



Sub-Saharan Africa Transport Policy Program  
The World Bank and Economic Commission for Africa



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# *Trade and Transport Logistics Facilitation Guidelines*

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## Abbreviation and Acronyms

ACIS	Advance Freight Control Information System
ACS	US Customs Automatic Commercial System
ASYCUDA	Automated System for Customs Data
ATC	Agence Trans Congolaise de Communications
BL	Bill of Lading
CCC	Customs Cooperation Council
CFCO	Chemin de Fer Congo Océan
CHIEF	Customs Handling of Import Export Freight
CIF	Cost, Insurance, Freight
CNCC	Conseil National des Chargeurs du Cameroun
DTD	Door-to-Door
DTD/TBL	Door-to-Door/Thru-bill-of-Lading
EC	European Community
ECC	Community Commission
ECC/ECE	Economic Commission for Europe
EDI	Electronic Data Interchange
ERRP	Emergency Recovery and Reconstruction Project
FALPRO	Facilitation Program of the United Nations
FIATA	International Freight-Forwarders Association
FOB	Free on Board
GDP	Gross Domestic Product
GNP	Gross National Product.
GOR	General Operational Review
IATA	International Air Transport Association
ICC	International Chamber of Commerce
ICD	Inland Container Depot
IDF	International Development Financing
INCOTERMS	Industry and Commerce Terms
IFC	International Finance Corporation
IRU	International Road Transport Union
ITC (GATT)	International Trade Center
L/C	Letter of Credit
LACES	London Airport Cargo Export Scheme
LDC	Less Developed Country
MTO	Multimodal Transport Operator
NCITD	National Committee on International Trade Documentation
NFS	Non-Factor Services
NVOCC	Non-vessel Operating Common Carrier
OGEFREM	Office du Fret Maritime
OED	Operations Evaluation Department
OFIDA	Office des Douanes et Accises
OIC	Office Ivoirien des Chargeurs
ONATRA	Office National des Transports
ONPC	Office National des Ports du Cameroun
OPEC	Organization of Petroleum Exporting Countries
PTA	Preferential Trade Agreement

## Abbreviation and Acronyms

ROCS-1	First Roads and Coastal Shipping Project
SAL	Structural Adjustment Lending
SDV	Société DELMAS VIELJEUX
SECAL	Sectoral Adjustment Lending
SITA	Airlines Telecommunications and Information Services
SITPRO	Simplification of International Trade Procedures
SOCATRAF	Société Centrafricaine de Transports Fluviaux
SOFI	Système d'Ordinateurs pour le Fret International
SSA	Sub-Saharan Africa
SWIFT	Society for Worldwide Interbank Financial Telecommunications
SYDONIA	Système Douanier automatisé
SYDAM	Système Douanier pour l'Administration
TBL	Thru-Bill of Lading
TTFC	Transport and Trade Facilitation Committee
UCP	Uniform Credit Procedures
UDEAC	Union Douanière des Etats de l'Afrique Centrale
UN-EDIFACT	United Nations Electronic Data Interchange for Administration Commerce and Transport
UNCITRAL	United Nations Conference on International Trade Law
UNCTAD	United Nations Conference for Trade and Development
US	United States
VOCC	Vessel Operating Common Carrier
TSR	Transport Sector Review

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## Foreword

Within the context of freight logistics, *facilitation* is the sequence of actions leading to the rationalization of freight movement from production to consumer through the intermediate stages, both physical and institutional. It therefore applies to the three logistic stages—production, trade, transport—and its scope encompasses institutional policy, regulations, documents, procedures, and physical freight logistics.

For the purpose of these guidelines, transport and trade facilitation means the simplification of all administrative and commercial procedures entailed in freight movements within the regulatory, fiscal, and commercial environment in which the industry operates. For example, customs formalities, deposit of a bill of lading in a bank, and settlement of litigation with an insurance company are part of logistics. The guidelines do not address the physical features of the transport network; so they are less concerned with the structure of public institutions than with their external functions and relations with transport operators, auxiliary services, and users. Because these factors cannot be dissociated from each other, the guidelines may at times go beyond their natural framework, particularly when an overall consensus is needed.

The main objective of these guidelines is to advise on how to approach the complex issue of competitiveness in trade, and on how to achieve cost savings in logistics by reducing the time of immobilization of freight in transit. The interaction between transport infrastructure and transport and trade logistics is such that investments in infrastructure facilities and equipment will not reduce costs unless the institutional and operational logistics moving the freight and documenting are free from institutional or physical interference. More clearly, regional infrastructure investments may add to a country's debt burden without contributing to cost-effectiveness.

A word about the approach. Facilitation means improvement, and the easiest way to improve is to examine the various layers of the institutional or logistic problem until the weakest layer is found—from these simplification treatment can start. The adage "small is beautiful" applies here. Institutions, regulations, policies, and logistic distortions cannot be approached head-on without creating political confrontation. By selecting the weakest and most critical-points of a policy or a procedure, a process may start that leads towards advancement.

Chapter I of this report examines the historic and economic context of trade and transport logistics in Africa. Chapter II looks at the background of competitiveness in Africa by reviewing issues encountered in the transport of freight. The examination of issues leads to the consideration of the diseconomies in transport and trade logistics, and to the price which African economies are paying for the distortions introduced by inefficiency. Cost consideration leads to reform in policies, institutional efficiency, and logistic performance.

Chapter III considers the work on facilitation carried out by the Bank and other institutions and its impact.

Chapter IV offers suggestions on how to deal with issues in the logistic chain when preparing a program of reform. It also reviews the critical stages of a facilitation program, in particular identification, preparation, and execution, and the instruments available to strengthen the program's implementation.

Finally, Chapter V proposes an agenda for Bank staff intervention in facilitation by reviewing experience in project work and by discussing lending implications when introducing policy reform. The report also contains various annexes, including a checklist for identification of facilitation components, customs software programs, terms-of-reference for a Trade and Transport Facilitation Committee, a summary of recommendations in corridor studies evaluation, and an evaluation of customs software programs.

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# SSATP

## Transport and Trade Logistics

### Facilitation Guidelines

## CHAPTER I

### LOGISTICS

#### Logistics in Africa

##### Historic and Economic Context

1.1 Africa's transport and regulatory systems have undergone sweeping changes since independence. Until then, the various colonial systems operated within the coherent framework of French, British, Belgian or other commercial interests with a common convertible currency as well as common insurance, banking, freight-forwarding, and shipping networks. Freight was conveyed under coverage of one or several bills of lading that were negotiable and insured internationally; and cargo was routinely transferred from one mode of transport to another, with carriers in each different mode undertaking the liabilities under commonly binding terms and conditions of carriage stipulated by common commercial law.

1.2 With independence, however, physical and trade logistics and the unity of interests governing the African commercial systems of pre-independence days acquired a multi-national diversity with an inward rather than outward looking attitude on policies, regulations, and ownership patterns. The inward focus was natural in economies struggling for individualization within a new worldwide order, but went counter to cost-effective practices and to unified responsibility for freight in transit. In such an ambivalent scenario, efforts to unify commercial and institutional practices into workable regional partnerships (such as the Customs Union of Central African States—UDEAC—formed as a result of the Treaty of Brazzaville in 1964)<sup>1</sup> failed to produce the desired changes.

1.3 The container revolution of the 1960s caught Africa in a state of economic adjustment. Buoyed by revenues from the boom in commodity prices, newly independent states decided to embark on country-specific strategies of import substitution in the 1970s, in large part through ambitious programs of public investment and parastatal development. In addition, countries pursued protectionist strategies of transport and trade development, complemented with restrictive agreements with neighbors which discouraged positive regional and international practices while fostering national and local interests. All this has sustained higher cost, uncompetitive transport, trade and manufacturing activities, and has contributed to tax evasion and customs fraud. As a result, African export competitiveness in the 1970s suffered substantially (Table 1).

