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The First Africa Region Review for EAC/COMESA

Vinaye Ancharaz, Tonia Kandiero and Kupukile Mlambo

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Africain Development Bank
Angle des trois rues: Avenue du Ghana,
Rue Pierre de Coubertin, Rue Hédi Nouira
BP 323 -1002 TUNIS Belvédère (Tunisia)
Tél: +216 71 333 511 / 71 103 450
Fax: +216 71 351 933
E-mail: afdb@afdb.org

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The First Africa Region Review for EAC/COMESA [(1)]

Vinaye Ancharaz, Tonia Kandiero and Kupukile Mlambo

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(1) Vinaye Ancharaz is a Senior Lecturer in International Economics, University of Mauritius. Tonia Kandiero and Kupukile Mlambo are Assistant to the Vice President, Infrastructure Private Sector and Regional Integration and Lead Economist, Office of the Chief Economist, at the African Development Bank

Office of the Chief Economist

LIST OF ACRONYMS

ACP	African-Caribbean-Pacific
AfDB	African Development Bank
AFT	Aid for Trade
CET	Common External Tariff
CIF	Cost, Insurance and Freight
COMESA	Common Market for Eastern and Southern Africa
CU	Customs Union
EAC	East African Community
ECA	Economic Commission for Africa
ECOWAS	Economic Commission of West African States
ESA	Eastern and Southern Africa
EU	European Union
FOB	Free on Board
GATS	General Agreement on Trade in Services
ICT	Information and Communication Technology
LDC	Least Developed Country
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
OECD	Organisation for Economic Cooperation and Development
OSBP	One Stop Border Post
PRSP	Poverty Reduction Strategy Paper
REC	Regional Economic Community
RFTS	Regional Framework for Trade in Services
RTA	Regional Trade Agreement
SADC	Southern Africa Development Community
SSA	Sub-Saharan Africa
TD	Trade Development
TPR	Trade Policy and Regulation
TRI	Trade-related Infrastructure
TRTA/CB	Trade-related Technical Assistance/Capacity Building
UNCTAD	United Nations Conference on Trade and Development
VCA	Value Chain Analysis
WTO	World Trade Organisation

Executive Summary

The main objective of this paper is to present a mapping of trade-related bottlenecks in the EAC/COMESA region to eligible aid-for-trade (AFT) categories, and to articulate a strategy for mobilising significant amounts of aid for trade. To do so, the paper reviews the constraints to trade in EAC/COMESA. It identifies existing AFT-related programmes and activities, and documents the status of their implementation, pointing out any gaps and the causes thereof.

The paper is based on the premise that the EAC/COMESA region faces unique and severe constraints to trade related to the fact that many of the member states are land-locked. This, combined with poor infrastructure and services, cumbersome border procedures, inadequate mainstreaming of trade in national development strategies, and lack of progress in deepening economic integration, explains the region's dismal trade performance, both intra-regionally and externally. AEC/COMESA is aware of these constraints. The region has launched various initiatives to tackle them. The majority of these initiatives relate to trade facilitation measures.

The North-South Corridor is one trade-related infrastructure project that has attracted attention in the region, both by virtue of its scale and purported benefits. Even though the implementation of the project was slow initially, the political impetus during the North-South Corridor High Level meeting in Lusaka, Zambia in April 2009 attracted financing in the region of US$1.2 billion. As the first pilot in East Africa, the North-South Corridor clearly shows that Aid for trade can play a key role in sustaining ongoing efforts to overcome bottlenecks to trade.

The key message is that an effective AFT strategy should focus primarily on trade facilitation, with some emphasis on trade-related infrastructure. Since substantial aid has traditionally been directed to technical assistance and capacity building, and the trend is likely to continue, there is no need to build this element into the strategy *per se*. Such a strategy must: (a) Emphasise the contribution of trade facilitation measures in reducing trade costs and enhancing export competitiveness; (b) demonstrate the added benefits of modern trade-related infrastructure; (c) demonstrate the political will by the EAC/COMESA member states to address the region's constraints in the spirit of cooperation and solidarity to landlocked neighbours; and (d) impress on the donor community the need for greater AFT resources to help the region participate fully in global trade and attain the MDGs.

The Aid for Trade agenda should also highlight the importance of monitoring to show its impact on trade and development. In this case, the EAC/COMESA region should maintain a database of Aid for Trade for monitoring and evaluation purposes.

1. Introduction

One of the major challenges in many African countries is low investment in infrastructure. The countries have poor road networks and transport systems, inadequate port infrastructure, and underdeveloped telecommunications and ancillary services (insurance, banking, and finance). Deficient trade-related infrastructure raises the costs of production and distribution. With progressive tariff liberalisation in developed countries, high transaction costs in Africa have become a more binding constraint to trade than tariffs in export markets. Amjadi and Yeats (1995) estimate that transport cost provides a higher effective rate of protection than tariffs, and explains to a large extent, the marginalisation of sub-Saharan Africa (SSA) in world trade. Limoa and Venables (2000) estimate that a general 10 percent decrease in transport cost could cause trade volumes to increase by as much as 20 percent.

Other challenges include inefficient or underdeveloped trade-supporting institutions, such as customs, standards bureaus, and export promotion agencies. Poor knowledge of markets, products, and production technology provides an additional setback.

Often, trade policy entails a heavy anti-export bias. High tariffs encourage import-substitution activities to thrive at the expense of export production. Political economy considerations as well as economic factors impede effective trade liberalisation. Governments are concerned that steep and progressive tariff cuts can compromise fiscal stability by eroding their revenue base and that the resulting adjustment costs can jeopardise the social fabric by further marginalising the already poor.

Trade facilitation, defined to encompass the broad environment in which trade takes place rather than restricted to port logistics and customs administrations, has the potential to boost Africa's trade in a significant manner since the region's poor capacity to export is often more the result of a lack of an enabling business environment than a dearth of competitive exporters. Empirical studies have demonstrated the benefits of trade facilitation measures in Africa and elsewhere. Hummels (2001) estimates that cutting delivery time by one day would reduce the average landed costs of goods by 0.8 percent. At this rate, a cut in the 30-day average delay at Ethiopian ports to the industrial country average of four days would improve the competitiveness of Ethiopian exports by more than 20 percent.

The Regional Economic Communities (RECs) of COMESA and SADC recognise the importance of trade facilitation in deepening regional integration by reducing the cost of cross-border transactions, and improving the potential of growth through trade. Trade facilitation initiatives date back to 1985 when Burundi, Kenya, Rwanda, and Uganda signed the Northern Corridor Transit Agreement to facilitate trade in the Eastern and Central African region through the port of

Mombasa in Kenya. However, official recognition of trade facilitation came in 2001, when a COMESA/SADC task force was established to design and coordinate regional trade facilitation programmes. In 2006, the task force was expanded to include the EAC.

Efforts to address supply-side capacity constraints and trade-related infrastructure needs received added impetus from the AFT initiative, launched at the Hong Kong Ministerial Conference in December 2005. Once the grey areas surrounding the AFT initiative had been cleared, the COMESA Secretariat acted quickly to set up a dedicated mechanism called COMAid to mobilise and coordinate AFT resources to support national initiatives on a demand-driven basis and address constraints, such as deficient transport and distribution networks, at the regional level. The COMAid Unit will be responsible for the design and implementation of a regional action matrix, which will identify various projects aimed at infrastructure development and trade facilitation in the COMESA/EAC sub-region. The COMAid Unit is already piloting the North-South Corridor as an AFT-funded project.

COMESA has also set up a COMESA Fund. The fund is distinctive in that it can “accept” finances from both the private sector and governments of member states in the form of grants or loans and channel them to countries in need. The Fund has two windows: The Adjustment Facility and the Infrastructure Facility. The first is meant to assist member states address short-term budgetary constraints arising from trade liberalisation. The Infrastructure Facility is designed to finance regional trade-related infrastructure with a view to making the region more competitive by reducing transaction costs related to transport and distribution. The COMESA Fund is thus a versatile instrument, which can be regarded both as a strategic response to the AFT initiative and as a means of operationalising AFT at the regional level.

The Eastern and Southern Africa region presents numerous challenges to building trade capacity arising from deficient infrastructure, inefficient customs and ports, inadequate usage of information and communication technology, poor access to insurance and trade finance, and pervasive non-tariff barriers. However, the region (and its RECs, EAC/COMESA) also has to its credit, a number of achievements. COMESA has moved beyond a free trade area premised on rules. It is about to launch a customs union. It has clear and streamlined rules of origin, a regional competition policy, a dispute settlement mechanism, and regulations relating to safeguards and unfair trade.

The EAC launched its Customs Union (CU) in 2004, and is on track to deepening regional integration. COMESA/EAC has adopted a variety of trade facilitation instruments, has set up its own “Aid for Trade” Fund as well as a facility dedicated to mobilising real AFT resources. The COMESA/EAC believes that its trade-related problems are too complex and varied, and that addressing them calls for a holistic approach, tighter regional cooperation, and external assistance. It sees in the AFT initiative a window of opportunity to lift the region out of its current marginal state in global trade and harness the benefits of trade as an engine of growth.

