 17/03/2014.

[29] **The General Council** shall meet no later than 31 July 2014 to annex to the Agreement notifications of Category A commitments, to adopt the Protocol drawn up by the Preparatory Committee, and to open the Protocol for acceptance until 31 July 2015 (WTO, 2013). Source: http://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm

5.1. Implementing the WTO Trade Facilitation Agreement in Africa[30]

The TFA has the potential to be quite structurally transformative for African countries. Africa has more landlocked nations than any other region, the longest delays and the highest costs in trading across borders. **Making trade more efficient, more transparent and less costly** would transform the business environment e.g. in terms of FDI attractiveness and competitiveness across the continent.

Estimates for the costs of implementation vary widely and certainly should not be under-estimated especially when it comes to maintenance costs where transparency is missing. The OECD estimated the cost of funding trade facilitation measures at between €3.5 to €19.7 million over 3-5 years, or about €11.6 million on average.[31] The majority of this cost would be for the staffing and equipment required for establishing NSWs to improve efficiency in submission of documents and clearance of goods. Once the NSWs are established, it is expected that the operating costs would then decrease.

In fact, using its trade facilitation indicators, the OECD estimates that

- low income countries (LIC) would gain 12% from implementing such measures,
- lower middle income countries would gain about 14% and
- upper middle-income countries would be expected to gain about 11% in terms of **the trade cost reductions** resulting in implementing such trade facilitation measures.[32]

It also suggests that **costs related to improving transparency would be modest** compared to the benefits and reductions for trade costs in LICs (estimated at around a 2.1% reduction through enhancements). The WTO estimates that **the world economy could benefit** by between $400 billion and $1 trillion from these measures, which it also states would **reduce the cost of trade** by 10-15% while "increasing trade flows and revenue collection, creating a stable business environment and attracting foreign investment (Manduna et al., 2014)."[33]

Implementation of Trade Facilitation: The Case of Namibia

The Bank-supported expansion of the Walvis Bay Container Terminal (US $338 million) includes

- a grant of US$ 1.5 million to **improve logistics services and trade facilitation** and could potentially be structured to help with implementation of Namibia's commitments under the TFA.

The port of Walvis Bay:

- serves as **a gateway** to some of SADC's landlocked countries and
- links with at least three **major transit corridors** in the region, serving 7 countries.

Annual average transshipment traffic growth rate at Walvis Bay is measured at 55% between 2006 and 2012 while **transit road traffic** is estimated to grow by 25% on average between 2006 and 2012. The removal of bottlenecks and corridor-based customs reforms by customs administrations in the region could go a long way in making the port an attractive option for the region. It is possible for Namibia to link the expansion of Walvis Bay Port with the various regional and TFA measures in order to position itself as one of the more competitive ports in the region.

Other examples where trade facilitation measures related to the TFA have featured in Bank-financed infrastructure projects include:

- the West Africa TTF project (Ghana, Burkina Faso, Mali: Tema-Ouagadougou-Bamako corridor);
- the Cameroon-Nigeria Bamenda-Mamfe-Abakalliki-Enugu Corridor;
- the Bank-supported expansion of the Walvis Bay Container Terminal; and
- institutional support for the East Africa Trade and Transport Facilitation Project.

[30] This section is based on Manduna et al., 2014. ONRI.2 at AfDB.
[31] OECD (2012). "The Costs and Challenges of Trade Facilitation Measures." OECD, Paris.
[32] Ibid.
[33] WTO (2013). "Days 3, 4 and 5: Round-the-clock consultations produce 'Bali Package.'" WTO: 2013 News Item, WTO Online. http://www.wto.org

Institutional strength and financing trade facilitation implementation

The AfDB is well positioned to scale up support for implementation initiatives on the continent:

- by working with individual RMCs and RECs, or
- through partnering with other organizations like the WTO, UNCTAD, ITC and the WCO.

The Bank has multiple departments whose work is directly relevant to trade facilitation efforts.[34] These departments frequently interact, for example, in developing a Bank-wide Transport and Trade Facilitation framework (see section 4.1 above), which will ensure that trade and transport facilitation measures are mainstreamed in the Bank's on-going and future transport infrastructure projects.

The AfDB has **various financing instruments** available to support trade-related activities.

- **The Bank's project loans and grants** (including thematic Trust Funds like the Africa Trade Fund) **generally support trade facilitation** as a component of larger regional transport infrastructure projects.
    - **The Africa Trade Fund (AfTra)** is designed to be a responsive technical assistance facility for African countries and RECs to benefit more from regional and international market opportunities. AfTra was designed with the intentions of aligning its goals *inter alia* with the WTO trade facilitation framework. It aims to assist low-income countries to
        - develop trade-related skills,
        - regulatory regimes and
        - infrastructure in order to enhance their trade performance and competitiveness.

      Mobilizing additional multi-donor resources under the AfTra would help the Bank to scale up interventions to help implement the TFA (see Annex 4).