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<sup>1</sup> Union Douanière des États de l'Afrique Centrale comprises Cameroon, Congo, Gabon, Equatorial Guinea and two land-locked countries, Central Africa and Chad.

**Table 1: Exports of Commodities from Developing Country Regions, Industrial Countries, and OPEC to the World, 1965 and 1980**

<b>(Commodity prices and export unit values; 1980 = 100)</b>												
Region	Food		Beverages and Tobacco		Agricultural Raw Materials		Minerals		Oil		Export Unit Value (Total)	
	1965	1980	1965	1980	1965	1980	1965	1980	1965	1980	1965	1980
Africa	19.55 (11.5)	100.0	20.65 (11.1)	100.0	26.03 (9.4)	100.0	44.56 (5.5)	100.0	4.64 (22.7)	100.0	29.34 (8.5)	100.0
Asia	31.12 (8.1)	100.0	39.77 (6.3)	100.0	26.58 (9.2)	100.0	32.07 (7.9)	100.0	4.64 (22.7)	100.0	33.73 (7.5)	100.0
Europe	35.40 (7.2)	100.0	41.59 (6.0)	100.0	21.95 (10.6)	100.0	34.66 (7.3)	100.0	4.64 (22.7)	100.0	34.84 (7.3)	100.0

Excerpt from World Bank Reports

1.4 Following the oil crisis and from the mid-1980s Africa has encountered several economic difficulties brought to a head by the sharp decline in commodity prices and by the depreciation of the U.S. dollar. Between 1985 and 1987, oil prices fell 65 percent on the average. Likewise, cocoa, coffee, and rubber prices went down 24 percent, 43 percent and 24 percent, respectively. Meanwhile, cotton prices fell by 67 percent between mid-1984 and mid-1986. This collapse of commodity prices, compounded by poor macroeconomic management, plunged the African economies headlong into deep recession, undermining their financial and economic viability, and exposing serious structural deficiencies in their production, transport, and trade logistics (Table 2).

1.5 To deal with these problems, African countries have embarked on programs of stabilization and adjustment. The objective of these country-specific programs has been to tackle the problem of macroeconomic imbalances, as well as to create the enabling environment for efficient, productive investment and sustained growth. On the adjustment front, they have been trying to improve the efficiency of current resource use. This has entailed transit and trade facilitation; public enterprise reform through divestiture and restructuring; liberalization of production, trade, and transport regulations; reduction of regulatory obstacles to promote private commercial activity; and, in some countries, financial services restructuring.

1.6 These reforms have yet to yield measurable results. Diseconomies in production, trade, and transport logistics are difficult to correct; and the inertia of poorly designed administrative procedures is intimately related to the social, economic, and human crisis of the countries—it increases costs while encouraging fraud.

**Table 2: Growth of export volume, 1965 to 1988**

Country Group and Commodity	Average annual change in export volume (percent)					
	1965-73	1973-80	1980-86	1986	1987	1988
<b>By Country Group</b>						
Low and middle/income economies:	5.3	3.8	4.8	5.9	7.4	7.3
Manufactures	11.6	12.8	9.5	8.4	17.6	10.2
Primary goods	4.4	1.2	2.1	4.1	.3	4.9
Low-income economies	9.6	2.2	2.9	9.2	3.9	7.6
Manufactures	1.8	8.5	10.0	15.5	23.5	15.8
Primary goods	11.2	1.1	.6	6.7	-4.7	3.1
Middle-income economies	4.0	4.4	5.3	4.9	8.5	7.2
Manufactures	16.7	13.8	9.5	7.0	16.4	8.9
Primary goods	2.5	1.2	2.6	3.3	2.1	5.6
Sub-Saharan Africa	15.1	0.2	-2.0	-0.1	-1.8	1.2
Manufactures	7.6	5.6	4.8	2.9	4.3	5.3
Primary goods	15.4	0.0	-2.5	-0.4	-2.3	0.8
High-income economies	9.9	4.8	2.4	4.6	5.5	6.0
Manufactures	10.6	5.5	3.9	1.3	5.3	8.1
Primary goods	8.9	3.5	-0.6	12.9	6.0	1.3
<b>Export prices</b>						
Low and middle-income economies	6.2	14.7	-4.9	-10.6	11.0	6.1
Manufactures	6.4	8.2	-2.2	9.4	8.6	8.9
Food	5.9	8.6	-2.7	7.6	-7.0	14.4
Nonfood	4.6	10.2	-4.8	-1.1	21.7	2.8
Metals and minerals	2.5	4.7	-4.4	4.8	11.4	28.2
Fuels	8.3	26.0	-10.1	-46.7	22.0	-15.0
<b>Terms of Trade</b>						
Low and middle-income economies	0.1	2.5	-2.7	-10.9	2.3	-0.2
Low-income economies	-4.9	4.1	-3.0	-16.0	4.3	-1.1
Middle-income economies	1.8	1.9	-2.7	-9.1	1.8	0.1
Sub-Saharan Africa	-8.5	4.8	-4.0	-21.5	2.9	-4.4

Source: Excerpt from World Bank reports

## Production Logistics

1.7 Production logistics play a major role in influencing trade and transport logistics. Although activity in the industrial countries is by far the most important determinant factor of demand for developing country exports, commodity prices, geographical location, and industrial country policies, also play a significant role.

1.8 First of all, for the developing countries, success in exporting depends on the types of commodities exported and on how world demand for each commodity group moves over time. Exports of fuel and manufactures have increased in importance in world trade over the years. The elasticity of demand tends to be higher for these goods than for primary commodities, which have fallen as a share of developing country exports. This has happened despite the rising demand for high-value agricultural products. This need has been met mainly by industrial countries, with the biggest relative increase coming from the European Community (EC). The performance for developing countries in these growing agricultural export markets has been affected by the failure of agricultural product exporters to diversify, and has led to a shrinking of their share of world trade.

1.9 Second, the growth of exports can depend on the location of the exporter. For example, most of the markets for Africa's commodity exports are in the EC because of Africa's proximity to Europe. With European agriculture expanding in the last decade, Africa's exports to this region declined. By comparison, most of the markets for Asian exports have been rapidly growing as have Japan's imports from the Asian countries.

1.10 Third, trade and agricultural policies of industrial countries influence the options for exporting open to developing countries. Agriculture in some industrial countries is becoming heavily protected and subsidized. The EC, for example, has become increasingly self-sufficient in a broad range of agricultural commodities, thanks to various protectionist measures. Therefore, in certain products developing countries have been prevented from expanding into traditional industrial country markets.

1.11 A key answer to these concerns usually rests with logistics. Developing countries thus confront the fact that any trading nation in today's market is forced to adjust to the trade management practices of its partner countries and, by implication, to the practices in the international transport industry. In other words, the commercial success of any export-oriented industry in a developing country depends more and more on its ability to tie effectively into the emerging international trade logistics service networks. Given these international developments, developing countries have to make substantial adjustments to their trade management practices to hold down logistics costs in their trades. Much can be gained from improving the provision of transport services for locally traded commodities. Equally important, the regulatory environment must be conducive to stimulating improved systems performance. In developing countries, protectionist attitudes continue to prevail. For example, the pervasive maritime nationalism is a costly proposition reducing the international competitiveness of exports and inflating the cost of imports.

### **Trade Logistics**

1.12 Trade logistics may be defined as the procedural and documentary background of production and transport logistics which enables freight to change hands by means of commercial transactions. At the heart of trade logistics lies the set of rules governing commercial documents and procedures, banking and financial securities, transport and shipping bills, and manifests which regulate international flows of goods by structuring supply and demand from seller to buyer and of payment from buyer to seller. The goods' physical movement from production to final destination may be evidenced by appropriate documents. Payment, however, is influenced by trust between the commercial parties, their need for finance, and by governmental trade policies and exchange control regulations. Consequently, the "documentary credit" process is at the heart of trade logistics, and is an important internationally recognized method by which payment of international trade materializes<sup>2</sup> A summary procedure for Letter of Credit (L/C) transactions is shown in Boxes 1 and 2.

