Trade and Transport Facilitation Priorities for LLDCs

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Introduction

- Good progress towards achieving APoA objectives
- Provides a solid foundation to define priorities for the future:
  - There is a high level of support for trade facilitation measures at the national level by key public and private sector stakeholders
  - The Trade Facilitation Agreement provides new impetus – the disciplines covered in the agreement are consistent with the World Bank’s trade and transport facilitation strategies
  - Significant investments have been made in infrastructure – but more is needed
  - Development agencies and countries have gained valuable experience in designing and implementing regional trade facilitation projects
  - There is much donor support already provided and no shortage of funds for trade facilitation
  - There is now a large and growing body of analytical work on all facets of trade facilitation, including data collection and datasets
Remaining challenges should not be underestimated -

Examples of reductions of transport prices are not numerous at all.

The evidence shows there are several constraints to reducing trade costs for LLDCs:

- High cost and poor quality of transport and logistics services
- Delays on moving cargo in and out of ports in transit countries
- Delays in clearing cargo through land border crossing points

And some opportunities:

- Raised profile of logistics and trade facilitation
- Use of IT and exploiting data for evidence based reforms
Road Transport is the dominant mode of transport in overland trade...

- There are significant prospects to reduce trade costs by improving the efficiency of road transport operations.
- But, most regional road transport markets, outside the EU, are not fully liberalized.
- However, there are considerable investments into building roads – with expectation that this will translate into lower transport prices.

- High maintenance costs (new fleet),
- Roads in poor condition.
- Services competition,
- High traded volumes.
- Share of transport costs in total production costs.

Improved road condition
Reduce vehicle operating costs
Reduced transport prices
Growth, trade and poverty reduction

Infrastructure

Services

Services users
Reform of Road Transport Services is an imperative ...

- High road transport prices do not always derive from...
  - Bad road conditions along the main international corridors,
  - A lack of regional agreements,
  - Technical problems on transit and a technological gap.
- But from ...
  - Market structure of trucking
  - Rent-seeking activities and governance problems
  - Bad practices from the private sector (customs brokers, importers...).
- Important to review and modernize regulation of trucking services
- Bilateral agreements are the favored instrument of regulatory control between landlocked and transit countries
- Yet restrictions are often embedded in such agreements
  - Reform of transport services can have a significant impact on supply and prices e.g. Laos – Thailand where prices fell 20% after liberalization
Most delays to cargo movement happen in ports and in transit countries.

Long port dwell time was assumed to be the result of port handling inefficiencies.

Need to look beyond averages - reality is more nuanced:
- There is not one single pattern, but several contrasted profiles
- When speed is needed, it is usually possible to achieve quick removal
- Long dwell time at times correspond to economic optimum for trader.

Important to fully understand factors behind dwell time so as to adopt right strategies (pricing and customs procedures are key)
- Some measures are for coastal countries not transit.
Outdated and inefficient border procedures and inadequate infrastructure = high transaction costs, long delays and an additional 10 to 15 percent to the cost of getting goods to market

All countries have reform and modernization plans in place and most have made genuine progress –
  - Customs normally ahead of other border management agencies

Inefficiencies in processing and clearing goods put traders in developing countries at a competitive disadvantage.

Common reforms
  - IT systems
  - Border infrastructure
  - Single window systems

Example: Malaba (Kenya/Uganda) border post
  - Changes in procedures - targeted three parties:
    - Border management agencies - advance preparation with pre-arrival lodgment of the declaration and coordination between agencies
    - Clearing agents - mandatory pre-arrival lodgment of declarations
    - Truck drivers - traffic and parking rules to decongest Customs Controlled Zone
  - Estimated savings: $70 million per year.
  - Reforms before infrastructure improvements

<table>
<thead>
<tr>
<th>Time</th>
<th>Before reform</th>
<th>After reform</th>
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<tbody>
<tr>
<td>3h and less</td>
<td>3%</td>
<td>25%</td>
</tr>
<tr>
<td>3h to 6h</td>
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<td>75%</td>
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<td>20%</td>
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<td>24h to 48h</td>
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</tr>
<tr>
<td>Over 48h</td>
<td>13%</td>
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Transit systems

- Transit has been receiving attention but few examples of successful implementation in LLDCs
  - Poor guarantee management
  - Lengthy initiation and acquittal processes
  - Use of physical controls and convoys
  - Inappropriate application of IT systems
- Yet, transit regimes, have great potential when regionally integrated (one procedure one bond). Key ingredients:
  - Harmonized documentation
  - Common enforcement standards
  - Interoperable bonds for regional integration
  - Interconnected data exchange systems
- Three designs proven to work well and should serve as models:
  - TIR – most widely used
  - EU Common transit for a highly integrated regions
  - TIM – Central America
- The degree of regional integration is therefore a guide to what is feasible in different sub-regions
Use of IT and Data present opportunities

IT solutions

- developed for control agencies and the logistics industry:
  - Customs systems,
  - Community systems (Port community systems and Single Window Systems)
  - Efficiency systems:
    - Fleet management solutions / cargo tracking schemes
    - Terminal operations solutions
  - There is increasingly convergence between systems of control agencies and what the private sector can use to improve performance

- Solutions need to be based on need rather than the technology

Data collection and exploitation

- Data collection on corridors has improved significantly
  - IRU – trip diaries
  - SSTAP – observatories on a few corridors in Africa
  - CAREC, other donor agencies, etc.

- But more systematic collection and management is needed to
  - Assess impact
  - Learn lessons
  - And base interventions on evidence
Conclusions

- Growth in trade of LLDCs requires **continual improvement** in trade facilitation support measures
- It is important to adopt comprehensive but **carefully designed reforms**
- Some of the largest returns come from **soft interventions** – infrastructure improvements are necessary to provide capacity and raise quality of services
- Modern IT solutions and increasing availability of data provide **opportunities** for evidence driven interventions.
Thank You

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How the pieces fit together
Example: East Africa Trade and Transport Facilitation project

Port security (KE, TZ)
- Enhance global maritime connectivity
- Enhance welfare of beneficiaries

Reduce logistics costs
- Increase rail share of traffic

E-Single Window systems (KE, TZ)
- Increase efficiency of border clearance processes

Weighbridges (KE, TZ, UG)
- Reduce infrastructure consumption costs

Railways (KE, UG)
- Private investors improve railway performance
- Reduce railway workforce
- Increase regional intermodal network connectivity

Lake vessel (UG)
- RAP – clear track of obstacles

OSBP (all)
- Increase efficiency of border clearance processes

Trade point (RW)
- Increase efficiency of border clearance processes

eCTS (All)
- Reduce time and cost of transit operations

Impact

Project input

Transmission mechanism