    - **The continental *Programme for Infrastructure Development in Africa (PIDA)*** – jointly supported by the African Union, the AfDB and NEPAD further identifies regional transport infrastructure projects requiring an investment of US$25.4 billion (see Annex 5). The Bank's pipeline of future transport corridors will continue to **incorporate trade facilitation activities** within this broader PIDA context more aggressively. Examples include:
        - planned financing (an estimated US$60 million) for the North-South corridor to **reduce transport costs between Zambia and Tanzania** in order to
            - facilitate cross-border trade and
            - promote integration of the EAC, SADC and COMESA.

This project will include **an OSBP at Nakonde/Tunduma** (Tanzania/Zambia) aimed at improving efficiency in regional transit and clearance. In what follows we will present the Nacala Development Corridor (NDC) as possible example of the AfDB's contribution to the TFA, although the AfDB have funded several (completed) regional transport projects with admittedly stronger linkages to TFA than the NDC.[35]

5.2. Application of Trade Facilitation Framework: Nacala road corridor development project

The road and rail transport infrastructure along a Corridor is considered to be **"anchor infrastructure"** along which spatial development in other economic sub-sectors can develop, such as energy, mining,

[34] This includes departments covering Regional NEPAD, Regional Integration and Trade (ONRI); Transport and ICT (OICT); Training and capacity building (EADI); and Development research (EDRE).

[35] Other important corridors in the SADC region include: the Lobito Corridor running from the Lobito port in Angola through Lubumbashi in DRC to Lusaka in Zambia (3,520 km); the Tazara Corridor running from Dar-es-Salaam in Tanzania to Lusaka in Zambia (1,530 km); the Trans-Kalahari Highway Corridor (Coast to Coast) that runs from the western coast at Walvis Bay in Namibia through Botswana and South Africa to the eastern coast at Maputo in Mozambique (3,000 km); and the Beira Corridor running from the Beira port to Harare in Zimbabwe (630 km).

agriculture, agro-forestry, fisheries, and tourism. To operationalize this concept, Malawi, Mozambique and Zambia with support from SADC have signed **a tripartite Spatial Development Initiative (SDI) agreement for the Nacala Transport Corridor,** running from the Nacala port through Malawi to Lusaka in Zambia (1,700 km), to attract private sector financing through *inter alia* adequate reliable cost-effective efficient and seamless transport to enable the partner countries to become a favourable investment area. The aim is to working jointly to package and develop economic projects along the Corridor to enhance national and regional economic integration and growth.

The project is expected to draw synergies from other on-going trade and transport facilitation projects being implemented in Malawi, Mozambique and Zambia, namely:

- the current on-going expansion and improvement of the Nacala Port in Mozambique by JICA.
    - The port handling efficiency and cargo dwell-time is expected to improve once the project is completed;
- the "Doing Business" reform programme in Malawi, which involves improvements in the trading process and upgrading of the customs information system to ASYCUDA World and implementation of a NSW.
- The Government of Malawi has requested the Bank to support these activities through separate financing arrangements; and
- the "Doing Business" reform programme in Zambia, in which the government is upgrading its local ASYCUDA (++ ASYCUDA) to ASYCUDA World.

Long distance to the sea-ports grossly contributes to **high transportation costs** in Malawi and Zambia and is a major **impedance to regional and international trade**. At the moment several projects are underway, in addition to the above mentioned projects,

- **AfDB, EU and EIB** are parallel financing the road section from Luangwa Bridge to the border between Malawi and Zambia at Mwami.
- Similarly in Mozambique, **the AfDB, JICA, and Korea Exim Bank** are co-financing sections of the road from Nampula to Lichinga through Chiponde, the border between Malawi and Mozambique.

Nacala Road Development corridor project, which the Bank is supporting in Mozambique, Malawi and Zambia, so far have been implemented through four phases:

- **Phase 1 in Malawi and Mozambique** where US$ 180 million was provided in 2009 to rehabilitate 348 km of road from Nampula to Cuamba in Mozambique and construction of 13 km Bypass road west of Lilongwe city in Malawi;
- **Phase 2 in Zambia** where the Bank provided US$112.5 million in 2010 to rehabilitate 360 km of road from Luangwa Bridge to Mwami in Zambia;
- **Phase 3 in Mozambique (June 2013 – Dec 2016)** where US$ 38 million was provided to co-finance with JICA the rehabilitation of 175 km Cuamba - Mandimba-Lichinga road in Mozambique;[36]
- **Phase 4 in Malawi and Zambia (June 2014 – Dec 2018)** has so benefited from stakeholder consultations made during project preparation and appraisal of Phase 1-3 as well as the recently completed IPPF financed feasibility study (2009-2013) of the two OSBPs.[37]

Concerning the proposed phase 4 Nacala project expected to last 5 years, both Zambia[38] and Malawi[39] have prepared **Road Sector Investment programmes,** which prioritize economically important roads. The donors support financing of the priority roads under the respective Road Sector Investment Programmes.