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<sup>2</sup> International Chamber of Commerce, "Uniform Customs and Practice for Documentary Credits" (ICC No. 400 adopted in July 6, 1984 by the United Nations Commission on International Trade Law).

1.13 Trade logistics have been recently expanded and complemented by the International Chamber of Commerce (ICC) with two additional tools specifically designed to facilitate trade and transport. These tools are the INCOTERMS and the fairly new electronic data interchange (EDI). The purpose of INCOTERMS (Table 3) is to provide a set of international rules for the interpretation of the most commonly used terms in foreign trade. Thus, the uncertainties of different interpretations of such terms in different countries can be avoided. INCOTERMS have been revised in 1990; the purpose of the revision has been the desire to adapt terms of trade to the increasing use of EDI. In the present 1990 version, INCOTERMS have also been adapted to changed transportation techniques, particularly the utilization of cargo in containers, multimodal transport, and roll-on-roll-off traffic with road vehicles and railway wagons. As a consequence of the 1990 revision, the reduced terminology used previously in commercial transactions (FOB/CIF) has expanded.

## Summary of Procedure

### Box 1: Buyer

#### Advising/confirming bank

1. The buyer and the seller conclude a sales contract providing for payment by documentary credit.
2. The buyer instructs his bank —the "issuing" bank— to issue a credit in favor of the seller (beneficiary).
3. The issuing bank asks another bank, usually in the country of the seller, to advise or confirm the credit.
4. The advising or confirming bank informs the seller that the credit has been issued.
5. As soon as the seller receives the credit and is satisfied that he can meet its terms and conditions, he is in a position to load the goods and dispatch them.
6. The seller then sends the documents evidencing the shipment to the bank where the credit is available (the nominated bank). (This may be the issuing bank, or the confirming bank, or a bank named in the credit as the paying, accepting or negotiating bank. If the credit allows for negotiation by any bank, there will not be a "nominated bank" and documents may be sent to any bank willing to negotiate under the credit. (Article 11 (b), UCP).
7. The bank checks the documents against the credit. If the documents meet the requirements of the credit, the bank will pay, accept, or negotiate, according to the terms of the credit. In the case of a credit available by negotiation, the issuing bank or the confirming bank will negotiate without recourse. Any other bank, (including the advising bank if it has not confirmed the credit,) which negotiates will do so with recourse.

### Box 2: Seller

#### Issuing Bank

8. The Bank, if other than the issuing bank, sends the documents to the issuing bank.
9. The issuing bank checks the documents, and if they meet the credit standard requirements, either:
  - a) effects payment in accordance with the terms of the credit, either to the seller if he has sent the documents directly to the issuing bank, or to the bank that has made funds available to him in anticipation, or
  - b) reimburses in the pre-agreed manner the confirming bank or any bank that has paid, accepted or negotiated under the credit (Art. 21, UCP).
10. When the documents have been checked by the issuing bank and found to meet the credit requirements, they are released to the buyer upon payment of the amount due, or upon other terms agreed between him and the issuing bank.
11. The buyer sends the transport document to the carrier who will then proceed to deliver the goods.

**Table 3: Mode of Transport and the Appropriate INCOTERM 1990** Error! Bookmark not defined.

<b>Any Mode of Transport Including Multimodal</b>	EXW	Ex Works (... named place)
	FCA	Free Carrier (... named place)
	CPT	Carriage Paid to (... named place of destination)
	CIP	Carriage and Insurance Paid to (...named place of destination)
	DAF	Delivered At Frontier (...named place)
	DDU	Delivered Duty Unpaid (... named place of destination)
	DDP	Delivered Duty Paid (...named place of destination)
<b>Air Transport</b>	FCA	Free Carrier (...named place)
<b>Rail Transport</b>	FCA	Free Carrier (...named place)
<b>Sea and Inland Waterway Transport</b>	FAS	Free Alongside Ship (...named port of shipment)
	FOB	Free On Board (... named port of shipment)
	CFR	Cost and Freight (...named port of destination)
	CIF	Cost, Insurance and Freight (...named port of destination)
	DES	Delivered Ex Ship (... named port of destination)
	DEQ	Delivered Ex Quay (...named port of destination)

Source: ICC Publications, July 1990

1.14 EDI systems are complementary to INCOTERMS. The primary purpose of the new electronic language for document transmittal developed by the UN/ECE Working Party on Facilitation of International Trade procedures<sup>3</sup>—UN/EDIFACT or "electronic data interchange for administration, commerce, and transport"— is to streamline costly manual procedures, reduce data requirements on international documents, develop standard codes to represent the information elements, and ease the transmission of information between trade parties. EDIFACT follows on the steps of the UN lay-out key for trade documents which has provided trade and transport with standardized format documents suitable for multiple utilization (commercial, transport and banking documents). In the course of an international trade transaction, a large number of parties have to produce, check, transfer, receive, process, and file hundreds of information elements related to the goods, their transport and their payment. With the proliferation of computers and EDI systems, it is possible to rationalize the processing, filing, and transmission linking computerized islands in specific industries (banks, shipping lines) with the groups of operational partners (customs, freight-forwarders, container operators, leasing companies, etc.)<sup>4</sup>. These computerized islands, or multimodal platforms, allow drastic simplification of paperwork communications, reduce human error, and contribute to cost-effectiveness in logistics. (The port of Felixstowe in East Anglia, United Kingdom, developed one of the first multimodal platforms.)

1.15 The procedural and documentary process on a trade transaction between international partners involves as many documents as required by the regulations (trade, transport, banking) of the partners' countries. The ICC minimum set of documents for documentary credits is today accepted by most countries as the essential core of documentary procedures, and most countries have rationalized their trade requirements to match ICC recommended practices. The issue in many developing countries is that the essential core of documentary procedures has been loaded with additional controls and counter-controls, each requiring additional documents and procedures<sup>5</sup>.

1.16 The foregoing shortcomings of the trade logistic systems in less-developed countries have led to the creation of *substitute* circuits. Companies buy the services that the public administrations are unable to supply. There is a parallel exchange market, along with an underground economy —an apparent company and a real one. This duality is a permanent and fundamental given in Africa's present system.

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<sup>3</sup> UNCTAD, Geneva (United Nations/Economic Commission for Europe)

<sup>4</sup> Examples of such systems include, in the Customs field, the London Airport Cargo Export Scheme (LACES) developed in the 1960s by the British Customs Service and superseded by the more recent Customs handling of Import and Export Freight (CHIEF), the Système d'ordinateurs pour le Fret International (SOFI) of the French Customs, the US Customs Automatic Commercial System ACs; in the banking sector, the network of the Society for the Worldwide Interbank Financial Telecommunication (S.W.I.F.T.); in the transport sector, the airlines 'worldwide telecommunications and information services (SITA) serving 320 airlines in 173 countries and territories, etc.

<sup>5</sup> The essential core of documents required for compliance with documentary credit procedures is as follow:

- Letter of Credit;
- Maritime Bill of Lading and (or Forwarder's Certificate of Receipt and/or Rail-Truck Consignment Note and/or Air Waybill);
- Commercial Invoice;
- Certificate of Origin;
- Certificate of Inspection;
- Insurance certificate;
- Health Certificate (Analysis) whenever required on specific products.

## Transport Logistics

1.17 Transport logistics encompass all steps in the transfer of freight modal or multimodal and, for the purpose of these guidelines, the interaction between the various institutions intervening in international freight transport, the operators transporting it, and the transport intermediaries providing brokerage services between freight transfers. Consequently, the customs administration, insurance companies, banks, parastatal transport operators, terminal operators, Shippers' Councils, private carriers, and intermediaries are considered as intervening in transport logistics.