2. Objectives and Methodology

The main objective of this paper is to conduct a mapping of trade constraints in the COMESA/EAC region with a view to developing a strategy to mobilise AFT funding. Specifically, the paper will address the following Terms of Reference:

(1) Review the bottlenecks to trade in EAC/COMESA;
(2) Identify existing programmes, projects and activities related to AFT in EAC/COMESA;
(3) Articulate the status of implementation of the programmes and plans identified in (2) through a review of related activities at the national level; and
(4) Propose a strategy for seeking donor support in meeting implementation gaps for AFT projects.

The objectives above are addressed through extensive desk research, involving review of existing studies and reports on AFT projects in EAC/COMESA. Data on AFT flows to EAC/COMESA Member States will be collected from various official sources. In particular, they will be obtained from the OECD/WTO database, which gives details of projects and activities implemented at the national level. This information can shed light on the status of the implementation of the projects.

3. Review of trade-related bottlenecks in EAC/COMESA

Many studies have documented the trade constraints that African countries face. This paper attempts only to provide an overview of those constraints so as to place the AFT initiative into perspective. While the trade-related barriers are varied and complex, it is possible to organise all of them around the central theme of trade facilitation. This approach to expositing trade constraints is not only convenient, but also serves to focus strategically on AFT.

Following the WTO "checklist of issues", the paper identifies the following key barriers:
(1) High transport costs;
(2) Complicated and cumbersome customs procedures;
(3) Inadequate usage of information and communication technology;
(4) Payments, insurance, and other financial requirements; and
(5) Non-tariff barriers in export markets.

3.1 High transport costs

Transport cost refers to the whole array of direct and indirect costs related to the physical movement of consignments, including transit, storage, and handling operations. By any account, transport costs in Africa are the highest in the world. For example, UNCTAD (2002) indicates that freight cost represents 13 percent of the total value of imports for Africa, compared to 8.8 percent for developing countries and 5.2 percent for industrial countries. This cost is even higher in the COMESA region, where 50 percent of the membership are landlocked countries. This percentage is the highest in any regional bloc in the world. Significantly, freight cost accounts for over 50 percent of import value in Malawi and Chad, and 48 percent in Rwanda (Table 1).

Table 1: Transit costs in selected African countries and world groups, 2001

Country or country group	**Transport and insurance payments (US$ millions)**	**Exports of goods and services (US$ millions)**	**Transit costs as a share of the value of exports (%)**
Botswana	230	3,030	8
Burkina Faso	70	272	26
Burundi	23	96	24
Central African Republic	59	179	33
Chad	99	190	52
Ethiopia	240	979	25
Lesotho	43	283	15
Malawi	214	385	56
Mali	229	644	36
Rwanda	70	144	48
Swaziland	30	1,085	3
Uganda	269	757	36
Zambia	216	1,255	17
Zimbabwe	379	2,344	16
Landlocked countries	*3,706*	*26,314*	*14*
Least developed countries	*4,277*	*24,840*	*17*
Developing countries	*109,055*	*1,268,581*	*9*

Source: ECA, 2004 (compiled from UNCTAD data)

High transport costs erode export competitiveness, and explain to a large degree, the region's dismal share of world exports. Further, ECA (2004) finds that controlling for distance, transport costs in landlocked countries are, on average, 35 percent higher than in countries open to the sea. Limoa and Venables (2001) estimate that every one percent increase in transport costs reduces trade volumes by about two percent. These findings, taken together, imply that the EAC/COMESA is at a significant disadvantage, not only relative to other regions of the world, but also relative to their own neighbours.

Several factors contribute to high transport and transit costs in Eastern and Southern Africa (ESA). These include inadequate and poor-quality roads and railways, inefficient transport services, numerous roadblocks and cumbersome border procedures.

3.1.1 Inadequate infrastructure networks

ECA (2004) has used missing links in the Trans African Highways network to measure the degree of physical integration in each of SSA's seven regional economic communities (RECs). Although COMESA and EAC fare much better than some of the other RECs (e.g., ECOWAS), the poor quality of their road networks constitutes an added cost disadvantage. With over 75 percent of its roads unpaved, the ESA region incurs higher truck charges and passenger fares in the wet season. Moreover, even the region's paved roads are generally in a state of despair due to poor maintenance, resulting in higher vehicle depreciation, more frequent breakdowns and longer transit hours, with attendant cost implications.

ESA's rail network, though poor and inadequate by international standards, is still among the best in SSA. This is due largely to national efforts to improve rail connectivity. The Tanzania-Zambia Railway Authority is an excellent example of successful regional cooperation in building infrastructure.

3.1.2 Inefficient transport services

Evidence of inefficiency of transport services in EAC/COMESA includes the following:

(a) *Very high vehicle operating costs.* Ellis and Hine (1998) estimate that the operating cost for two-axle trucks amounts to US$ 0.50 per km in Tanzania compared to US$ 0.20 in Indonesia and US$ 0.21 in Pakistan. This difference is due to higher fuel price, maintenance cost, and overheads in Tanzania.

(b) *Low vehicle utilisation.* This is the result of SSA's lower population density and relatively low level of industrial production. Low vehicle utilisation is one of the key causes of high transport costs in SSA, as discussed above. Available estimates suggest that the annual utilisation of two and three-axle trucks in Tanzania is 60,000 km compared to 80,000 km in Indonesia and 123,000 km in Pakistan.[i]

(c) *Low levels of competition.* Much of the ESA region is plagued by transport cartels that operate through a system of queuing for loads at fixed fares, compared to competitive best-offer practices elsewhere. This, in addition to the lack of regulation of the transport sector due to vested interest and Mafia-style networking of transport operators, results in high fares for both goods and passenger vehicles.

(d) *Regional variations in technical standards for vehicles.* Technical standards for vehicles vary widely across regions and RECs of SSA, which raise the cost of cross-hauling goods from a country in one REC to another in a different REC. Within COMESA itself, axle loading has been harmonised, but not all countries apply the agreed load limits.

3.1.3 Multiple roadblocks and cumbersome border procedures

Roadblocks and checkpoints along major ECOWAS highways are well documented. To take an extreme example, there are 69 official checkpoints along the 992 km highway between Lagos and Abidjan. This amounts to seven checkpoints per 100 km. The situation in much of ESA is less dramatic, but far from desirable. For example, there are 27 police controls between the Ugandan border and the Kenyan port in Mombasa. Multiple roadblocks along transport corridors and cumbersome procedures at each border result in excessive delays and high transit fees, including unofficial payments.

3.2 Complicated and cumbersome border procedures

Inefficient customs often result in long delays and high monetary costs. These grossly reduce the export competitiveness of African producers. Evidence shows that delays at African customs are the longest in the world (Clark *et al*. 2001). Wait times of up to 24 hours appear to be the norm in most ESA countries (World Bank 2000). For example, clearing the customs at the Victoria Falls border post from Zambia into Zimbabwe along the North-South Corridor can take up to 36 hours.

The effects of cumbersome customs procedures on trade flows, and the resulting uncertainty and corruption, are well known. However, there is lack of empirical evidence. ECA (2004) finds a significant negative correlation between delays at the customs and trade volumes, a result that reflects both the cost and uncertainty associated with inefficient customs. Corruption is perceived as a

[i] See Hine *et al.* (1997) and Rizet and Hine (1993).

major problem to doing business in certain ESA countries. Mozambique is an example (Biggs *et al*. 1999).

The main obstacles to efficient customs operations in Africa include excessive documentary requirements, insufficient use of automated systems, lack of transparency, predictability and consistency in customs procedures, and lack of cooperation among customs and other governmental agencies.

3.2.1 Excessive documentary requirements

UNCTAD (2001) estimates that on average, customs transactions involve 20-30 different parties, 40 documents, 200 data elements, 30 of which are repeated at least 30 times, and the re-keying of 60-70 percent of all data at least once. Documentation requirements are often ill-defined. Some are clearly redundant and traders are inadequately informed about compliance. All these increase the potential for errors and further delays. This problem is amplified at borders. The fact that border posts are physically separated and are kilometers apart from customs offices results in two complete sets of controls for each border post, each with its own complex checklist of documents.

3.2.2 Insufficient use of automated systems

Until recently, customs administrations in EAC/COMESA were inadequately computerised, imposing substantial paperwork. The verification of these at border posts entailed delays, costs, and inefficiencies. However, the adoption of the ASYCUDA system by a number of EAC/COMESA Member States has accelerated the clearance of goods. The system was developed by UNCTAD. Nonetheless, several problems persist. First, not all countries are implementing the ASYCUDA system.[ii] Secondly, because the border posts are not usually networked, the same information is entered onto the ASYCUDA system on entry to, and exit from, a customs territory. Time would be saved if data could be entered once and then shared electronically between national and regional border posts. It appears that implementing countries are reluctant to share information. The reasons for the reluctance are not always clear.