[36] For Phase 3 in Mozambique, the project is at bidding stage.
[37] The IPPF study will recommend the physical design of the OSBPs and operating models, which will then be implemented under this proposed project.
[38] The DPs active in the sector are: AfDB, WB, EU, JICA, and DANIDA.
[39] The Development partners who are active in Malawi are: AfDB, WB, EU, JICA, and DFID.

The Government of Zambia is committed to the completion of the Nacala corridor linking Lusaka, Zambia to the Nacala Port in Mozambique via Malawi. **The construction of the OSBPs** at Mwami/Mchinji between Zambia and Malawi is therefore key in increasing transport efficiency on the corridor.

The Government of Malawi has prioritized the completion of the Nacala corridor linking Malawi to the Nacala Port in Mozambique to improve competitiveness. **The construction of the OSBP** at Mwanza between Malawi and Mozambique and Mwami/Mchinji between Zambia and Malawi is key in increasing transport efficiency on the corridor. In addition, a rail project to improve connectivity to the Nacala Port was launched late 2012 and is under implementation.

The proposed project (Nacala Phase 4) is one of the many programmes and interventions being carried out along the Nacala Development Corridor as mentioned above. The proposed Nacala 4 project will involve:

- **rehabilitation of a 75 km road** between Liwonde and Mangochi in Malawi along the NDC and
- **establishment of OSBPs:** between Malawi and Mozambique and between Malawi and Zambia.

The total project cost estimate for Malawi is UA45.390 million net of taxes. Bank financing (95% of total coss) will comprise of an ADF loan in the sum of UA 42.360 million and an ADF grant of UA 0.610 million.
The total project cost estimate for Zambia side is UA5.500 million net of taxes with **the Bank** being expected to contribute an UA 5.00 million (91%).

The project development objectives are two-fold:

i. at **regional level**, the objective is to contribute to **improving road transportation and trade facilitation** along the Nacala Road Corridor; and
ii. at **national level**, specifically in Malawi where a 75 km road is planned to be rehabilitated between the towns of Liwonde and Mangochi, the project is expected to contribute to **improving transport services** in the Balaka-Mangochi districts, which in turn is expected to support stimulation of local economic activities in agriculture, agro-forestry, fisheries and tourism.

The project target area is the entire Nacala Road Corridor starting from Lusaka in Zambia through Malawi and Mozambique to the Nacala Port with an estimated population of over 2 million people expected to benefit from the short(er) distance in comparison to using the Port of Durban, which is currently the preferred port. The proposed project will contribute to improving transport and trade facilitation along the Nacala Transport Corridor.

The expected outcomes of Nacala 4 project are:

- Improvement in road transport between Liwonde and Mangochi (75 km) and the Nacala Road Corridor as a whole.
- **Improvement in processing** of imports and exports at border crossing between Malawi and Mozambique and between Malawi and Zambia.
- **Improvement in road safety** along the Liwonde-Mangochi Road section of the Nacala corridor.

The outcomes indicators:
1) Average composite vehicle operating costs (VOCs) and average travel time between Liwonde and Mangochi in hours.

- *Improvement of road transport between Liwonde and Mangochi:* This outcome will be measured by **reduction in transportation costs** comprising
    - vehicle operating costs and

- reduction in travel time.[40]

2) Reduction in **truck wait-time at border crossings:**

- *Improvement in clearance of traffic at border crossings:* This outcome will be measured by the time taken for trucks to cross the border posts between Malawi and Mozambique and between Malawi and Zambia **before and after establishment of OSBPs.**[41]

3) Reduction (%) in road accidents along the Liwonde-Mangochi Road.

Failure to operationalize the OSBPs could be related to the differences in capacity to manage OSBP between Malawi and Zambia, and between Malawi and Mozambique. To mitigate this risk technical assistance will be provided to assist setting the OSBP. In addition the project will provide for training of customs and revenue personnel in Zambia and Malawi, training of freight forwarders and women and men cross-border-traders.

Experience elsewhere has shown that countries are sometimes **not at the same level in terms of preparedness and capacity to operate OSBPs**. In such a situation, OSBPs have failed to operate as desired. Under the Nacala 4 project, a firm with technical advisory (TA) experience in setting up border posts will be hired to work with the Governments of Malawi, Mozambique and Zambia to set-up and operationalize the OSBPs. **The technical advisory services** will also provide knowledge transfer in terms of skills to ensure sustainability of the OSBPs operations in both countries. The projects also provides for training:

- of freight forwarders,
- women and cross-border traders, and
- Customs and Revenue Authority personnel in both Malawi and Zambia.