1.18 The evolution of transport logistics in recent years has been tremendous. Since the early 1960s, the container has been a factor of change influencing not only the way freight is transported and handled, but also the design of ports and terminals for modal interface, the design of transport units and ships, and the documentary and procedural control for freight in transit. More important, the container has also become a tool for revenue control of freight in transit from origin to destination (Door-to-Door, or D-T-D). The financial liquidity offered to international multimodal transport operators (MTOs) by advance payments on containerized DTD transport contracts, has provided these operators with key financial leverage and with the possibility of subcontracting, at competitive rates, shipping, railway, and truck capacity while controlling subcontractors payment schedules (usually after services have been rendered). In addition, the shortage of know-how and network capacities on the part of LDCs freight-forwarding industries, has helped to divert the financial flows associated with D-T-D freight-forwarding from LDC operators to their better organized counterparts in industrialized countries. As a result, investments in intermodal facilities and systems carried-out by LDCs have helped facilitate and reduce the cost of transport transactions, but not necessarily for the benefit of the LDCs carrying-out the investment.

1.19 The unsuspected role of the container in transforming transport logistics has had important consequences: (a) for the traffic shares between developed and LDCs; (b) for the potential access of LDC operators to multimodal transport services; and (c) for the return on capital invested by LDCs in facilities and services. With the growing volumes of container trades, and with greater demand for speed and tight scheduling, it has become necessary for the water, road, and rail transport systems to be physically and operationally closely linked. Reacting to these changing requirements, key international carriers have realigned their service provisions substantially. What has happened is that these carriers (particularly of U.S. and Far Eastern origin) have undergone a transformation from providers of pure ocean transport to providers of integrated Door-to-Door services. In the context of such services, the sea transport link represents only a portion of total cost. Imaginative management, aggressive marketing, and superior service have enabled these carriers to control larger market shares, resulting in a trend towards oligopoly in many market segments, including the Western and to a lesser extent, the Eastern African seaboard.<sup>6</sup> Trends towards increasing capacity of vessels and growing structural linkages with the inland network have accentuated the demands placed on ports, while port authorities in turn are beginning to appreciate their strategic role in the capital intensive multimodal transport industry.

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<sup>6</sup> Armatorial agreements in West Africa infringe on EEC Rule 4056/86 and have been targeted recently against, inter alia, the French Shipping Group SDV.

1.20 In Africa, the situation is typical of the "new" logistics and critical in terms of meaningful participation of the domestic freight-forwarding industries. African transport has a strong public sector presence (few countries are exception) and large-scale public agencies. These agencies have been the object of numerous analyses and studies. Those engaged in overland transport, which are particularly important from the standpoint of logistics and transit, rarely are financially viable. Their share of the market has fallen in most countries to uneconomic proportions. These enterprises, a legacy from the colonial era, are no longer suited to countries that are largely diverse. The control of these immense enterprises has become very difficult in the context of fraud, waste, low wages, technical unemployment for lack of supplies, scarcity of skilled workers, and the like. They make very inefficient use of the considerable resources they absorb, although they are handsomely assisted by bilateral and multilateral foreign aid. Their ex post profitability of investment in transport is questionable. Either the anticipated traffic fails to materialize, or the equipment is far from being amortized within the forecast period of useful life.

1.21 At the other end of the Africa spectrum, small entrepreneurs are emerging to take the bits and pieces of commercial services left ill-served by public sector parastatals. These entrepreneurs are operating within a highly hostile policy and regulatory environment largely suitable to the convenience of parastatals. Their market share is minimum, or when large — as in Cameroon where small customs brokers control about 50 percent of clearances at Douala port — it becomes informal, fraudulent, and goes underground. This emerging industry, however, is key to the future growth of African national capabilities in transport logistics and should have the support of international financial agencies.

## Institutional Background

1.22 The situation of the private transport companies and entrepreneurs in SSA is entirely clear. The agencies performing the control and regulatory functions are set up as enterprises (offices) administered by government agents. Some of them, such as OGEFREM and OFIDA in Zaire<sup>7</sup> carry out regulatory duties only. Others, such as OZAC and OZACAF, in Zaire, or CNCC in Cameroon<sup>8</sup> engage in industrial or commercial activities, or have the monopoly in areas that are usually entrusted to professional organizations or approved business agencies. OZAC, for example, controls weights and measures (a function of the administrative police) and manages storage facilities and in-bond shops (a function of professional organizations). *The Shippers' Councils*<sup>9</sup> entrusted with the control of the Maritime Liner Code of Conduct (the 40-40-20) carry out a para-fiscal operation which represents either an appropriation of private funds to sustain their bureaucracies or a tax on the competitiveness of trade.

1.23 These and other agencies try to maximize their financial surpluses, which are clearly identified in their accounts. They are thus encouraged either to step up the collections and controls, thereby hampering cost-effectiveness in trade and transport, or to raise their tariffs, which their status as a monopoly allows them to do. There is no longer a clear-cut dividing line between the administrative type of public service or administrative policing mission and the state's commercial activities. Although they appear to be enterprises, these offices are in fact a part of the state's fiscal system, thus compensating —by means of repeated collections— for the failings of the regular tax collection system.

1.24 The same ambiguity characterizes most of the other institutions intervening in the logistic chain. *The Central Banks*, a public service in a monopoly position, drastically slow the logistic documentary chain while keeping payrolls which reach about 50 percent of the operating expenses (Angola, Mozambique, Ethiopia, Zaire); but Central Banks transfer most of their responsibilities to commercial banks thereby adding time and cost to the commercial logistic process. Finally, the national *insurance companies* collect the fees to which their monopoly entitles them. They receive income, but do not provide any real service and do not even play the role of institutional investor traditionally assigned to insurance companies. The lack of insurance services leads the transport operator or shipper to take out policies with overseas companies, for which payment is made in foreign currency. To do so, shippers have to bypass the exchange regulations and work with the parallel market. The shortcomings of the insurance companies thus open the door to fraud by siphoning off taxes on insurance transactions, considered to be premiums, and using them to pay the salaries of the agents they employ.

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<sup>7</sup> Office Général du Fret Maritime  
Office des Douanes et Accises

<sup>8</sup> Office zairois du café  
Office zairois de contrôle  
Conseil national des chargeurs

<sup>9</sup> *OGEFREM in Zaire, CNCC in Cameroon and Office Ivoirien des Chargeurs (OIC) en Côte d'Ivoire.*

1.25 All in all, the public services of transport logistics in SSA are both the victim of poor organization and the cause of distortions in the operation of the market. Either they lack the necessary means or they manage to see that income goes to third parties, also public services or enterprises, or they help to maintain the status quo at the expense of the users.

## CHAPTER II

### COMPETITIVENESS AND COST

#### Competitiveness in Multimodal Transport

2.1 The expansion of international transport and shipping during the past three decades has been influenced, inter alia, by the growth of intermodalism, by development of trade and by the ratification by a number of countries of the maritime conferences Code of Conduct sponsored by UNCTAD. More recently, however, international multimodal transport has streamlined its logistics; shipping has contracted severely, while national shipping lines in developing countries have accumulated enormous losses. By the end of 1993 with the European common market, international transport, shipping and trade will go through further adjustment, therefore, increasing the pressure and the need for change in developing countries. Institutions thought and conceived to channel transport and trade development, such as UNCTAD<sup>1</sup>, will have to redefine their roles further. The development of multimodal transport and the requirements of modern transport and trade logistics mean that developing countries should shift their policy emphasis from an attempt to master or share their sea trade to positive development and control of their inland and coastal trade routes, and to monitor their, so far, elusive terms of trade (by selling CIF and by buying foreign goods FOB). Shippers' Councils, which have become the providers of cargo to national shipping lines and a bottleneck to documentary foreign trade procedures, should change their role and funding means and turn their attention to promoting land side intermodal efficiency, and transit facilitation, and to bridging the trade gap.