3.2.3 Lack of transparency, predictability and consistency in customs activities

Lack of transparency and predictability introduces a significant degree of uncertainty in international and inter-regional trade transactions in EAC/COMESA and elsewhere. In most countries, corrupt customs officials unnecessarily delay consignments with the hope of extorting bribes. Such practices result in additional costs due to delays and illicit payments.

3.3 Inadequate use of information and communication technology

[ii] Notable exceptions are Kenya, Mauritius, and Mozambique.

EAC/COMESA and the rest of SSA have lagged behind other developing areas on all measures of ICT infrastructure and application. SSA has the lowest telephone mainlines and telephone subscribers per capita, and the lowest internet penetration and cellular mobile phone use. Poor telecommunications infrastructure and lack of competition result in high telephone charges for local and international calls (Table 2). E-commerce is underdeveloped in the region because of the lack of infrastructure and regulatory framework, and low levels of ICT awareness.

The poor quality and high cost of telecommunication services constitute a drag on enterprises' competitiveness in SSA. Access to information on sourcing inputs, forwarding goods, and export markets is both limited and costly. Insufficient computerisation of the customs and the port imposes additional costs due to delays.

Table 2: ICT Indicators for EAC/COMESA Member States and Regional Averages

Country	*Main (fixed) telephone line per 100 inhabitants*	*Telephone subscribers per 100 inhabitants*	*Internet users per 100 inhabitants*	*Mobile phone users per 100 inhabitants*	*Cost of call to US (US$ per 3 minutes)*
Burundi	0.45	3.00	0.77	2.94	0.07
Comoros	2.33	6.83	2.56	4.77	0.13
Congo	0.40	14.36	1.70	34.17	..
Congo (Dem. Rep.)	0.01	10.53	0.37	10.52	0.08
Djibouti	1.36	6.91	1.36	5.55	0.02
Egypt	14.87	54.70	13.95	39.82	0.04
Eritrea	0.77	2.51	2.47	1.74	0.12
Ethiopia	1.06	2.51	0.35	1.45	0.13
Kenya	0.71	30.94	7.99	30.23	0.00
Libya	14.56	48.73	4.36	73.05	0.20
Madagascar	0.68	11.95	0.58	11.27	0.09
Malawi	1.26	8.80	1.00	7.55	0.06
Mauritius	28.63	102.23	26.95	73.60	0.18
Rwanda	0.24	6.77	1.08	6.53	0.13
Seychelles	26.24	115.47	36.95	89.23	0.06
Sudan	0.90	22.21	9.08	21.31	0.08
Tanzania	0.40	20.98	0.99	20.57	0.14
Uganda	0.53	14.11	2.51	13.58	0.28
Zambia	0.77	22.91	4.19	22.14	0.17
Zimbabwe	2.58	11.76	10.12	9.18	..
Regional averages					
Africa	3.21	30.94	5.46	28.44	0.14
Americas	31.14	103.01	43.23	72.21	0.03
Asia	15.64	53.21	14.43	37.64	0.06
World	19.11	68.89	20.86	50.10	0.09

Source: ITU (2007), World Development Indicators (2007).
Notes: All figures are for 2007, except cost of call to the US, which are for year 2006

3.4 Insurance, payments and other financial requirements

Trade involves various kinds of payments along the value chain before the exporter receives any payment from the final buyer. Therefore, traders need sufficient working capital and sound cash flow management to remain “liquid”. Often, however, firms are unable to reconcile their current payments with their future receipts, and require short-term credit to meet their financial obligations. At this stage, many exporters run into some “unfair” commercial practices by banks in Africa. These banks generally operate the documentary credit system, whereby advances to the exporter are pinned to the progress of goods towards the buyer. The system is cumbersome, unclear and time-consuming as it requires documents to be moved between banks in two different countries. Casual evidence indicates that half of all requests for credit are rejected on grounds of documentary inconsistencies.

Several countries in EAC/COMESA practice exchange controls, which contribute to reducing trade by rationing foreign exchange available for transactions. Capital controls also limit opportunities for hedging foreign exchange risks, financing trade, and managing assets and liabilities, which expose businesses to high risk and low overall return.

In SSA, as in most developing countries, exports are made on FOB basis and imports on CIF basis. Exporters therefore do not have to bear insurance charges, which are high due to the long distance between SSA exporters and export destinations. However, importers in Africa have to pay exorbitant premiums, since they are individually too small to negotiate insurance fees with dominant insurance companies.

Customs security is a major issue in freight transit. Transport operators have to pay relevant taxes and customs duties when entering the transit country market. This represent a significant cost to them. An effective customs guarantee scheme has proved elusive in the ESA region. COMESA has adopted texts in that regard, but they have yet to be ratified.

3.5 Nontariff barriers in export markets

As tariffs in industrial countries have progressively declined, nontariff barriers have emerged as formidable constraints to developing country exports. The problem is particularly acute in SSA. A number of countries in this region lack the financial and human resource capacity to meet the standards and technical regulations required by their main buyers. While the intent of these barriers is not necessarily to protect local industries, they are perceived as such by developing countries, which see in them a veiled attempt by developed countries to restrict trade.

As industrial countries become more concerned about climate change, the environment, “fair trade”, and ethical production, they will impose more stringent standards on their trade partners. Standards related to food products are particularly hard to meet. They are generally product-specific and require large investment in modern laboratories and storage facilities. Despite the fact that most of the ESA countries are agricultural exporters, little attempt has been made to set up a regional facility, presumably because sanitary and phyto-sanitary measures tend to be product-specific.

4. EAC/COMESA Programmes, Plans and Activities Related to Aid for Trade and their Implementation Status

The objective of AFT is to enable developing countries to achieve their development objectives and the MDGs by harnessing the potential of trade as the growth engine. AFT is aimed at supporting liberalisation efforts of developing countries through technical assistance and accompanying measures, and at improving these countries' capacities to export by building proper infrastructure and institutions, and by addressing other supply-side constraints.

4.1 Scope of AFT

The WTO Task Force on AFT recommended that the initiative covers six broad categories, namely:

(a) *Trade, policy, and regulation*, which includes training trade officials, helping governments to implement trade agreements, and strengthening institutions to comply with rules and standards.
(b) *Trade development*, including trade and investment promotion, business facilitation and trade finance.
(c) *Trade-related infrastructure*, which encompasses all physical infrastructure (roads, ports, transport and storage, communications, and energy) minus water supply and sanitation.
(d) *Building productive capacity*, which includes all activities aimed at improving a country's capacity to produce goods and services.
(e) *Trade-related adjustment*, defined as accompanying measures that mitigate the economic costs of trade liberalisation, including financial assistance to losers, and fiscal and balance-of-payments support.
(f) *Other trade-related needs*.

While the recommendations of the Task Force were in principle endorsed by the international community, the OECD – representing the bulk of the donor community – has expressed certain reservations about the categorisation of AFT as presented above.

The OECD has traditionally channelled development aid for trade-related technical assistance and capacity building (TRTA/CB), which roughly covers activities under (a) and (b) above. Moreover, support for building export capacity and for enabling adjustment in developing countries have been part of ODA for a long time. Such development aid, as well as aid for trade-related infrastructure, are now being repackaged as AFT and tagged to an extended AFT agenda as categories (c) – (f).

The OECD agrees that TRTA/CB and infrastructure should be part of the AFT agenda (OECD 2006). However, it differs fundamentally on the WTO's categorisation of AFT. For example, the OECD argues that there is no legal definition of "productive capacity". While this component is meant to address supply-side constraints, it is not clear whether it should be limited to trade facilitation or include also support to increase the productive and competitive capacity of the private sector.

The OECD also disputes the compartmentalisation of "trade-related infrastructure" and "building productive capacity" since, it argues, the former is an integral part of building export capacity and cannot logically be singled out. Furthermore, the OECD queries whether infrastructure can be singularly identified as being related to trade. Activities meant to enhance "trade-related infrastructure" also end up improving the general economic climate of the country. It is probably because of these difficulties that the OECD/WTO database does not officially include "trade-related infrastructure" as a stand-alone AFT category.

Finally, the OECD rejects the idea that adjustment costs should even be part of the agenda. Donors believe that several aspects of adjustment are already taken care of in the other categories of AFT. What these categories do not include, however, are financial compensations to the government for loss of fiscal revenue, and safety nets to protect those adversely affected by multilateral trade liberalisation or preference erosion (OECD, 2006).

In summary, the OECD embraces two broad components of the WTO AFT agenda, namely "trade-related technical assistance and capacity building", which encompasses categories (a) and (b) above, and "supply-side constraints", which brings together categories (c) and (d). Trade-related adjustment has been left out of the OECD's AFT agenda altogether (IATP, 2006). However, some donors have proposed financing adjustment costs.