The Transport and trade facilitation component include the following activities

- Design review,
- pre-contract services and supervision of works (OSBPs);
- Construction of OSBP at Chiponde (Malawi/ Mozambique border);
- Construction of OSBP at Mchinji (Malawi/ Zambia border) on the Malawi side;);
- Construction of OSBP at Mchinji (Malawi/ Zambia border) on the Zambia side;
- OSBP computer hardware at Chiponde and Mchinji;
- OSBP technical assistance; and
- Capacity building;

The responsible agencies are: The Roads Authority (RA) will be responsible for the implementation of the project in Malawi and The Roads Development Agency (RDA) shall be responsible for the implementation of the project in Zambia. The two road agencies have successfully implemented similar road projects funded by donors and have **sufficient experience to execute** the proposed Nacala 4 project in the 2 countries. The experience gained so far will help the two road agencies to manage the proposed project more efficiently.

The existing cross-border facilities comprising multiple clearing activities across the common borders result in congestion and therefore delays. The OSBPs including weighbridge facilities are meant to replace the two existing facilities by a single facility by so doing reducing in-transit times and protect the investment from overloading of heavy goods vehicles. The complexity of border control in a common area by officials from two countries requires a review of the legal requirements and preparation of documentation for extra-territorial operations. To manage the OSBPs and axle load control facilities, **a legal regime will be necessary to harmonize the legislation of the three countries**. The legislative

[40] The data for this indicator will be collected through the Roads Authority's **routine road condition surveys** which include travel time and roughness of the road. After road rehabilitation,

- **transportation costs are expected to reduce** by 40% from 0.8 USD / vehicle-km to 0.53 USD / vehicle-km
- travel time is expected to reduce by 42% from 2 hours to 1 hour and 10 minutes.

[41] The M&E consultant shall collect the baseline data, intermediate and target data and report on progress.

instruments to be adopted by the three countries to provide an environment compatible with the laws of the countries sharing the facilities but they should also be fully aligned with the new WTO TFA.

Thus, to summarize **the overarching impact of the NDC project** will be to contribute to improving transport and trade competitiveness in the SADC region. The proxy measure for this impact will be increase in traffic volume along the Nacala Road Corridor.

6. Way Forward

6.1. The Trade and Transport Facilitation Framework

In sum, **trade facilitation interventions** can be undertaken along two dimensions:

- the first being **a "hard" dimension** directly linked to tangible infrastructure, namely, roads, ports, highways and telecommunications; and
- the second being **a "soft" dimension** related to transparency, customs management, the business environment and other institutional aspects that may be intangible (AfDB, 2011).

The AfDB(2011, 2014) document provides **a conceptual framework for the development of a trade and transport facilitation instrument** to address the "soft" elements of infrastructure related services in the road transport and ICT sectors. Essentially, this entails an analysis of the commercial or procedural transactions that are an integral part of an international supply chain (from producer to market), and which will be important in supporting design and implementation of regional and national programs.

To this effect, **the Bank has a staged approach** for each sub-region in Africa:

- Firstly, of primary importance, is **the initial trade and transport facilitation situational analysis exercise**, upon which, the Bank's trade and transport facilitation program or action plans could be built in form of a common work program. The objective is to understand the sufficiency of, or the lack thereof, logistics services, physical and procedural bottlenecks and their impact on regional and international trade competitiveness. The assessment could take into consideration:
    - trade regulations,
    - transport and related policy areas,
    - the free trade areas and customs unions,
    - trade facilitation agreements and,
    - on-going trade and transport facilitation programs in each sub region.

- Secondly, **a trade facilitation mapping and gap analysis exercise** could be undertaken in each sub region, which
    - will not only assist in identifying gaps but,
    - will gauge the disparities between the sub-regions and thus, pave the way for the formulation of strategic regional and national work programs anchored, in export and sustainable economic growth (AfDB, 2011, 2014).

The previous (2011) and revised (2014, forthcoming) framework proposes **an approach to mainstream trade and transport facilitation in the Bank's regional (RO) and country (NO) operations and strategies (RIS and CSPs)**. It contributes to link the hard and soft aspects of trade-related infrastructure by proposing an instrument that strives to structure Bank Group interventions in trade and transport facilitation as a necessary complement of regional infrastructure development efforts.

While there are **a number of trade and transport facilitation instruments in use** in Africa, the results equally show that there is no one comprehensive trade and transport facilitation instrument which can address all the gaps, hence the opportunity for the Bank to intervene within the framework of the TFA.

As shown in the Bank's Regional Integration Strategy Papers (RISPs), **support for the development and strengthening of Africa's trade transit corridors is primal to the Bank.**

- In order to optimize the impact of the Banks support in infrastructure - **"hard" dimension** -,
- **a trade and transport facilitation instrument** is necessary to allow for the redress of **the "soft" issues** that are keeping Africa development's at a still too low growth level to achieve the MDGs and post-2015 development goals.

The objective of the AfDB framework is to develop a Trade and Transport Facilitation Instrument fully aligned with the TFA towards:

- enhancing the free flow of trade and
- improving the capacity to trade of the RECs via the cost channel,
- in essence, contribute to global efforts to remove NTBs to trade in Africa.

The framework **encompasses the Bank's triple role** of catalytic financier, knowledge broker and partner, and builds on its key comparative and competitive advantages as a leading DFI in transit corridor development.