2.2 *Transport competitiveness*: African countries should stay competitive by ensuring that the land side sector and the port interfaces meet the requirements of shippers and carriers. Transshipment load centers, feeder lines, multimodal transport facilities, and logistic services should be encouraged in order to improve goods handling capacities and to provide economies of scale with handling and transit costs, infrastructure capital costs, and running expenses. Goods moving to and from the African interior often spend more than half their total Door-to-Door transit times and cost on the inland movement to/from the coastline. Trade and marketing in Africa are such that a considerable proportion of foreign trade total transport costs are incurred in Africa (For example, cost added to coffee in Côte d'Ivoire from producer to FOB port is about 170 percent; to cocoa, about 60 percent).

2.3 This means that African efforts and investment must switch from the ocean side to the promotion of the transport intermediaries professions, to surface transport, and to facilitation of trade logistics.

2.4 *The transport intermediaries* in Africa usually perform complementary services under one business entity. These functions are: ship agency, customs agency, stevedoring, port handling, and freight-forwarding. The importance of transport intermediaries in African competitiveness is exceptional if compared with developed countries. African surface transport systems —road, rail, and inland waterways— are often weak and unreliable. Customs formalities, commercial procedures, and transit logistics are complex and inefficient. Communications are poor. Transport intermediaries at ports of entry and destination are the only secure beacons offering service and liability for freight in transit; their follow-up and control of surface inland transport are essential.

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<sup>1</sup> Redefinition of UNCTAD's role started in the meeting of UNCTAD VII in Cartagena (Colombia) in February 1992 and is now under way.

2.5 From the perspective of ownership, transport intermediaries in Africa fall into three main groups. The first group is *national parastatals*. The notions of profitability and efficiency are often foreign to these bodies, which largely survive as parasites of the transport chain, often with the help of local Shippers' Councils or through subsidies. The second group is *private sector multinational* transport groups with locally registered companies or joint ventures. The management of these companies is, to a large extent, multinational, and their investment decisions are not always governed by local considerations, given their exposure. These companies control a large share of the African freight-forwarding and clearing business and are ready to invest locally when the commercial, fiscal, and financial prospects are favorable. At present, the commercial, fiscal and financial prospects for profit and growth in African are not favorable. In spite of this, these companies are at the core of African transport (land and sea). There is no substitute for them, and the future viability of African trade depends on their staying in business. The third group is *African transport enterprises* privately owned by nationals. They are active in ship agency, clearing, forwarding, stevedoring, port handling, and road transport. Although some of these companies can perform efficiently and profitably, their liability is poor, their financial situation shaky, their international coverage inconsistent with their trade, and their life expectancy follows the fortunes of their owners. These companies' environment fails to meet financial institutions' expectations, and their capabilities for handling large accounts are simply inconsistent with the requirements of modern trade. However, these companies will determine the future of African national transport and its contribution to multimodal transport.

2.6 Surface transport systems (road, rail and inland waterways) in Africa are generally weak and non-competitive at world prices, with a poor service-to-cost ratio. *Road transport* is the domain of the private entrepreneur; it is flexible, and usually offers the best value in the market. Its product, however, the ton/kilometer produced, is expensive (US\$0.12 to 0.93 per ton/km in Cameroon, as an example (against US\$0.07 to 0.09 in France and about US\$0.02 to 0.03 in Pakistan), and between US\$0.20 and 1.00 per ton/km in Mozambique and Angola. Its cost is related to high fiscal charges on inputs and low vehicle utilization (both in terms of kilometers per year —about 35,000— and load factors —50 percent loaded kilometers per round trip). *Rail transport* is generally cheaper, but consumes substantial government subsidies and is unreliable and slow. Rail transport parastatals are thoroughly uncompetitive (CFCO in Congo or TRANSGABONAI in Gabon, as examples). They fail to offer security to freight transported and, through their failure, suffer from the inroads of the more flexible road transport entrepreneurs. *River transport* survives generally in captive market conditions (ATC in Congo and SOCATRAF in Central Africa), is uncompetitive and therefore heavily subsidized, and its future will depend on the availability of roads to reach landlocked areas. In general, inland water transport cost is cheaper than other modal costs, but tariff/cost studies show how deceptive tariff prices are when compared to costs.

2.7 In this bleak scenario of African inland surface transport it is becoming increasingly important for African shippers to control freight from origin to destination under one responsibility. Large container lines and multinational freight-forwarders are making inroads in this area, backed by strong customer demand. They are seeking control of the land side transport links and seaport interfaces through their agency affiliations. Containerization is therefore extending the shipping lines' potential control of cargo flows from beyond the seaports to the points of cargo origin and final destination, bringing in the "Door-to-Door" concept, under coverage of a "thru-bill-of-lading" (DTD/TBL), to African international trade. The basic notions behind the DTD/TBL concept are the following: one multimodal contract carrier, either a "non-vessel-owning-common-carrier" (NVOCC) or a "vessel-operating-common-carrier" (VOCC); one through document, the DTD/TBL or similar private document; one sole responsibility for loss or damage; one sole insurance coverage (whenever feasible). The competitiveness of multimodal carriers is based on financial liquidity, rather than in unit price per segment (origin service, ocean voyage, destination). Their pricing rules follow a "risk management policy" based on customers profile (financial weight, payment habits, volume, origins/destinations, etc.) within the margins of regional competition. They try to secure the lowest possible rates from subcontractors based on volume, and can afford substantial rebates to users.

2.8 *Trade Competitiveness*: Documentary credits are the common commercial instrument on international transactions and their confirmation by a bank or financial institution is subject to the timely reception and interaction of shipping, transport, and customs documents. These documents are, therefore, an essential part of the trade transaction, and the financial viability of the commercial operation depends on their accuracy and timing. Experience in African ports shows that the cost of immobilizations may account for over 50 percent of the cost of DTD/TBL transaction, and that the cost of a DTD/TBL may reach 70 percent of total costs on average value commodities (Mozambique, Angola, Côte d'Ivoire, Chad).

2.9 The operations of multimodal transport require: an adequate institutional and procedural environment suitably equipped infrastructure (container yards, freight stations); and manageable equipment (trailers, rail wagons, container handling equipment). While the second and the third are usually available, the first—an adequate institutional environment—is missing. The complexity of documents, customs procedures, and institutional interference in the port of Abidjan, for example, creates a gulf of inefficiency between the container terminal and the port gate (a half day transit time by normal standards which can be as long as 20 days depending on handling agent). Such an institutional environment makes African ports uncompetitive. A poor procedural and documentary environment also undoes the potential benefits of multimodalism and Door-to-Door trade savings.

2.10 The above considerations on transport and how it affects trade, lead us to Africa's participation in the potential benefits of the through movement of its imports and exports, the so-called "non-factor-services" (NFS). UNCTAD's Code of Conduct was partly designed to fulfill Africa's expectations of participation in the transport of its own trade; it was inspired by the belief that the creation of national fleets would enable developing nations to retain a greater control and share of their transport by selling CIF and by buying FOB using national fleets to transport their cargos.<sup>2</sup> This concept basically ignores the mechanisms, and shipper's preferences, for committing freight to the sole responsibility of a carrier, and the financial background of the transaction. It has also proved a fallacy as national shipping lines' costs are payable in hard currencies, and their financial losses have surpassed any potential benefits accruing on trade transactions. At present the financial benefits usually associated with transport, shipping and insurance on world trade accrue, mostly, to developed countries. The main factors contributing to this situation are: the competitiveness of the transport and shipping management systems of these countries, their international coverage, their ability to respond and be liable for freight in transit, and the backing of financial institutions and insurance agencies. If less developed countries must have access at a profit to the very exclusive club of international transport and insurance (and to its financial liquidity), they should: *first* render competitive and viable their inland transport services and transport intermediaries professions; *second*, facilitate at the local level the institutional environment of transport and trade. These two factors are considered essential to the growth of local enterprises in freight-forwarding and, as a result, to the access of African countries to international transport network coverage and revenues.