4.2 EAC/COMESA AFT-related programmes, projects and activities

In this section, we review existing programmes, projects and activities related to AFT in EAC/COMESA. In doing so, we view EAC and COMESA as an integral bloc since four of the five Member States of EAC are also members of COMESA, and a number of projects are the joint venture of both. This approach consists of reviewing the projects along the AFT categories listed in the previous section, although, as discussed, those categories are debatable.

4.2.1 Trade policy and regulation (TPR)

COMESA has developed a number of policy instruments to deepen regional integration. To strengthen the Free Trade Area (FTA), launched in October 2000, the Secretariat provided support to its Member States to implement COMESA's rules of origin with a view to minimising trade deflection. However, a number of challenges remain to be addressed to achieve broader and more effective participation in the customs union as COMESA looks forward to the next milestone – a monetary union by 2015. The COMESA Secretariat continues to assist member states in the preparation and adoption of the four-band common tariff nomenclature (CTN) and common external tariff (CET); in implementing the WCO's Harmonised Commodity Description and Coding System version 2007, on which the COMESA CTN is based; and in implementing the WTO customs valuation system.

In the case of the EAC, a protocol for the establishment CU was signed by Kenya, Tanzania and Uganda in March 2004. Rwanda and Burundi joined the CU in 2008. The EAC faces the same kinds of issues relating to the implementation of its CU as does the COMESA.[iii] AFT can help both the EAC and COMESA deepen regional integration by providing the regions with training and technical assistance needed to implement their respective CU.

Activities in the area of TRTA/CB at the country level have been particularly prolific among EAC/COMESA member states. Annex 1 gives a non-exhaustive list of projects under "Trade Policy and Regulation" and "Trade Development" since 2007 in select EAC/COMESA countries.[iv] These projects have spanned the subcategories listed in the OECD/WTO database. The bulk of technical assistance has been directed to trade mainstreaming in Poverty Reduction Strategy Papers (PRSPs), regional trade agreements (RTAs) and trade facilitation procedures. Training has also been an important component of AFT under TPR (Table A.1).

4.2.2 Trade development (TD)

This AFT category is of most immediate relevance to the member states of the EAC/COMESA, since it pertains to trade facilitation. It is now widely recognised that the costs of cross-border trade in ESA need to be reduced if the region is to achieve the level of competitiveness necessary for trade to drive growth and poverty reduction. EAC/COMESA have adopted a number of trade facilitation measures aimed at reducing transport costs, inefficiencies, and delays

[iii] The EAC Secretariat lists the following areas of cooperation in implementing the CU: Customs administration; trade liberalisation by member states; simplification and harmonisation of trade documentation, customs, regulations, and procedures; trade remedies, training, and exchange of information on customs; and trade.

[iv] Presenting the projects and activities of all the 20 member states will take a lot of space, and is therefore not attempted here.

associated with cross-border trade. The challenge is to ensure that the measures rolled out by the two blocs neither duplicate nor contradict each other. Trade facilitation instruments that are in place, or are currently being developed, include the following:

1. *One-Stop Border Posts*

A one-stop border post (OSBP) is one shared by officers from the adjacent countries to jointly conduct all security checks and customs formalities. OSBPs reduce duplication of control and make communication of trade documentation between border administrations easier, thus reducing delays and opportunities for fraudulent practices, and ultimately, trade costs. Setting up a OSBP requires strong political support because it involves sharing of a single facility in one physical location.

A bilateral agreement was signed between the governments of Zambia and Zimbabwe, under the auspices of COMESA, in August 2007, to set up a pilot OSBP at Chirundu border. Chirundu's strategic location as a node between Southern and Eastern Africa and its role as a gateway between two busy regions made it an ideal choice. The project has made some headway. It has received strong support from both governments, and from the private sector. The machinery has been set in motion to identify consultants to help design OSBP legal procedures and to provide an interface between the customs and security systems of the two countries. However, the actual passing of the OSBP law is taking time, and harmonisation of documentation is proving a difficult task. More challenging will be to get border officers from the two countries to cooperate and the business community to adapt to the new procedures.

2. *Simplification and Harmonisation of Customs Procedures and Legislation*

COMESA is working with member states to harmonise customs procedures and legislation. This process involves bringing all countries onto the GATT valuation system, and ensuring that they are on the same version of the Harmonised System of Customs Classification, implementing a common tariff system with harmonised tariff schedules, and adopting regional anti-dumping and countervailing duty regulations.

3. *Single Administrative Document for Customs*

EAC, COMESA and SADC have all agreed that each country should have a uniform document for customs clearance in the region. The Single Administrative Document (SAD) has been developed and piloted by SADC. It is used by South Africa, Zimbabwe, Zambia, and Malawi as part of the Durban corridor pilot project of the Customs Bond Guarantee System. COMESA has been assisting Member States with the roll-out.

4. *Harmonisation of IT Systems and Electronic Customs Management Systems*

COMESA has been implementing a Regional ASYCUDA++ Project with funding from the EU since 2006. The project has two components:

(1) Implementing the ASYCUDA++ customs processing system in Comoros, DRC, Eritrea, Seychelles, and Swaziland; and
(2) Developing a Web-based Transit Data Transfer Module and pilot it at the Chirundu border post.

Both projects are underway. COMESA plans to assist all of the 14 member states that have opted for the ASYCUDA computerised customs management system to graduate to ASYCUDA++. The Web-based Transit Data Transfer Module will allow electronic sharing of customs data between national border posts in real time, which will greatly speed up border customs clearance. The project needs subsequently to be implemented at all border posts.

5. *Harmonised Axle Loading*

In order to preserve the road infrastructure and ensure reasonable usable life times, COMESA countries have generally agreed on the following axle road limits for freight vehicles:

Single steering axle (two tyres)	8 tonnes
Single axle (dual tyres)	10 tonnes
Tandem axle (four tyres)	16 tonnes
Tandem axle (dual tyres)	18 tonnes
Triple axle (six tyres)	24 tonnes
Triple axle (twelve tyres)	24 tonnes
Combination rig (gross vehicle mass)	56 tonnes

However, not all countries apply these axle-loading limits. This means that the load weight on a freight vehicle will be limited to the load compliant with the lowest axle load limit along the entire route. This results in inefficient use of freight vehicles and additional cost. There is a pressing need to enforce uniformity in national axle loading.

6. *Maximum Vehicle Dimensions*

ESA countries have agreed on maximum vehicle dimensions, in terms of height, width and length of vehicles. Unfortunately, as is the case for a number of trade facilitation instruments in the region, few countries have passed national legislation to enforce harmonised vehicle dimensions. Even fewer countries implement them. There may be valid reasons as to why some countries are not applying the regulations, but in these cases, it would be expedient to either renegotiate the maximum vehicle dimensions that will suit all countries, or have regional legislation with two sets of dimensions.

7. *Harmonised Road Transit Charges*

Road charges vary from country to country. COMESA is implementing harmonised road transit charges of US$10 per 100km. However, in some countries, transit charges are higher, while others implement different systems. For example, South Africa uses road tolls.

8. *Carrier's License*

ESA countries have introduced a regional carrier's license that allows vehicles transporting commercial goods to be operated on a single license with region-wide validity. This means that vehicles can carry loads back to their country of origin, which significantly reduces the cost of trade. However, evidence suggests that the regional carrier's license is not operational in all countries that have signed up to this instrument.

9. *Regional Third-Party Vehicle Insurance*

The COMESA Yellow Card is a vehicle insurance scheme that covers third-party liability and medical expenses. A Yellow Card issued in one COMESA country is valid in all other countries participating in the scheme. This saves time and money in taking out insurance each time a border is crossed. At present, the scheme is operational in 12 countries, including Tanzania, which used to be a COMESA member state. It is logical to assume that the Yellow Card scheme is irrelevant to the island states of Comoros, Madagascar, Mauritius, and Seychelles.

10. *Regional Customs Bond Guarantee Schemes*

At present, transporters transiting through a country to their final destination need to take out a customs bond at least equal to the duty which would be payable on their cargo. In theory, the bond is released on presentation of evidence that the cargo has actually left that customs territory. In practice, however, delays in releasing bonds means that large amounts of money are tied up in the system of national bonds. This, plus the fact that issuing bonds is costly, both in terms of money and time, means that transport costs are higher under the current national bond system. COMESA and SADC are working on their respective Regional Customs Bond Guarantee Scheme, which exhibit important differences. There is need to harmonise the schemes so that a single regional bond system could be implemented in ESA.

11. *NTB Monitoring Mechanism*

COMESA has adopted an on-line NTB reporting and monitoring system, with a NTB Focal Point based at the Secretariat. Each country is required to set up its national focal point but many have not done so.

12. *Harmonised International Standards Initiative*

Under an AfDB-financed programme, COMESA is providing training for Sanitary and Phytosanitary (SPS) experts and developing an SPS Protocol for the region. It has launched an initiative to harmonise standards among member states and assist them to develop a regional certification scheme. COMESA has agreed on 300 harmonised standards and is working on technical regulations for these standards (COMESA 2008).

