Trade Facilitation & the AfCFTA

TMEA Presentation for the 2019 tralac Conference

Nairobi, 21st March 2019
Presentation Outline

• What is TMEA?
• Results Achieved
• Lessons Learnt
• Plans to support the AfCFTA
What are we?

• Vision: A united Eastern Africa with flourishing trade, strong investment and less poverty

• Mission: To promote rapid advances in Eastern Africa’s integration, trade and global competitiveness for all East Africans

• Trade and Markets East Africa (TMEA) - not-for-profit registered in all EAC partner states

• Regional & National presence - branches in all EAC states, Addis, Hargeisa, Bukavu & Arusha

• Multi-donor – Belgium, Canada, Denmark, EU, Ireland, Finland, Netherlands, Norway, UK, USA - Budget $560m 2010 to 2017 – $570m for 2018-2023
High Business Costs in 2010

Cost to Import & Export a Container

<table>
<thead>
<tr>
<th>Country</th>
<th>Import Cost</th>
<th>Export Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rwanda</td>
<td>5,000 USD</td>
<td>3,000 USD</td>
</tr>
<tr>
<td>Burundi</td>
<td>4,500 USD</td>
<td>2,500 USD</td>
</tr>
<tr>
<td>Uganda</td>
<td>4,000 USD</td>
<td>2,000 USD</td>
</tr>
<tr>
<td>Kenya</td>
<td>3,500 USD</td>
<td>1,500 USD</td>
</tr>
<tr>
<td>South Africa</td>
<td>2,500 USD</td>
<td>1,000 USD</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2,000 USD</td>
<td>800 USD</td>
</tr>
<tr>
<td>China</td>
<td>1,500 USD</td>
<td>600 USD</td>
</tr>
<tr>
<td>Singapore</td>
<td>1,000 USD</td>
<td>500 USD</td>
</tr>
</tbody>
</table>

Cost of importing a container
Cost of exporting a container
Transport Cost Components

Costs for an average Bujumbura bound container

Reducing delays has a big impact on costs

Source: Corridor Diagnostic Study
Infrastructure & productivity deficits
Border Congestion
Strategy 1 (2010-2017): Target Results

- 25% + intra regional exports compared with total exports from EA
- 10% + Value of Exports from the EAC region
- 15% - Average time to transport Container from Msa/ Dar Ports to RW/ BUR
- 30% - Reduced time to cross select borders
Outcome Dashboard

- **15%** Targeted time reduction by June 2017
- **70%** Reduction in time (in at least one direction) to cross the border at selected locations
- **74%** Decrease at Busia Uganda
- **79%** Decrease at Mutukula Uganda
- **86%** Decrease at Mirama
- **72%** Decrease at Kagitumba
- **26%** Decrease at Kebero
- **59%** Decrease at Kabanga
- **25%** Increase in intra-regional exports when compared to total exports in the region
- **10%** Increase in the total value of exports from the EAC region

- **$2.4B** Actual value of intra-EAC exports by Dec 2016 (EAC Trade and Investment Report 2016)
- **$3.7B** Value of intra-EAC exports by June 2017 (TMEA estimates)
- **$12.4B** Actual value of exports from the EAC by Dec 2016 (EAC Trade and Investment Report 2016)
- **$14.6B** Value of exports from the EAC by June 2017 (TMEA estimates)
Time to Import and Export (Days)

Cost to Import and Export a Container (US$)

<table>
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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>3,390</td>
<td>389</td>
<td>3,190</td>
<td>785</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2,747</td>
<td>1,435</td>
<td>2,055</td>
<td>1,725</td>
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<tr>
<td>Rwanda</td>
<td>4,285</td>
<td>403</td>
<td>5,070</td>
<td>293</td>
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<tr>
<td>Kenya</td>
<td>2,190</td>
<td>948</td>
<td>2,055</td>
<td>334</td>
</tr>
<tr>
<td>Burundi</td>
<td>1,469</td>
<td>256</td>
<td>2,747</td>
<td>1,469</td>
</tr>
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Transport Cost Reductions

Transport Cost per Route ($)

Source: Road Transport Survey March 2017 Northern Corridor Transport Observatory Report

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Increase in Port Efficiency

- **Mombasa Port**
  -51% import time (from 11.2 days in 2010 to 5.5 days in Nov 2017) and -53% in export time (to 7.3 days in Nov 2017 from 15.4 days in 2010).
  Catalysing $250m in berth upgrades from lenders (EIB & AFD).