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<sup>2</sup> A similar assumption was made by UNCTAD in relation to insurance policies issued in the importing country on all imports. African countries compulsory local insurance on imports is costing the shipper twice as much due to reinsurance and double insurance.

2.11 *Need for Change in Multimodal Transport Directives:* The preceding discussion leads us to press the need for a general change in policy directives in the transport and trade sectors. Whereas the reliance on national shipping lines has proved an expensive venture, development of feeder services, shipping consortiums, and of land side services may allow African countries to move a step forward by offering Door-to-Door services, operating as NVOCCs, therefore, extending agency ramifications to their trading partner countries.<sup>3</sup> Increasing emphasis on management of Door-to-Door services and container services (light on capital investment) as opposed to ocean transport (capital intensive), is emerging as a feasible alternative, bringing with it the double benefits of, (1) penetrating the complex financial market of Door-to-Door forwarding and (2) allowing capital investment in land side infrastructure, surface services, and institutional facilitation.

2.12 This change in policy directives should also lead to a more equitable distribution of roles (which may otherwise be forced upon African countries in 1993): the traditional shipping lines (in consortium with African lines) would concentrate their activities on the ocean transport where they are highly efficient; the African transport industry would concentrate on multimodalism, feeder services and inland transport where there is an urgent need for competitiveness.

2.13 As a result, the cost of transporting African trade will not have to be penalized by the additional cost of inefficiency in procedures and handling (as it happens at present) and by higher insurance premiums. On the other hand, the financial burden of putting adequate physical infrastructures in place could be shared with the private sector and receive the support of financial institutions, international agencies, and bilateral aid.

2.14 It can be argued that international users, shipping lines, and multinational operators will be among the primary beneficiaries of African owned and financed infrastructures. This is true; but while African capabilities to serve its international trade develop, this must be regarded as a trade-off for the essential service of transporting trade at competitive prices.

2.15 Concerning the future prospects for parastatal enterprises mentioned earlier, various African governments (Nigeria, Ghana, Mozambique, etc.) have already begun privatization programs for their transport industries. These include ports, national shipping lines, railways and road transport, as well as forwarding and freight-handling agencies. These policies could bring about the following benefits: revenue from the divestiture; greater efficiency from new operators; and phasing-out of subsidies to loss-making entities.

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<sup>3</sup> This is evident in the experience already acquired in Malawi through the Northern Transport Corridor project. It is also evident to a greater extent in Asia, Taiwan and Malaysia have advanced to act as principals for transport undertakings.

2.16 The locally registered multinational forwarding and clearing agents will be among the first parties interested in the divestiture and will be ready to purchase the parastatal's assets, as well as seek management contracts in the enterprises which remain. While keeping an eye on competition, governments should not be too concerned with multinational domination, provided costs are brought down and investment code procedures are respected. One look at the developed countries financial scene in Europe or the United States should be enough to convince governments that international finances and trade are not governed by pride, but by an intricate network of commercial interests where participation of the developing world is not only welcomed but needed.<sup>4</sup>

2.17 Regarding the third group of companies, the African companies, some of the larger private concerns may be able to take advantage of the privatization programs by acquiring ownership or substantial interests in the new organizations resulting from the sale of assets. For these companies, financial aid should be made available. Smaller companies, however, will follow the same trends as their counterparts in developed countries: get efficient or sell out. To increase their know-how and efficiency, however, these companies should benefit from professional training programs and financing from international financial institutions.

2.18 In conclusion, the risk of a widening gap in multimodal transport competitiveness between developed and developing countries is real. Africa's failure to modernize and set policies in the right direction may reap future results of deteriorating efficiency, poor competitiveness, and falling market values of export commodities.

### **Facilitation Issues**

2.19 The following paragraphs highlight some of the most common and important facilitation issues. This list is not exhaustive and variations between countries are substantial.

2.20 Procedural customs and logistic requirements have become increasingly complex and are hindering development of trade between maritime and land-locked neighbors (15 to 25 days transit between West African ports and Mali/Niger, 20 to 30 days between East African ports and Uganda), or between littoral and land-locked regions in the same country (50 days on the average between Matadi and the Shaba region of Zaire). In some cases, the most cost-effective corridors cannot be used because of institutional interference (the Nigerian corridor to Chad offers savings of about 3 percent on ocean freight through Lagos, 15 percent on trucking, 30 to 40 percent on immobilization, but cannot be used for food aids or sensitive commodities due to requirements of the Nigerian Customs Administration).

2.21 The use of "thru-bills-of-lading" (TBL), which could facilitate thru-container traffic under one sole responsibility to land-locked countries, has increased substantially in recent years, but lacks the support of the customs administrations which, in an effort to control fraudulent practices, fail to apply to transit traffic the simplified procedures internationally prescribed for this type of traffic.<sup>5</sup>

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<sup>4</sup> The two last main US flag carriers (Sea-Land and American President Lines) – remaining from what was once the biggest merchant marine fleet in the world ready to take a flag of convenience (Panama, Honduras, Liberia), to avoid operational losses in a US-non competitive environment (fiscal and labor).

<sup>5</sup> Simplified transit regional procedures for Chad and Central Africa through Cameroon and Congo (UDEAC Customs Code) for example.

2.22 The poor reliability, insufficient liability, high cost, and organization of the road transport industry (which in Africa handles an average of 85 percent of freight) is a deterrent to trade; lack of coherent policies within the national transport markets have been a severe deterrent to freight transport security and jeopardize regional trade capabilities.

2.23 The role of transport intermediaries (customs and freight-forwarding agents), on the other hand, is severely constrained by the proliferation of unscrupulous entrants resulting from the lack of adequate criteria and standards of accreditation. As a consequence, about 50 percent of commodity clearances in Douala and Matadi are handled unprofessionally. International shippers placing emphasis in transit time and fixed-known costs are relying on multinational transport operators for the organization of transport and insurance. This trend discourages the growth of domestic operators and reduces Africa's access to potential foreign currency flows (accruing on international "non-factor" transport and insurance services).<sup>6</sup> /

2.24 Shippers' Councils have by-passed the objectives for which they were conceived.<sup>7</sup> They have become tools for para-fiscal revenue collection, accumulating an expensive bureaucracy, slowing down the trade and transport documentary chain, and distorting the shipper's choice of sea carrier. In their present form, their most notorious performance in Africa is their contribution to the survival of domestic shipping lines, which are neither profitable nor efficient, and which represent a substantial financial budgetary burden.

2.25 Transport infrastructure, on the other hand, reflects the absence of sound road user policies and cost recovery for heavy vehicle traffic. As a result the infrastructure condition of the main international corridors is poor.

2.26 Bilateral traffic-sharing agreements between land-locked and transit countries are not fully comprehensive and lack instruments of implementation. Transit traffic is therefore a source of continuous friction at regional level.

2.27 Banking and insurance practices reflect inward-oriented monetary policies and protectionism. As a result, the financial cost of doing business in Africa has escalated, procedural immobilizations are common, and the insurance costs have tripled through use of double insurance or reinsurance.

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<sup>6</sup> Non-factor transport and insurance revenues are estimated to account for between 9 and 11 percent of African international trade revenues (Zaire, Facilitation Study, 1991).

<sup>7</sup> Shippers' Councils were conceived as a tool or protection of the shipper's interests, and to contribute to the fair administration of UNCTAD's Code of Conduct Convention for sharing of sea traffic between two trading countries vessels and those of an outsider country (40-40-20 rule).

2.28 Similar confusion affects the agreements and proposals for facilities of regional interest. For example, land earmarked for the UDEAC<sup>8</sup> transit zone in Douala remains mostly vacant with financial charges accruing to the Office National des Ports du Cameroun (ONPC). The rationale for the creation of the transit zone — which was to provide UDEAC traffic with an area for storage and consolidation — is still valid, but the lack of regional agreement has made the proposed investment questionable. At present, investments in facilities and services by the transport intermediaries in Douala are considered to be a cost-effective substitute to the UDEAC zone investment.