The Bank's **interventions will be guided by the principles** adopted in its new RIS 2014-23, which include:

- ***Ownership and Enhanced Participation***: Bank support for trade and transport facilitation will be conditional upon commitment and ownership at regional and national levels to both the process and objectives of regional integration.
- ***Selectivity***: The AfDB has limited resources in relation to the magnitude and complexity of trade and transport facilitation challenges. The Bank will concentrate its efforts and resources in areas
    - where it has clear comparative advantage, and
    - where it expects to make substantial contributions to development impact.
    - In this regard, the Bank will focus on trade facilitation in transit corridors, which would complement and leverage the Bank's support to infrastructure development.
- ***Focus on Development Effectiveness and Results***: The Bank Group will strive to achieve tangible results in the trade facilitation programs that it supports. Greater attention, therefore, will be paid to
    - monitoring the implementation process closely and
    - providing necessary technical support to the executing agencies on a timely basis to keep project/programme implementation on track.
- ***Strategic Partnerships:*** The Bank's trade and transport facilitation activities will seek
    - to build and cement focused partnerships, and
    - to align and co-ordinate Bank interventions with **key stakeholders**, including
        - multilateral and bilateral donors;
        - regional organizations , especially the RECs;
        - regional DFIs;
        - RMCs,
        - Research institutions,
        - Advocacy groups, and
        - The private sector.

The Bank will **forge these partnerships** based on its comparative advantage and overall strategic focus to deliver on its work program and enhance its role.

- ***Alignment with relevant international standards***: The Bank will also ensure that the operations of the projects it supports are aligned to relevant international standards and conventions. In notably,
    - The Agreement on Trade Facilitation adopted at the Ninth Ministerial Conference of the WTO, held in Bali, Indonesia, from 3 to 7 December 2013; and
    - The principles of the revised Kyoto Convention adopted in June 1999 by the WCO as the blue print for modern and efficient Customs procedures.

Some trade facilitation measures cannot be implemented in isolation of other measures, hence the **need for a holistic, comprehensive and well-sequenced approach to trade and transport facilitation**

reform. It is also important to take account of national needs and circumstances in the broader framework of regional reforms. In this regard, the country-specific trade and transport facilitation-related reforms have to be coordinated into a holistic sub regional reform effort. This sub-regional reform effort should be addressed by leveraging on existing initiatives led by the RECs.

6.2. Institutional Strengthening

The combination of weak infrastructure and institutional policies in several African countries are partially responsible for poor intra-African trade. The review by OPEV of the evaluation literature has also highlighted some key areas, which are associated with success and failure in ISPs. Though the review is limited in scope and depth, it has allowed key factors associated with success and failure to be identified.

The detailed AfDB (2013d) review highlights the top five factors:

(i) Realistic time periods,
(ii) Understanding the context,
(iii) Ownership and leadership,
(iv) Monitoring and evaluation and
(v) Clear objectives alongside flexible implementation

These factors help increase understanding on why these issues matter and to some extent why they reoccur across different types of projects and programmes and with different agencies and donors.

The review also highlights how many different aspects there are within some of the themes, notably understanding the context and that of ownership and leadership.

Moreover, in addition to support to regional infrastructure improvements, focus could also be to:

(i) support **customs modernization** and greater use of ICT to streamline procedures (ASYCUDA),
(ii) undertake feasibility studies and **implement OSBPs** (see section 5.2 above),
(iii) address transit delays and enhance transport and logistics services efficiency along key regional transport corridors, for example, by **reducing transit time** along the Development Corridor, **reducing border crossing times**
(iv) improve port security, procedures and cargo handling **leading to reduced dwell time** for domestic cargo,
(v) **improve overland transit** regarding weighbridge equipment and operations,
(vi) establish a Development Corridor Transit Transport Facilitation Agency
(vii) assist the Development Corridor Transit Transport Coordination Authority, if it exist, to implement facilitation measures on the Development Corridor;
(viii) strengthen these two institutions to play a key role in planning, harmonization and coordination of trade facilitation initiatives.
(ix) Implement seamless and effective **cargo tracking system** on the Development Corridor;
(x) Develop and implement **simplified customs procedures and documents.**

Such a comprehensive set of interventions should be **aligned to meeting the various provisions of the new WTO TFA** as well as regional commitments on trade facilitation (see e.g. section 2.2.5).

