Talking points for ECA intervention on
The TFA - Ratification and impact on the LLDCs

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Trade costs for African landlocked developing countries are high, making trade facilitation a key area.

- Cumbersome transit procedures, lengthy distances to global markets and inadequate logistics and infrastructure contribute to high transport and trade costs for LLDCs.
- For 21 land-locked developing countries (globally) for which data is available, the average cost of trading with the world are estimated at 320 per cent in ad-valorem equivalent in 2013.
- For the African LLDCs this cost is even higher, estimated at 343 per cent in ad-valorem equivalent.
    - Botswana, Rwanda, Uganda and Zimbabwe have average trade costs that surpass 350 per cent in ad-valorem equivalent.
- 11 out of the 15 African LLDCs (for which data is available) rank among the worst performing 40 per cent (of the 189 economies) on the ease of trading across borders indicator in 2016 World Bank Doing Business report. This indicator reflects time and monetary cost of documentation and border compliance.
    - The average African country ranks in the worst performing 25 per cent of all emerging and developing countries on cost of border processing and document requirements.

However, progress has been made on ease of trade in a number of countries.

- The results from the OECD/WTO monitoring and evaluation exercise underpinning the Fifth Global Review of Aid for Trade found that all African respondents recognized the efforts of the RECs to reduce trade costs, in addition to the positive results from corridor initiatives and other trade facilitation projects.
    - A number of case studies also highlighted the importance of such measures for landlocked countries with no access to their own ports.
- The regional integration process in EAC in particular has been a key driver for reducing trade cost and providing access to international markets for Burundi, Rwanda and Uganda.
- Despite largely low ranking of most African countries, it can be noted that in 2015, four African landlocked countries ranked in the top half on ease of trading across borders: Swaziland (30), Lesotho (36), Mali (82) and Botswana (51).

Current status of TFA ratification in Africa

- The ratification and implementation of the TFA could bring significant opportunities in terms of supporting a reduction of trade-related costs; however, it also involves high cost of implementation, not only in monetary terms but also required institutional reforms and technical assistance needs.

- 10 African countries have ratified the agreement so far: Mauritius, Botswana (landlocked), Niger (landlocked), Mali (landlocked), Kenya, Zambia (landlocked), Lesotho (landlocked), Seychelles, Togo and Cote d'Ivoire.
- A total of 17 African countries have submitted Category A notifications of the provisions of the Agreement they will implement at entry into force.
- Of the African landlocked developing countries, Burundi, Botswana and Zambia have all submitted their category A notifications.
- Zambia has also made a submission in Category B, provisions for which a transitional period will apply, and Category C, identifying the provisions for which it will need support and capacity development for implementation.
- In addition to Zambia, Mauritius and Malawi have also submitted Category B and C notifications.

The CFTA will be an opportunity for the landlocked developing countries.

- It is well recognized that enhancing intra-African trade has great potential to promote diversification and structural transformation on the continent, and thus contribute to more inclusive and sustainable growth.
- Regional integration is at the centre of continental visions and strategies, including Agenda 2063.
- ECA research has shown that if progress is made in reducing costs to trade across borders - in parallel to eliminating tariff barriers on goods within Africa – the share of formal intra-African trade could more than double by 2022 (Mevel and Karingi, 2012).
    - This is relative to an increase of the share of intra-African formal trade from 10.2 per cent to 15.5 per cent (of total trade) through trade liberalization alone.(Quoted in ERA 2015)
- Trade facilitation is also one of the clusters of the Boosting Intra-African Trade (BIAT) Action Plan. The operationalization of this initiative – and the setting up of a functional monitoring and evaluation mechanism – is key for building opportunities on the continent.

Findings from the regional study on paperless trade

- The UN regional commissions carried out a global survey on paperless trade in cooperation with UNCTAD, OECD, ITC, OCO and SEA.
- The regional implementation rate for the comprehensive set of trade facilitation measures in Africa is 45 per cent. This is not high compared to other regions.
    - Some African countries record higher rates, including Benin, Mauritius and Morocco which all have an implementation rate of over 60 per cent.
    - However in the case of landlocked countries for which data is available (results include Burkina Faso, Botswana, Lesotho, Malawi, Mali, Niger and Zimbabwe), implementation rates are much below African average with the exception of Botswana.
    - Implementation rate for LDCs (regardless of landlocked or not) is generally lower across Africa relative to continental average.

- However, all countries are implementing at least some trade facilitation measures. Reflecting the number of landlocked developing countries on the continent, “transit measures” are the most popular followed by “formalities measures”, both with an implementation rate of over 60 per cent.
    - Also a priority is measures addressing coordination, e.g. National Trade Facilitation Committees.
    - Transit issues involve in particular measures to limit physical inspection at the border and cooperation between agencies at the border.