2.29 Lacking practical national and regional mechanisms for dialogue, initiatives and technical advice cannot be channelled to the appropriate national authorities and screened. As a consequence, a proliferation of national and regional legal decrees and still-born decisions plague decision-making bodies, confusing the choice of alternative solutions.

2.30 Within such inconsistent logistical and policy environment, it is reasonable to argue that, although there are important physical constraints to the development of transport within Africa, the main problem is institutional. Transport costs in general, and road transport costs in particular, are extremely sensitive to policies. Transport costs and immobilizations at ports act in the same way as customs duties by raising the price of goods to consumers and thus reducing demand. The long distances between population centers in Africa means that transport costs make a significant contribution to final consumer prices and act as formidable trade barriers. For lower value goods, inland transport costs may add 60-70 percent to the CIF prices, and are similar in magnitude to customs duties.

### **Interaction between Transport and Trade Logistics: Diseconomies in Transport Logistics**

2.31 A number of studies carried out by the World Bank highlight the interaction between infrastructure, logistics, and cost in Africa<sup>9</sup>. Boxes 3 and 4 summarize the cost elements found in the Mali and Burkina Faso studies. Among other studies, the Zaire and Côte d'Ivoire facilitation studies trace the step-by-step cost of selected import/export commodities and offer a generalization of + 20 percent. A brief summary of the Mali, Niger and Burkina Faso corridor studies is contained in Annex 1. Box 5 summarizes the cost elements in the Zaire study.

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<sup>8</sup> Customs Union of the Central African States grouping Cameroon, Congo, Gabon, Equatorial Guinea, Central Africa and Chad.

<sup>9</sup> The Great Lakes Corridor Study, March 1990.  
Sub-Saharan Transport Corridor Studies  
1989-1990 (Burkina Faso, Mali, Niger)  
Zaire, Facilitation of Transport and Trade, World Bank, May 1991.  
Côte d'Ivoire, Competitiveness – Trade and Transport Procedures, March 1991.  
Côte d'Ivoire, Facilitation of Agricultural Exports, July 1993.

## MALI

### Box 3

For example, it is estimated that in 1987, the total direct generalized costs (including ocean shipping costs) for the 337,000 tons of transit traffic to/from Mali were approximately US\$ 100 million. The total economic cost for Mali for this transit traffic was roughly 5 percent of the estimated GDP for 1987. Payments to other countries for the transit traffic totalled US\$ 48 million, approximately 50 percent of total direct costs. To obtain a significant reduction of the direct cost of transit traffic and of payments to other countries, Mali should attempt to reduce shipping rates for its imports and exports. A reduction of 25 percent of the present conference rates by using a combination of non-conference and tramp shipping, would reduce the transport bill by 10 percent and the payments to foreign countries by 18 percent. These results highlight the importance of reducing shipping rates and suggest that Mali should attempt to take as much advantage as possible of the non-conference shipping market. Moreover, an analysis of the composition of total generalized costs of imports to Bamako originated in Atlantic Europe suggests that shipping rates represent 33-37 percent of the cost per ton while land transit costs and port charges account for 30-33 percent and 6-9 percent respectively. Delays in ports and terminals due to low productivity and slow customs clearance and red tape add to 29-45 percent of total time from origin to destination and are longer than the sea leg of the movement which represents 29-36 percent of the total time, depending on the seaport chosen. The analysis of the composition of the total transit time is necessary to identify major bottlenecks and estimate the inventory costs incurred within the movement. The latter reflects the inventory financing costs to the consignee, since the capital invested in the imported goods en route could be earning interest elsewhere. In the case of Mali the inventory costs estimated at a 10 percent interest rate ranged from 7-8 percent of total costs.

## BURKINA FASO AN NIGER

### Box 4

Similarly, the study estimates that the total costs for Burkina Faso's international traffic in 1988 were US\$ 133 million or 23 percent of the total value of its imports and exports and 7 percent of its GDP. The land transport portion of that bill was roughly US\$ 73 million (4 percent of GDP) while the ocean shipping costs were estimated at US\$ 33 million (2 percent of GDP). Furthermore, it was estimated that Burkina's general cargo generates annual gross revenues of US\$ 30 million (about \$US/ton 100) for Côte d'Ivoire and US\$ 3.3 million for Togo (about \$US 50/ton). In Niger, the total generalized cost in 1988 for the international traffic was estimated at US\$ 150 million or 37 percent of the total imports. The land transport cost for that traffic was estimated at US\$ 67 million (3 percent of GDP) while the ocean shipping costs amounted to US\$ 36 million or 1.5 percent of GDP. The international traffic of Niger generated annual gross revenues of US\$ 25 million (US\$ 100/ton) for Benin, US\$ 7.6 million (US\$ 86/ton) for Togo and US\$ 3.3 million (US\$ 90/ton) for Nigeria. In short, the costs and benefits involved in transit movements are quite important and their proper evaluation is crucial if the decision-makers are interested in assessing the impact of major changes in transport policy and facilitation.

### Box 5

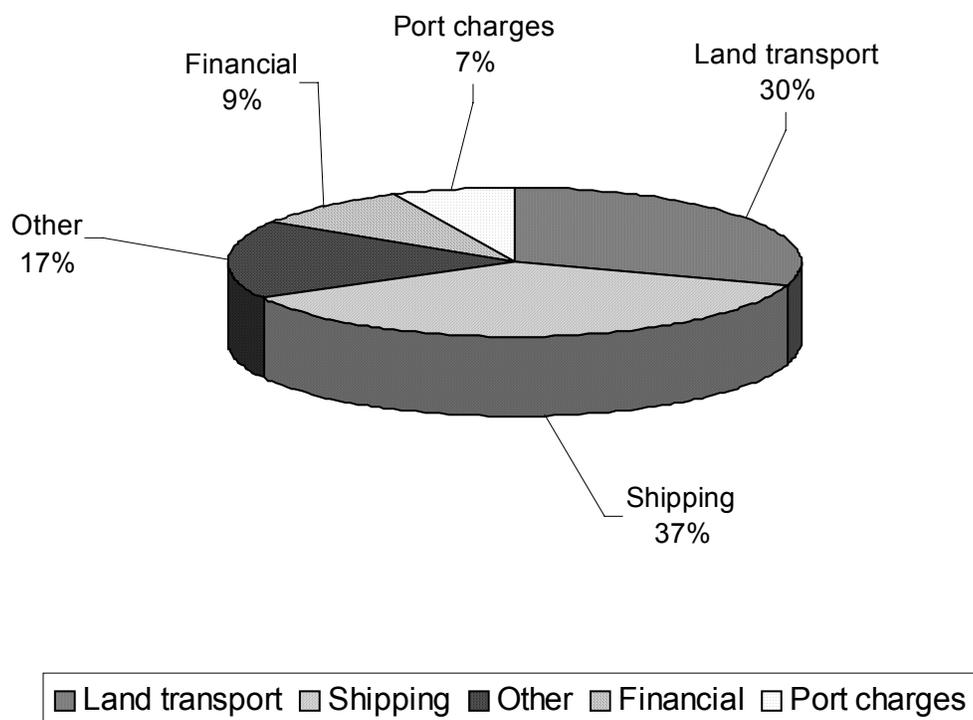
In the case of Zaire, the cost to the user (direct expenses and capital costs) for imports delivered to Kinshasa (Kinshasa wholesale price) is a weighted average of the order of 1.8 times the price at source (3.1 times in the case of motor fuel). On exports, the average is 1.3 times the original cost, but the spread is considerable: the CIF Europe cost is 1.2 times the production price for copper; 1.7 times for lumber; and 2.8 times for coffee. These figures are approximate. Nevertheless, a comparison with Mali, a land-locked country, shows that the cost of transit in Zaire is 2.1 times higher<sup>10</sup>. The difference between the total value of Zaire's foreign trade at the point of origin and at the destination is around 1.7 billion dollars, which is collected by the carriers, customs (duty tax payments), and the various intermediaries. This amount is evenly divided between physical transit, duties and diverse charges, mainly financial. Transport accounts for US\$ 586 million (34 percent), of which US\$ 258 goes to maritime shipping; overland transport costs (US\$ 328 million) are thus very high, reflecting the inadequacy and limited productivity of the infrastructure and equipment, plus the cost of overland forwarding. Financing fees and immobilizations cost US\$ 407 million (23.5 percent), because of the slow transport and formalities. The tax collector takes US\$ 398 million (23 percent); banking charges (licenses, obtaining foreign exchange) are heavy (US\$ 141 million, (8 percent). Losses and damage, which are very extensive in the case of items in great demand (beverages, fuel, etc.) account for US\$ 42 million (2.4 percent); insurance for 41 million (2.4 percent); and the various agencies responsible for controlling freight, weights and measures, quality and the like for US\$ 59 million dollars (3.4 percent). Freight-forwarding costs come to US\$ 49 million (2.8 percent), and the informal payments to ease relations with public services are of the order of US\$11 million (0.65 percent), although this figure is believed to be underestimated. The informal costs are very unevenly distributed, and are much heavier in the case of imported goods. They reflect fraudulence whose impact on public finances is greater than on transport costs. The foregoing figures are average for Zaire, but the order of magnitude is confirmed by the corridor studies mentioned in paragraph 2.31