6.3. Policy Recommendations

- **Recommendation 1: Adopt a holistic approach.**
- **Recommendation 2: Update the Bank's transport sector policy, with a new strategic Action Plan**
- **Recommendation 3: Improve Quality at Entry**
- **Recommendation 4: Improve M&E system both inside and outside the Bank**

- **Recommendation 5: Identify key areas for the Bank to scale up its support for African countries in implementing the WTO TFA:**

- Development of implementation plans for the TFA for both RECs and member countries.
- Preparation of action plans for implementation with prioritized measures under the TFA.
- Prioritization of measures and possibly also of beneficiary countries within each REC. This could include landlocked countries, fragile states, and maritime or coastal countries that are regional gateways and the source of clearance and transit bottlenecks along regional transport corridors.
- Mainstreaming trade and transport facilitation measures within the Bank's transport projects.
- Identification of provisions in bilateral and regional trade facilitation commitments, that *overlap or must be adapted* to comply with TFA requirement with the national implementation plans
- Identification of comparative national and regional best practices to replicate in African countries
- Identification of a category of measures under the TFA that require regional cooperation.
- Publish success stories and lessons learned in the implementation of the TFA and related TF reforms by African countries, as a means to encourage across the board implementation, whilst avoiding various pitfalls (Manduna et al., 2014).

The above-mentioned measures could be addressed using mainstreaming trade & transport facilitation measures within the Bank's infrastructure projects – based on clearly identified priority interventions on a case-by-case basis, but which are aligned to implementation of beneficiary countries' obligations under the WTO's TFA (ibid.).

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Read OECD Trade Policy Paper 144 at http://www.oecd-ilibrary.org/trade/trade-facilitation-indicators_5k4bw6kg6ws2-en

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Annex 1: AfDB Transport Department Pipeline

(could be shared upon request)

Annex 2: Advanced AfDB Regional Road Projects

SUMMARY OF COMPLETED TRANSPORT ACTIVITIES AS AT 31 DECEMBER 2013

	Project/Activity	Initial Amount Approved (USD)	Adjusted Amount Approved (USD)	Amount Cancelled/ Decommitted	Cumulative Disbursements at 31/12/012
7	OMGV (Gambia Senegal River Bridge)	**300,000**	**300,000**		300,000
9	Kazagula Bridge (Botswana-Zambia)	**500,000**	**500,000**		500,000
12	Issaka-Kigali-Bujumbura Railways Project	**1,527,199**	**1,527,199**		1,527,199
18	Dakar-N'djamena and N'djamena –Djibouti Transport	**582,010**	**582,010**		582,010
20	Multinational Burundio-Rwanda: Bujumbura-Ruhwa-	**901,000**	**746,019**		746,019
23	Djibouti-LibrevilleTransport Corridor Missing Links	**999,900**	**999,900**		999,900
30	Kazangula Bridge	**420,000**	**401,888**		401,888
	Total NEPDA-IPPF Projects (A)	**16,495,750**	**15,648,136**		**15,669,416**

Annex 3: Trade Facilitation Indicators

Trade facilitation

RECs have identified trade facilitation as a priority area of support in regional integration. Trade facilitation requires

- cooperation and harmonization of policies and procedures and
- the enhancement of customs and border management systems.

The aim (at REC and RMC level) is to **facilitate intra-regional and extra-regional trade and investments** by ensuring the smooth flow of goods and services.

The core policy objectives across RECs and RMCs include but are not limited to:

- Simplifying import and export procedures;
- Modernizing customs and border management systems;
- Reducing border clearance times;
- Eliminating/reducing the prevalence of NTBs and TBTs; and
- Increasing intra-regional and extra-regional trade, etc.

Indicators under this variable will therefore **measure progress in achieving the objectives** listed above. A specific emphasis shall be placed on

- monitoring border clearance times,
- documentary requirements and
- the overall efficiency of customs systems and trade-related institutions.

Some indicators will also **measure the extent to which intra-regional trade flows** within the RECs are constrained by non-tariff barriers (NTBs).

Trade facilitation	Trade facilitation projects	Number of documents to import & Time to import (days)	Border clearance time
		Number of documents to export & Time to export (days)	
		Number of NTBs & TBTs and NTMs	
		Ability to regulate and monitor SPS standards	
		Number of authorized economic operators	
		Efficiency of customs systems (automation, etc.)	