13. *Trade in services*

COMESA is developing a Regional Framework for Trade in Services (RFTS) that would give member states preferential access for services exports within the bloc and provide technical assistance to allow the member countries to carry out their national assessment of Trade in Services as per GATS requirements. The RFTS also provided advice to member states in the context of the EPA negotiations. EAC has a similar programme in place.

Table A.1 shows AFT funding received by EAC/COMESA/SADC under trade development over the 2001 to 2006 period. In general, more funds have flowed in for TD than for TPR. However, receipts have not been regular. It is therefore difficult to gauge the relative importance of each sub-category, since no clear trends emerge. For instance, while trade finance and business support services and institutions made up 78 percent of total funds received for trade development in 2001, the share of these subcategories had declined to 28 percent in 2006, with market analysis and development, and trade promotion and implementation picking up the slack. Funding for the development of e-commerce has remained dismal over the entire period.

4.2.3 Trade-related infrastructure (TRI)

The COMESA-SADC-EAC Task Force has recently approved and started to pilot a major corridor programme named the North-South-Corridor. The aim of the programme is to bring under one umbrella, all ongoing initiatives taking place along the North-South Corridor so that they can be managed in an effective and holistic manner. The programme is implemented with financial assistance from DfID.

Its main focus is to facilitate and coordinate the implementation of projects and activities that are aimed at:
(i) Improving existing transport infrastructure and its efficiency;

(ii) Increasing the adoption and utilisation of existing trade facilitation measures by all countries along the corridors;
(iii) Identifying missing links and gaps in infrastructure and trade facilitation instruments and address them sequentially.

The North-South Corridor is an excellent example of a regional infrastructure development programme that will be of immense benefit to the landlocked countries in EAC/COMESA (*see Figure A.1 in the Appendix for a schematic diagram of the North-South Corridor*).

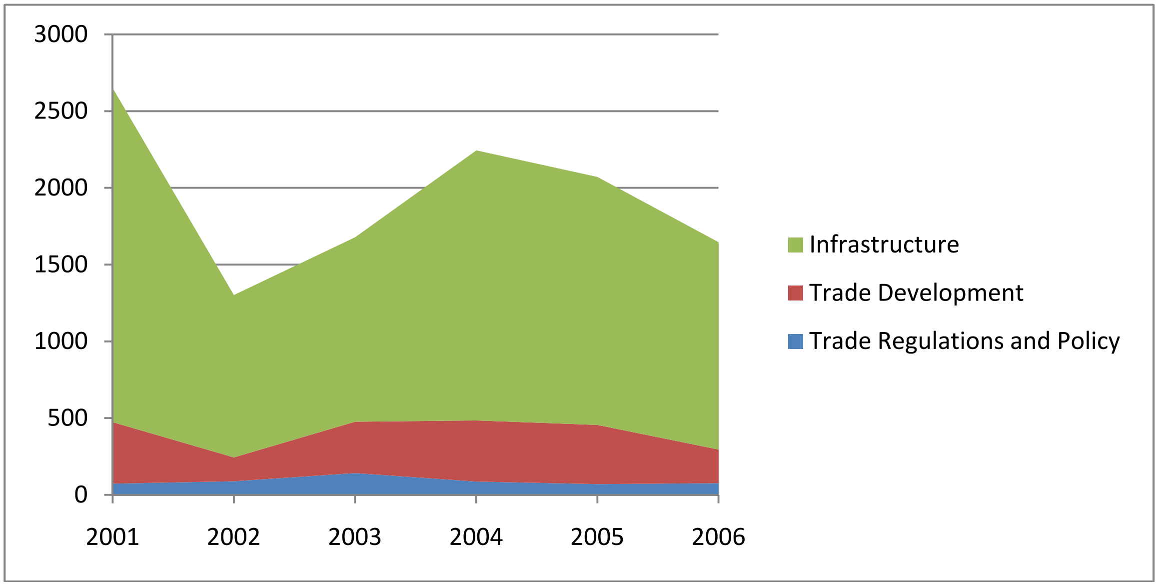
While these countries have relatively well developed internal infrastructure, they rely on the road, railway and port systems of neighboring states to get their goods to the market.

While the AfDB and other institutions, such as the World Bank Group, have financed numerous infrastructure projects at the national level in the EAC/COMESA, the lending has traditionally been limited to their members. Taking into account that the RECs are not members of either AfDB or the World Bank, it has proved particularly difficult to fund regional infrastructure projects.

Aid for Trade is therefore a welcome initiative for the AfDB and the World Bank to increase their involvement in regional projects. Countries in the EAC/COMESA see this as a long awaited solution to their regional infrastructure needs. AFT is unique in that it provides an integrated approach to trade development and infrastructure building, including the mainstreaming of trade into national development strategies, various trade facilitation instruments, and more generally, increased commitment to regional solutions. At the high-level conference on the North-South Corridor held in Lusaka in April 2009, the AfDB, the World Bank and bilateral donors pledged US$ 1.2 billion to support activities on the North-South Corridor.

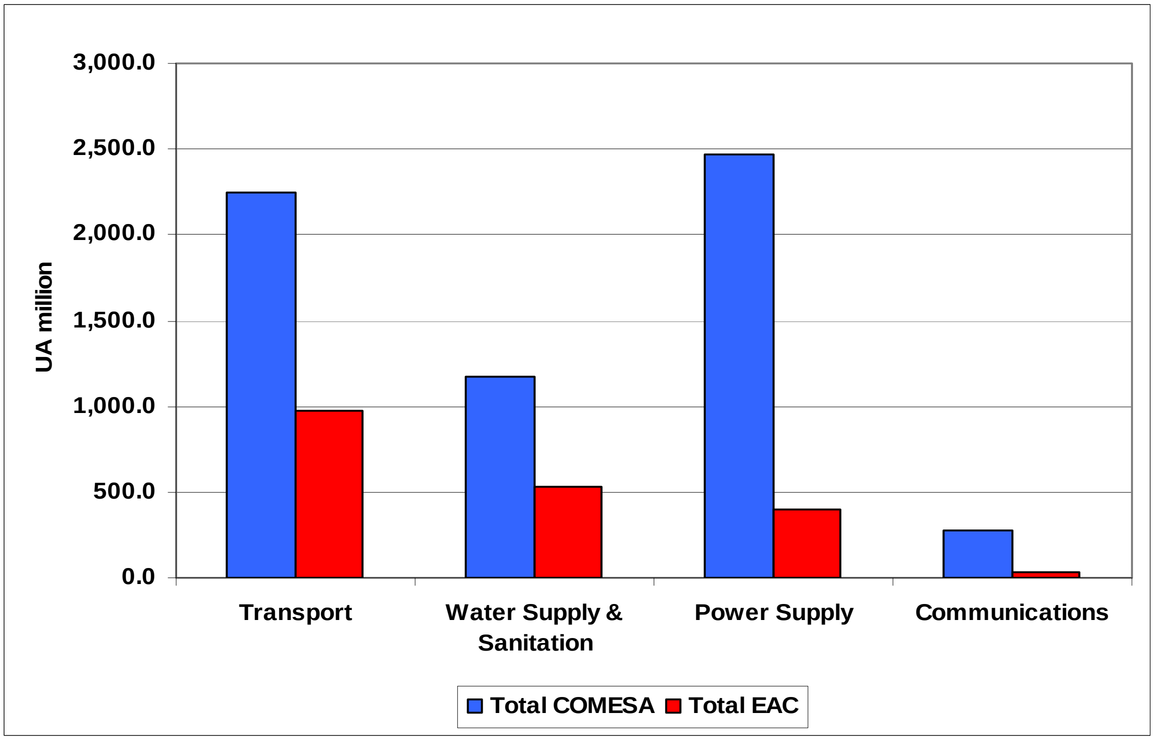
At the national level, all EAC/COMESA countries have received funding for infrastructure projects in the areas of transport and storage, communications, and energy. Unfortunately, little additional information is available on specific projects on a country-by-country basis. However, it is clear that the bulk of AFT funding has been directed towards infrastructure, and that within this category, about 75 percent of aid in 2006 was for transport and storage (Table A.1). Figure 1 gives a visual appreciation of the importance of AFT commitments for infrastructure, relative to TPR, and TD. It is also important to highlight that between 1967 and 2008, AfDB's lending activities to EAC/COMESA have been in the area of infrastructure, with power and transport dominating the investments pool (Figure 2).

Figure 1: COMESA/EAC/SADC Aid for Trade by Category (constant 2005 US$ '000)



Source: OECD/WTO database

Figure 2: Bank Group Loan and Grant Approvals in Infrastructure in EAC and COMESA, 1967 - 2008



Source: African Development Bank

4.2.4 Building productive capacity

This category is a grey area in the AFT agenda. While there is agreement on the activities that fall under this umbrella, it is difficult to find concrete examples of regional initiatives designed to build productive capacity. Nevertheless, many countries have undertaken national projects aimed at developing the private sector or helping enterprises improve competitiveness. Under the Integrated Framework, for example, LDCs have benefited from Diagnostic Trade Integration Studies. The challenge is to find an alternative methodology to assist non-LDCs in need of help with trade mainstreaming and/or diagnostic tests.