- **Dar es Salaam Port**
  -44% import time (9 days in Nov 2017 from 16 days in 2010) and -48% in export time (7.65 days in Nov 2017 from 14.6 days in 2010). Helped catalyse $350m loan from the World Bank.
Reduced Border Delays

On average 70% reduction in time taken to transit key borders

57% reduction in time at Busia OSBP (Uganda) in 2017

74% reduction in time at Busia OSBP (Kenya) in 2017

90% reduction in time at Mutukula OSBP (Uganda) in 2017

58% reduction in border clearance time at Kabanga (Tanzania) in 2016

82% reduction in time at Taveta OSBP (Kenya) in 2015

55% reduction in time at Mutukula OSBP (Tanzania) in 2017

Source: TMEA Time and Traffic Surveys
Catalytic Trade Infrastructure

Mombasa West Roads Programme

Key congested road (6.4kms) to new container terminal at Mombasa Port to be completed in a record 15 months, second phase underway

Ntungamo Road, Uganda

Regional link road (37kms) from Kampala to Kigali via Mirama Hills/Kagitumba OSBP almost complete in 36 months
ICT to facilitate trade - Customs

Rwanda Revenue Authority

Rwanda Electronic Single Window – clearance times fell from 11 days to 1 day 10 hours, $6m savings in 2014 alone

Source: Formative Evaluation of the Single Window for the Rwanda Revenue Authority Project, 2015

Uganda Revenue Authority

Customs Management System & Green channel - 75% reduction in transit & clearance times, $56m savings annually

## ICT Building Blocks for Trade

**Tanzania Food and Drug Authority**

![Image of Tanzania Food and Drug Authority office](image1)

<table>
<thead>
<tr>
<th>Average processing time for Key trade documents</th>
<th>Average Cost</th>
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<tbody>
<tr>
<td>2014 5.6 days</td>
<td>2014 $80</td>
</tr>
<tr>
<td>2016 2 hours</td>
<td>2016 $30</td>
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</tbody>
</table>

**Kenya Tea Directorate**

![Image of Kenya Tea Directorate field](image2)

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<th>Average processing time for Key trade documents</th>
<th>Average Cost</th>
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<tr>
<td>2014 5 days</td>
<td>2014 $65</td>
</tr>
<tr>
<td>2016 4 hours</td>
<td>2016 $10</td>
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</table>

Source: Formative Evaluation of the Single Window for Trade Projects Phase 1, 2016
Reducing business costs

**Reduction of NTBs**

Supported the establishment of Tanzania SMS reporting systems for NTBs then across the region, enabling drivers to report instantly. Over **40% reduction in NTBs**, **67% reduction in NTBs resolution time**

**Trade Standards**

90% reduction in standards-related border clearance time for certified goods. Average testing cost reductions of **59%** (from US$500 to US$205).
iShamba – Over 350k farmers reached. 50% greater yield by potato farmers. 5% increase in farm gate prices for maize and potato.


Nice House of Plastics – Reduction in transit time (from Mombasa to bonded warehouse in Kampala) from an average 17 days (2014) to 4 days (2016). Savings of over $250k.
Institution Building

Burundi Revenue Authority (OBR)

South Sudan Customs Service

110% increase Burundi’s government revenue – additional $190 million in tax between 2010 and 2016

Reduction in clearance times for humanitarian cargo from 4 days to 1 day at Nimule border. Non oil customs revenue grew $9.5 million (2011) to $96 million (June 2016)