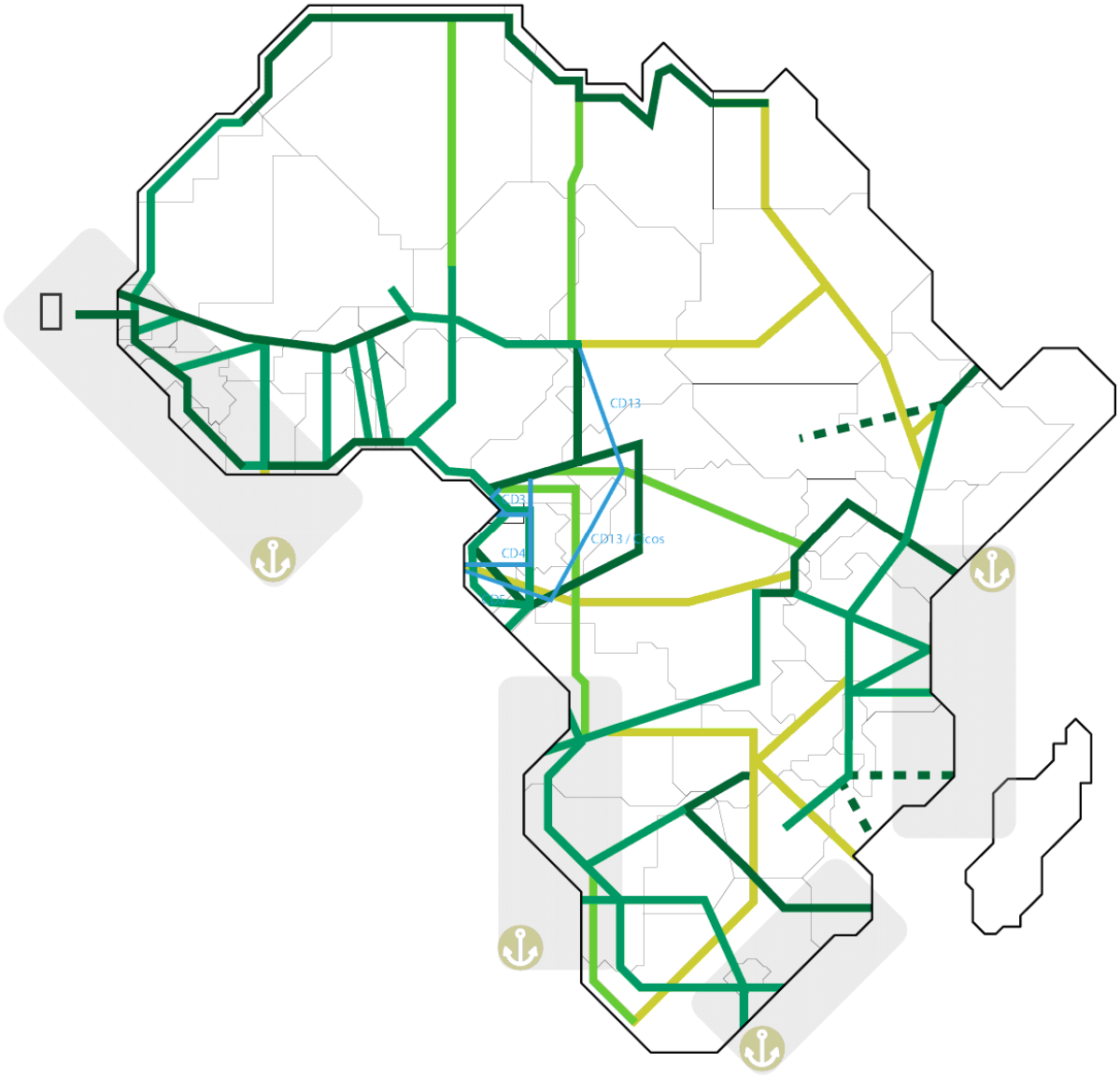
Source: AfDB.

Annex 4: Trade Facilitation Projects Shortlisted by AfTRA

ORGANIZATION NAME	GENERAL INFORMATION				
	Project Name	Region/Country	Brief Description	Strategic pillar	
African Development Bank	West Africa Women Cross Border Trade Program	Sierra Leone	Upgrading border facilities, facilitating cross border trade, establishing 4 border posts, trainings, policy dialogue in MRU	Trade Facilitation	1
Senegal Customs Authority	Senegal Customs Modernization & Corridor Management Program	Senegal	Feasibility studies and development of customs modernization softwares for widenining the reach of the single window	Trade Facilitation	2
Borderless Alliance	WA Border Information Program	West Africa	Establishment of border information centers, studies, trainings, recruitment of consultants	Trade Facilitation	3
Northern Corridor Transit and Transport Coordination Authority	Regional Electronic Cargo System Project	East and Central Africa	Establishment of a Regional Electronic Cargo System	Trade Facilitation	4
Ministry of Trade and Infrastructure	Multinational TransAfrica Highway North South Corridor Project	Zambia	Establishment of OSBPs, trainings of customs officials, funds to facilitate implementation of bank funded road project	Trade Facilitation	5
SADC	SADC Transit and Border Management Project	Southern Africa	Transit and border management, customs modernization, trainings of custom officials, etc.	Institutional Capacity Building	11
East African Community	Establishment of Tanzania/Kenya One Stop Border Post Project	East Africa	Construction of OSBP, development of regulations, training of Customs Authorities, etc.	Trade Facilitation	13
TanzaniaTrade Development Authority	East Africa Informal cross border trade Program	Tanzania	Capacity building for informal cross border trade	Trade Facilitation	19
Alliance Africaine pour le Commerce Electronique (AACE)	Africa Customs Modernization Program	Continental	Faciltate sharing of trade related information, establishment of trade data portal, etc.	Trade Facilitation	24
System of Indicators to Monitor Regional Integration in Africa	Statistics and Knowledge capacity Development Project	Continental	Development of indicators to measure impacts of regional integration on trade, investments, migration.	Knowledge capacity	25
UEMOA	UEMOA Transit and Border Management Reforms Project	West Africa	Reforms in transit management systems,	Institutional Capacity Building	26
SARC	Southern Africa Transit and Border Management Reforms Project	Sourthern Africa	Border Management information Systems	Knowledge capacity	27
Ghana Customs Authority	Ghana Customs Modernization Project	Ghana	Establishment of 5 single border posts, customs modernziation, small works, trainings and technical assistance.	Trade Facilitation	29
Sao Tome Customs Authority	Customs Modernizaton Project	Sao Tome	Establishment of a single window system and rolling out of ASCYIUDA	Trade Facilitation	33