Some developing countries have recently applied value chain analysis (VCA) to specific sectors in an attempt to identify bottlenecks and scope for value upgrading along the supply chain in an attempt to boost product competitiveness and maximise the sectors' economic contribution. Examples of VCA in ESA include coffee and pyrethrum in Kenya, honey in Ethiopia, and cotton, textile and apparel in Zambia. AFT can either assist in implementing the findings of existing value chain analyses or in conducting new ones in other countries or sectors.

4.2.5 Trade-related adjustment

Adjustment costs can arise as countries liberalise their trade regimes in the context of the ongoing Doha Round negotiations. The current EPA negotiations will also impose significant losses of tariff revenue to many ESA countries as they align their tariff schedules to the requirements of an EU-ACP free trade area. Affected countries can demand AFT to allow them to cope with declining customs revenues and the loss of jobs as import-substituting industries contract under the weight of competition from European exporters.

Another area in which AFT can make a useful contribution is in meeting the challenges of preference erosion. The most vulnerable EAC/COMESA countries are the exporters of preference-receiving products, such as sugar (Malawi, Mauritius, Swaziland and Zambia), textiles and clothing (Kenya, Madagascar, Mauritius) and canned tuna and tuna loins (Comoros, Kenya, Madagascar, Mauritius, Seychelles). Mauritius has developed an effective AFT strategy to deal with the impact of the recent EU Sugar Regime reform and has managed to obtain AFT funding in the form of general budgetary support. The Mauritian experience can be useful to other ESA countries.

5. Implementation Status

Our desk research did not yield clear results on the implementation status of the various projects and activities described above. The following account is based on a review of various reports and documents (including some from the EAC and COMESA Secretariats) available on the Internet. A word of caution is therefore in order. While we have taken care to ensure that our version gives a truthful, correct, and up-to-date description of the implementation status of EAC/COMESA projects, ultimately, its usefulness will be limited by the quality and currency of the information obtained, much of which is beyond our control. This already indicates one area where the RECs can do more to improve information flow, not just to member states but to the wider community, in a spirit of sharing and transparency.

The paper discusses project implementation and identifies gaps, in the process following the same structure as in the previous section. However, we focus on TPR, TD, and TRI. These are the categories under which projects, both at the regional and national levels, have been reported.

5.1 Trade Policy and Regulations

Only 13 out of the 18 member states currently participate in the COMESA FTA. The launch of the CU, initially scheduled for December 2008, was postponed to June 2009. Intra-COMESA trade makes up only 4.2 percent of the bloc's total trade. Progress on trade integration has been very slow, testifying to the lack of political will on the part of several member countries to forge ahead. The EAC started a customs union back in 2004 and has gone further than COMESA in deepening economic integration. It is now eyeing a common market. However, the EAC faces similar issues in implementing the customs union as does COMESA. These include implementation of the CET, and simplification and harmonisation of trade documentation, customs and procedures, among others.

Sensitive products are a particularly contentious issue. In COMESA, many countries are yet to submit their sensitive products lists. There is concern that some products will be simply derogated from alignment to the CET. This could dampen the degree of intra-bloc trade liberalisation and erode the very effectiveness of the CU. Another important challenge is the emergence of non-tariff barriers as countries have brought down their internal tariffs. Smaller countries fear the economic dominance of some of the region's powerhouses, like Egypt, Kenya, and Libya. Such concerns will continue to impede progress towards a full CU and beyond.

Table 3 provides a non-exhaustive list of projects currently being undertaken by EAC/COMESA (with a focus on the latter) and identifies the implementation gaps.

5.2 Trade development

As discussed above, there has been an abundance of programmes, projects, and activities under this AFT category, both at regional and national levels. By and large, the regional projects are ongoing, although progress has been erratic and generally slow (Table 3). With regional trade facilitation projects, it is important to ensure that initiatives by EAC and COMESA complement one another, and do not duplicate or contradict the other. Trade development activities at the individual country level have proved more successful. These activities are generally more targeted and yield rapid results. Examples include the Lake Victoria fisheries management project; the production of organic avocados in Kenya; improving competitiveness of the clothing industry in Mauritius; the Northern Zambia microfinance project; and the mushroom culture project in Zambia.

5.2 Trade-related infrastructure

The North-South Corridor is the main programme currently being implemented as a pilot AFT project. The programme is at an early stage of implementation, yet important challenges have already surfaced. They include:

(1) Urgency to develop a mechanism to analyse and sequence multimodal solutions to trade facilitation constraints along the North-South Corridor;
(2) Need to develop infrastructure to a level where only routine maintenance and upgrades are necessary; and

(3) Capability to attract the private sector to invest in infrastructure by demonstrating the opportunities for a fair return and making use of donor funds and concessionary loans to leverage private sector investments.

No information is available from the OECD/WTO database on national-level infrastructure projects. However, as stated earlier, infrastructure projects at the national level have taken about 80 percent of total AFT funding during the 2001-2006 period.

Table 3: EAC/COMESA project: Implementation status, implementation gaps, and proposed actions

Project/Activity	**Implementation status**	**Implementation gaps/Actions**
Trade Policy and Regulation		
COMESA CU		
• Preparation and adoption of 4-band CTN	Ongoing	Few members have aligned their national nomenclature to the CTN.
• Implementation of CET		The CET ignited a heated debate but was finally approved, although few member states are currently in the position to implement it.
• Implementation of WCO's Harmonised Commodity Description and Coding System Version 2007		Only 15 member states have adopted the WTO Customs Valuation System.
• Implementation of WTO's Customs Valuation System		Progress towards implementing WCO's system is slow.
National-level trade-related technical assistance/capacity building in areas of trade mainstreaming, trade facilitation, technical barriers to trade, SPS, trade and competition, etc.	Ongoing	A multitude of projects have been implemented, and continue to be implemented in the areas of technical assistance and capacity building. These projects are generally proceeding well. However, their effectiveness may be reduced by lack of follow-up, inadequate attention devoted to learning and adaptation and general lack of human resource capacity in government agencies.
Trade development/Trade facilitation		
• One Stop Border Posts (at Chirundu border)	Ongoing on a pilot basis. Some progress noted.	OSBP legislation taking time; harmonisation of documents is proving difficult; and it will be hard to change mindsets to get border

		officers from two countries to cooperate at the shared border post.
• Simplification and harmonisation of customs procedures and legislation	Ongoing	Weak capacity in customs administration and lack of political will at national level is constraining this process.
• Single Administrative Document for Customs	Ongoing	While a number of countries have agreed to use the SAD, in practice, few are actually using it. The SAD is a regional instrument but its implementation requires local capacity and preparedness, both of which are often absent in many ESA countries.
• Harmonisation of IT systems and electronic customs management systems	Ongoing. Significant progress noted.	COMESA plans to assist all of the 14 member states that have opted for the ASYCUDA to upgrade to ASYCUDA++.
• Harmonized axle loading	Ongoing but progress generally poor	Member states have generally failed to change local legislation to make the agreed axle load limits legally binding. There is urgent need to enforce uniformity in axle loading.
• Maximum vehicle dimensions	Ongoing; little progress	Few countries have passed national legislation to enforce maximum vehicle dimensions and even fewer actually implement them.
• Harmonised road transit charges	Ongoing; little progress	Some countries charge higher than the agreed \$10 while others implement different systems (e.g., road tolls).
• Carrier's license	Ongoing; little progress	Not operational in many countries.
• Regional third-party vehicle insurance	Ongoing; good progress recorded.	Scheme operational in 12 countries, including Tanzania. Not relevant for the island states of Comoros, Madagascar, Mauritius and Seychelles.
• Regional Customs Bond Guarantee Scheme	Ongoing; little progress	COMESA and SADC are working on their respective RCBGS. There is need to harmonise the schemes to expedite implementation.
• NTB Monitoring Mechanism	Ongoing; little progress	Many member states have not yet set up their national focal points.
• Harmonized International Standards Initiative	Ongoing	COMESA is national building capacity and is developing an SPS Protocol.
• Trade in services	Ongoing	Services are not seen as a priority area in many ESA countries, hence the political will to implement the

		Regional Framework for Trade in Services is lacking.
Trade-related infrastructure		
• North-South Corridor	Ongoing	Pilot AFT project.

Source: Author's compilation

6. EAC/COMESA Aid for Trade Strategy

The AFT initiative is now a reality. It promises to deliver various benefits to developing countries in general, and to LDCs in particular. EAC/COMESA has received significant flows of AFT, either through the AfDB or other channels to the Secretariats for regional projects, or directly to member states. The COMESA Secretariat hosts an Aid-for-Trade Unit (COMAid), which was set up to mobilise and coordinate AFT resources to support national initiatives and address trade-related bottlenecks at the regional level.