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Lessons Learnt

• National implementation of regional policies works, independence & non-political technical inputs highly valued
• Partnership focus - working systemically with a range of relevant partners key to scale of impact
• Trade facilitation (‘software’) combined with infrastructure (‘hardware’) key in driving impact & catalysing investment
• Needs time & capability - nurtured strong East African technical knowledge focusing on trade and political grounding
• Importance of good governance – respected Board & bottom-up national input.
New Strategy 2018 to 2024

- Focus on **growing exports & jobs with** location specific pilot interventions (*trade & logistics clusters*)
- More **systemic approach** across the whole transport network: not just ports and borders but rail, road & logistics
- Invest in **contiguous borders** and cross-border trade with the EAC’s neighbours
- **Scale up** programming on women and trade across all borders
- Improve **standards** to boost competitiveness across region
- Take **trade automation** to next level with regional trade portals & global value chains to reduce corruption
- Support implementation of the **WTO TFA** to reduce trade costs
- Increase competition within the **logistics industry**
- Support trade facilitation between several RECs to support the AfCFTA
TMEA plans to support the AfCFTA

- Focus on trade facilitation as part of the AU’s Action Plan on Boosting Intra-Africa Trade (BIAT)
- Given our experience, role in helping pilot harmonised approaches across several Regional Economic Communities (EAC, IGAD, COMESA & potentially SADC)
- Focus country approach in Ethiopia, Somaliland, Eastern DRC (established) & scoping in Zambia, Malawi & potentially Mozambique
- Partnerships with the Afro-Champions Initiative (ACI) & UNECA on private sector engagement, analytics & with the Africa Union (in process)
- Knowledge Sharing - Lessons Learnt series & pilot OSBP in West Africa with UNECA
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<tr>
<th>Cluster 1 – Trade Policy</th>
<th>Programme</th>
<th>Plans</th>
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<tbody>
<tr>
<td>Enhancement of the role of the formal &amp; informal private sector in trade policy formulation</td>
<td>Partnership with Afro-Champions Initiative &amp; UNECA</td>
<td>Women in Trade programme scale up</td>
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<thead>
<tr>
<th>Cluster 2 – Trade Facilitation</th>
<th>Programme</th>
<th>Plans</th>
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<tbody>
<tr>
<td>Reduction in Road Blocks</td>
<td>Monitoring in countries through Transport Observatories</td>
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<tr>
<td>Harmonising &amp; simplifying customs &amp; transit procedures, documentation &amp; regulations</td>
<td>Working with Revenue Authorities to establish a common approach between countries</td>
<td></td>
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<tr>
<td>Establishment &amp; operationalisation of OSBPs</td>
<td>Plans for additional OSBPs between countries in which we operate (e.g. Moyale, Galafi, Tog Machale, Nakonde, Songwe etc)</td>
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<tr>
<td>Integrated Border Management systems established</td>
<td>Agree national curricula, Cross Border Committees &amp; procedures between countries</td>
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<tr>
<th>Cluster 3 – Productive Capacity</th>
<th>Programme</th>
<th>Plans</th>
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<tbody>
<tr>
<td>Establishment of integrated &amp; interconnected trade information systems</td>
<td>Work on linking agency portals &amp; single windows</td>
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<tr>
<th>Cluster 4 – Trade Related Infrastructure</th>
<th>Programme</th>
<th>Plans</th>
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<tbody>
<tr>
<td>Prioritising Implementation of PIDA</td>
<td>Work on the key corridor, maritime, lake &amp; air transport projects in PIDA in countries TMEA operates in</td>
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<tr>
<td>Mobilise resources for preparation of multi-country infrastructure projects</td>
<td>Project preparation of key trade related infrastructure projects</td>
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<tr>
<td>Enabling Environment for private sector participation in infrastructure development</td>
<td>Support to development of PPP logistics projects &amp; in PPP capacity in countries in which TMEA operates</td>
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<th>Cluster 4 – Trade Finance</th>
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<th>Plans</th>
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<tbody>
<tr>
<td>Strengthening capacity of existing regional &amp; continental financial institutions</td>
<td>Review of Trade Finance in Eastern Africa</td>
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Asanteni Sana

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