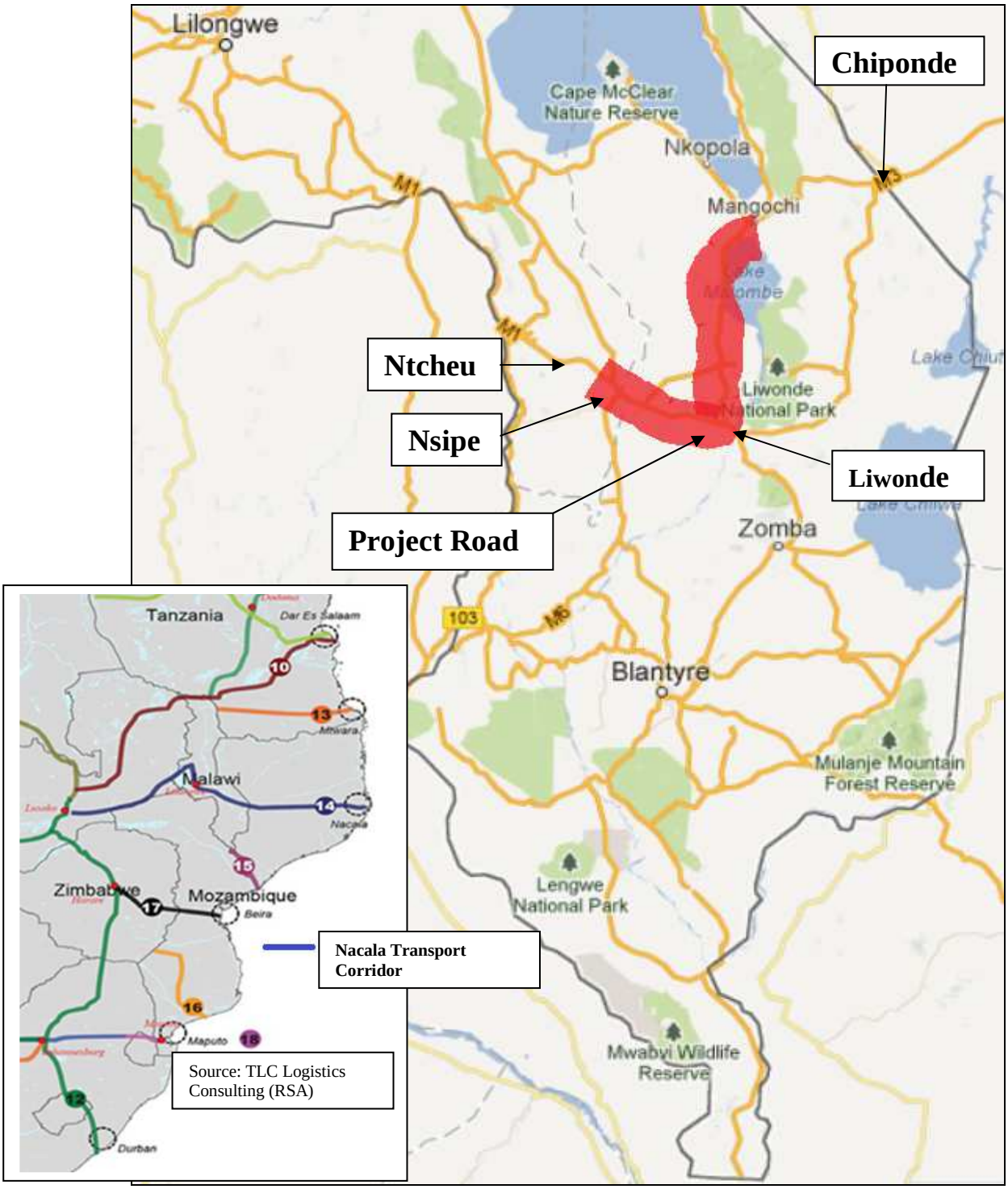
Source: AfDB.

Annex 5: 24 PIDA Transport Programmes, 2020 & 2040



Source: AfDB.

Annex 6: Location map: Liwonde-Mangochi Road (75 km) in Malawi and Nacala Road Corridor from Nacala in Mozambique to Lusaka in Zambia



Source: Google maps (http://maps.google.com/). Please note that, the start and end of the road is only approximate. The map is only for the purposes of showing the location of the project road (total distance 175 km).