COMAid is operational. It is already serving as the conduit for AFT resources directed to the North-South Corridor pilot programme. Moreover, the COMESA Fund, a testimony of the region's determination to address their problems by themselves by pooling funds, promises to generate large amounts of AFT resources. Donors are likely to give money to countries that believe that "charity begins at home", and have accordingly developed concrete projects and implementation plans. The RECs have established other partnerships as well. For example, the EAC Partnership Fund has recently received AFT from DfID under its Regional East Africa Integration Programme, which aims to address the challenges faced by the region, such as small, fragmented markets, inadequate infrastructure, high transport costs, difficult customs procedures, and bottlenecks at ports and borders.

The EAC/COMESA region has made a lot of progress in identifying projects for Aid for Trade financing and their experience should be shared in other regions. Thirteen of the 20 member states of EAC/COMESA are LDCs. About half of them are landlocked and face particularly acute transport costs. Moreover, the region is marred by a multitude of natural trade barriers, which call for concerted action to address.

An effective AFT strategy must be regional. It must focus on three intervention areas, namely, trade regulatory measures, trade facilitation, and trade-related infrastructure. These categories of AFT are likely to get the attention of donors since they follow well-established traditional lines of aid-giving, and conform to donors' most eligible projects. The OECD has made it clear that aid will neither be given for adjustment nor for building productive capacity (see Section 4.1). The donor community is also reluctant to commit to financing trade-related infrastructure The argument is that such projects have economy-wide benefits rather than being limited to the domain of trade. However, regional TRI projects are likely to have a fair chance, since the question of multiple jurisdictions for land-locked countries may otherwise raise complex implementation issues.

EAC/COMESA Aid-for-Trade strategy must invoke the following points:

6.1 Effectiveness of AFT

ESA's share of world trade as well as intra-regional trade is marginal. High transport costs, dilapidated infrastructure, and cumbersome border procedures account for this situation. Recent evidence on the impact of transport cost or delays on the volume of trade or product competitiveness is rather conclusive. Limoa and Venables (2000) estimate that a general 10 percent decrease in transport cost could cause trade volumes to increase by as much as 20 percent. Hummels (2001) estimates that cutting delivery times by one day would reduce the average landed costs of goods by 0.8 percent. Djankov *et al*. (2006) find that each additional day of delay in transit reduces trade by at least one percent. This body of evidence is an overt call for trade facilitation, which carries the potential to reduce the costs of trading. Cali and te Velde (2008) estimate that a 10 percent increase in AFT (to Trade Policy and Regulation, defined to include trade facilitation measures) is associated with a 1.5 percent reduction in trading costs. The bottom line is that AFT matters, and more so for the landlocked member states of EAC/COMESA.

6.2 Development of trade-related infrastructure

If trade facilitation can have such important impacts on trade volume and competitiveness, it is conceivable that improvements in trade-related infrastructure can have equally beneficial or even larger effects. Unfortunately, evidence on this channel of influence is lacking, probably due to data limitations. Better road and railway networks can speed up transit and reduce transport costs. More efficient ports can reduce delays, while proper storage and warehousing facilities can help cut waste. At the firm level, more reliable power supply and better and cheaper communication utilities can improve competitiveness.

African countries have received aid – mainly concessional loans and grants – to help finance various (trade-related) infrastructure projects at the national level. However, where an infrastructure project spills into another country's jurisdiction, the question of ownership often makes lending institutions (including the World Bank) reluctant to finance. Moreover, while donors may debate whether a national power plant qualifies as TRI, there is hardly any doubt that railways linking Uganda to the Kenya port of Mombasa do. It is thus in the area of regional infrastructure-building that AFT is most pertinent and most promising. Indeed, AFT is perhaps the only hope for landlocked ESA countries to build better roads, railways, and communications infrastructure. EAC/COMESA, through COMAid, should emphasise the need for regional TRI through carefully crafted priority infrastructure projects.

6.3 Capacity building

Technical assistance and capacity building have been the primary vocation of AFT. Projects and activities in this area have proved critical in building a mass of experts in LDCs in such areas as customs valuation, TBT, SPS, services, etc. Aid for Trade should continue to assist LDCs mainstream trade into their PRSPs/NDPs and sustain efforts by RECs to achieve deeper integration.

6.4 Ownership and political will

It is imperative that EAC/COMESA member states appreciate the value of internal trade liberalisation as they move towards a CU. All too often, countries want to gain from their neighbours' liberalisation, while making few concessions of their own. When they do cut tariffs, they immediately come up with a long list of sensitive products or gradually erect Non-tariff Barriers (NTB) to protect local industry or preserve their revenue base. Such actions go against the spirit of regional cooperation and seriously hinder the process of deeper integration as the RECs aspire to graduate to a monetary union and beyond. This lack of political will, which is characteristic of several of the EAC/COMESA member states, is not conducive to attracting AFT resources. Donors are likely to help countries that are genuinely determined to improve conditions. It is imperative that countries do their homework before they can turn to the donor community for assistance.

There is a wave of Pan-Africanism, sponsored by NEPAD and other programmes, sweeping across SSA. This was evident in the Tripartite COMESA-EAC-SADC Summit held in October 2008 in Uganda, where African leaders moved beyond narrow nationalistic interests to discuss the creation of a free trade area across all three RECs. Such an initiative could encourage flow of AFT resources to the region. This political will was once again highlighted by the presence of three Heads of States chairing COMESA-EAC-SADC at the North South Corridor meeting in Lusaka, Zambia, in April 2009.

6.5 'Additionality' of AFT resources

Current AFT flows to sub-Saharan Africa are far behind what is needed to lift the region out of its current state and place it on track for sustained growth and poverty reduction. Some estimates have been made of Africa's resource needs for enhancing its trade capacity. Given the historical share of infrastructure in total AFT commitments (about 80 percent) and given the poverty of infrastructure in sub-Saharan Africa, future infrastructure needs have inevitably dominated these estimates. According to calculations by Estache and Yepes (2005), Africa needs about US$ 24 billion per year in capital investment and an additional US$ 18 billion per year for maintenance, over the 2005-2015 period, to reach the

MDGs target growth rate.[v] Based on this work, ECA (2005) estimated that the donor community should provide US$ 20 billion a year over the coming years to help SSA achieve the critical seven percent growth required to cut poverty by half by 2015. A recent report by the Infrastructure Consortium for Africa (ICA 2007) evaluates the infrastructure needs of SSA consistent with meeting the MDGs at about US$40 per person, or US$ 14 billion per year as additional donor support.

Current AFT commitments (all categories combined) fall drastically short of even the most conservative estimates of Africa's resource needs. The whole of Africa received US$4.6 billion in AFT in 2006, of which $1.6 billion went to EAC, COMESA, and SADC. This amount is a pittance compared to what is needed to help SSA alleviate extreme poverty and attain the other MDGs. There is an urgent need for the RECs, through the Tripartite Task Force, to press the donor community for much bigger commitments. SSA's fate lies, to a large extent, on its ability to mobilise important amounts of AFT, and for donors to believe in SSA's future, and respond to its needs.

7. Conclusion and the Way Forward

The ongoing economic crisis is affecting different countries to varying extents. The full impact on sub-Saharan African economies, or more specifically, on the EAC/COMESA member states, have not been well documented. So far, there are clear indications that real growth rates are expected to decline as a result of contraction in global demand for exports from the region. In East Africa, real growth is expected to decline to 5.5 percent in 2009 from 7.3 percent in 2008. Exports growth is expected to take the biggest hit. However, to the extent that EAC/COMESA countries are predominantly exporters of primary products, with relatively income-inelastic demands, the adverse impact of the recession on these countries is likely to be smaller.

It was feared that AFT would take a back seat as developed (OECD) countries focused attention on their respective domestic economy at a time of crisis. This would be bad for the poor countries that have pinned their hope on receiving AFT resources to finance various trade-related projects. Fortunately, the recent G20 Summit has dissipated such fear. In addition to making a commitment to resist protectionist tendencies that could further reduce world trade and damage the hope for a rapid economic recovery, G20 leaders collectively reaffirmed their commitment "to meeting the Millennium Development Goals and to achieving our respective ODA pledges, including commitments on AFT, debt relief, and the Gleneagles commitments, especially to sub-Saharan Africa."[vi]

The OECD countries, which are also the main AFT donors, have made yet another pledge to assist SSA through aid for trade. While their intent is noble, it is

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[v] These calculations exclude investment in port infrastructure, irrigation and some important regional projects.

[vi] "The Global Plan for Recovery and Reform", communiqué by G20 Summit on 2 April 2009.

the responsibility of SSA countries, through their RECs, to see to it that promises made are translated into concrete AFT actions. This paper highlighted the many constraints to trade that the EAC/COMESA member states have to grapple with. The aggregate effect of these trade-related bottlenecks is to reduce export competitiveness and discourage and even reduce trade. Moreover, informal cross-border trade may flourish as operators desperately try to overcome the hassle of trading across borders. This may compromise the goal of the EAC and COMESA customs unions to achieve deeper integration on the way towards the next milestone.

This paper also provided evidence in support of the effectiveness of AFT in boosting EAC/COMESA intra-regional and external trade by reducing trading costs. The highest returns from AFT are likely to be in the area of trade facilitation and trade-related infrastructure, these being the core elements that any joint AFT strategy must emphasise.

While some progress has been noted in addressing trade-related constraints both at the regional and national levels, a lot remains to be done. First, there is a pressing need to ensure that projects started with AFT funding are carried through and completed. Secondly, the EAC/COMESA, through COMAid, should step up efforts to mobilise AFT resources to finance the various trade facilitation measures described above. Finally, EAC/COMESA should continue to identify new projects and activities that could be implemented with AFT funding so as to fully tap the pool of available AFT resources.

The COMESA/EAC/SADC Task Force is a laudable initiative. It signals the RECs' commitment to deepen regional economic integration in Africa. The task force is assisting the RECs to harmonise their customs procedures, rules of origin, sanitary and phytosanitary measures, and product standards. It is also guiding them in establishing one-stop border posts, and in implementing various infrastructure projects.

The task force should also cooperate in developing a common AFT strategy for Africa. AFT programmes can be better coordinated and monitored if a dedicated Aid for Trade unit, of the kind of COMAid, is set up at the level of the Task Force or a Pan-African institution such as NEPAD or the African Union. A strategy to mobilise AFT is more likely to succeed if it is owned by the region, and will contribute to further deepening regional integration through greater intra-regional trade. It is therefore crucial that Africa speaks as one voice to mobilise AFT.

The current pattern of AFT disbursements to EAC/COMESA member states, or indeed to African countries, indicates a mix of delivery modes, including both regional channels, such as the AfDB, and direct payments to national governments through bilateral initiatives. This situation is confusing. It makes it difficult to keep track of who is getting what, how much, and for what activity. While EAC/COMESA and other regional groupings are working hard to mobilise

AFT, there is no organised database at the level of the RECs, on Aid for Trade activities, projects, and funding, that could help in the assessment of the effectiveness of the current effort. Therefore, there is need to develop a database to monitor AFT activities and to support transparency and regional cooperation.

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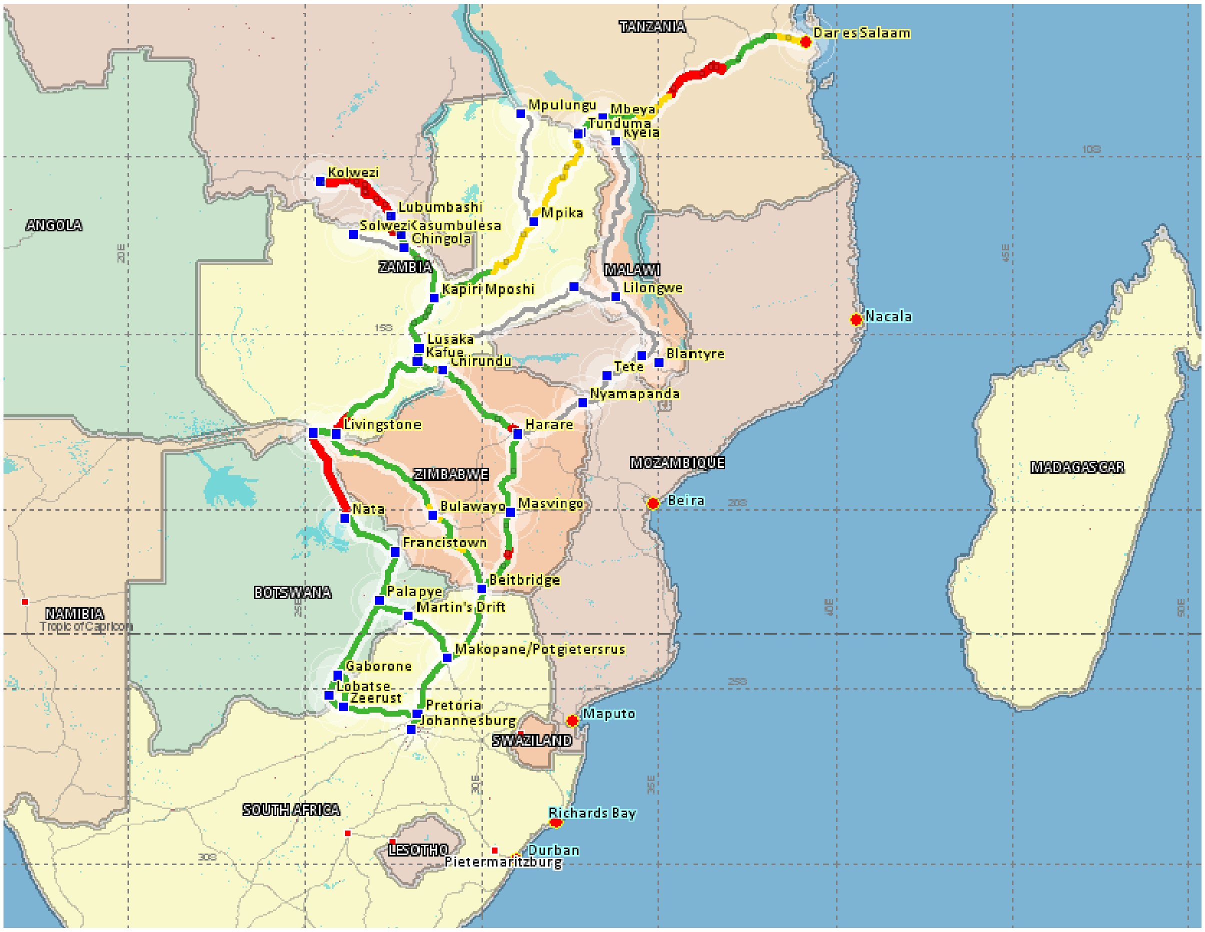
APPENDIX

Table A.1: COMESA/EAC/SADC: Total Aid for Trade Flows by Category and Measure, 2001-1006 (US $ 000 at 2005 constant prices)

Category | Measures	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Trade Policy and Regulation	***72723***	***89116***	***142218***	***86460***	***69935***	***76096***
Trade mainstreaming in PRSPs/development plans	18471	7145	8434	2895	16336	9807
Technical barriers to trade (TBT)	4291	3509	1881	980	1222	3024
Sanitary and phytosanitary measures (SPS)	5115	4726	8473	4314	833	6265
Trade facilitation procedures	16734	35540	95443	52701	1824	26068
Customs valuation	2303	2276	7113	2163	101	23
Tariff reforms			143		3,431	3,674
Regional trade agreements (RTAs)		884	683	5,230	33,231	6,126
Accession	12	1313	446	214	365	1,344
Dispute settlement	10	176	241	144	58	54
Trade-related intellectual property rights (TRIPS)	2825	2351	235	432	290	895
Agriculture	2825	662	721	135	693	36
Services	3439	428	135	464	870	1,444
Tariff negotiations - non-agricultural market access	4272	489	320	303	243	235
Rules	92	124	27	231	64	103
Training in trade negotiation techniques	7	900	292	103	206	345
Trade and environment	2824	6574	3,136	3,518	336	2,372
Trade and competition	4326	7636	9,980	8,871	1,641	1,404
Trade and investment	2170	593	260	46	120	3,932
Transparency and government procurement	1378	116	309	1,044	428	48
Trade education/training	1631	13674	3,947	2,675	7,644	8,895
Trade Development	***400647***	***154653***	***334483***	***398746***	***385587***	***219360***
Business support services and institutions	122596	13323	107512	38200	75101	32318
Public-private sector networking	2625	11480	1743	2049.31	1880	539
E-commerce		22689	12547	10156	11554	4106
Trade finance	190847	18600	91741	67318	136040	28918
Trade promotion strategy and implementation	47862	65889	88017	116760	97953	67037
Market analysis and development	36717	22673	32923	164265	63059	86443
Infrastructure	***1868255***	***1034447***	***1245722***	***1770439***	***1612474***	***1350115***
Transport and storage	934250	616966	872374	1384808	914944	1008536
Communications	71414	64612	33707	43621	24529	67476
Energy	862591	352869	339641	342010	673001	274102
TOTAL	**2341625**	**1278216**	**1722423**	**2255645**	**2067996**	**1645571**

Source: OECD/WTO Database on Aid For Trade

Figure A.1: Schematic Diagram of the North – South Corridor



Source: COMESA (2009)

African Development Bank
Angle de l'avenue du Ghana et des rues Pierre
de Coubertin et Hédi Nouira
BP 323 –1002 Tunis Belvédère (Tunisia)
Tel.: +216 71 333 511 – Fax: +216 71 351 933
E-mail: afdb@afdb.org – Internet: www.afdb.org