The parallel exchange market costs the Zairian State about 400 million dollars a year in foregone taxes and customs fees. As in most African countries, trade is financed on the parallel market by means of interest rates higher than the official rate, but the speed of the informal market makes this second market a good alternative to the slower workings of the official market. The macroeconomic impact of the informal market is not known. Exchange control makes it necessary to deal with a small number of approved banks and with the central bank. Since there is no real competition, the fees charged by both are high.

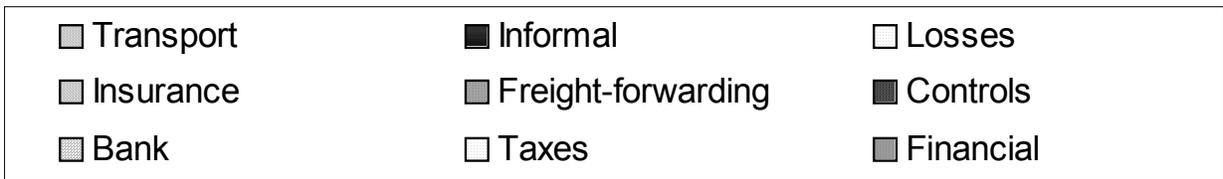
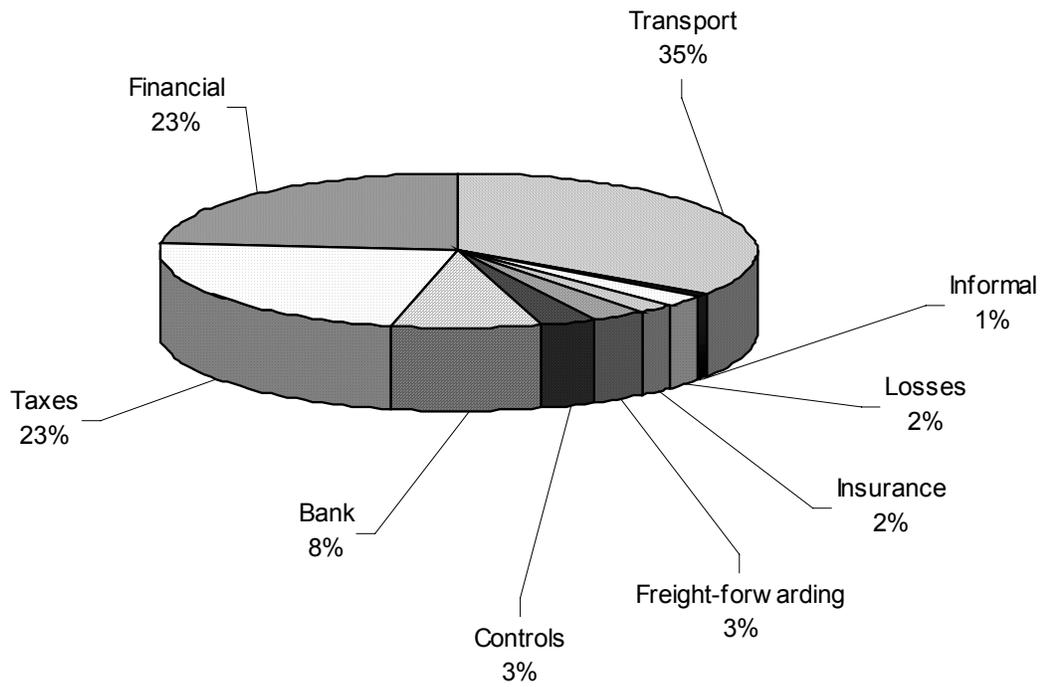
Finally, commercial and trade practices currently prevalent in trade logistics are equally detrimental to the Zairian economy. Bills for international transport are usually payable to the forwarding agent outside Africa prior to shipment or pick-up of the goods at the starting point, but the forwarding agent does not pay the subcontractors and intermediaries (with whom he has an account) until the service is completed. Such floating liquidity is estimated for Zaire at US\$240 million per year. The prolonged intervals that characterize Zaire's foreign trade increase the cost of financing to the economy, at the same time swelling the coffers of the forwarding agent.

10 Imports from Mali: 1.14 times FOB Europe. Exports 1.29 times the cost of production (le cas du Mali, février 1989).

**Figure 1** Mali Imports (1987)



**Figure 2** Zaire Foreign Trade (1989)



## Rationale for Sectoral Reform

2.32 With such important diseconomies in transport and trade logistics, it becomes clear that adjustment of the deep structural problems affecting transport and trade in Africa must start with the policy environment. At present, the Bank is endeavoring to play a part in Africa's structural adjustment. In the field of transport, the components of the structural adjustment process address the reorganization of public enterprises, improved planning and choice of investments, policy conditionalities, etc. But the above components are not strategic enough to provide an in-depth reform of the transport policy and of inducing the facilitation process. The rationale for policy reform in trade and transport logistics should address mainly the reduction of costs. *It should be a genuine structural adjustment strategy aimed primarily at facilitating institutional procedural and logistic bottlenecks contributing to cost. This is the strategy of facilitation.*

2.33 The objectives proposed for a strategy of policy reform should be as follows:

- development of an economic approach to the state's role in the field of transport, designed to eliminate the pure economic rent;
- reduction of the duration and costs of the logistic process;
- modernization of the process and development of containerization;
- restoration of the state of law;
- assignment of responsibility to operators and users;
- limitation of the functions of government offices to oversee service policy, not their own equity interests;
- elimination of public and private predators, including the struggle against excessive red tape and unlawful assessments;
- phasing out informal economy practices through their absorption into the formal economy revitalized by an equitable business climate.

2.34 The means for implementation this strategy should be:

- policy means: implementation of the concepts of transport and trade facilitation;
- juridical means: legislation and regulation;
- institutional means: changes in the structure of public and professional agencies;
- administrative means: changes in public administration working methods;
- human means: training and performance motivation;
- material means: increased availability of information on systems and training;
- financial means: through ad-hoc lending operations specifically designed to induce structural change.

2.35 Formulation of a Bank policy on facilitation should aim at creating conditions for bringing African logistics to cost-effectiveness and rationality. Institutions responsible for finance, foreign trade and transport should participate along with representatives of the operators and users, in the formulation of this general facilitation policy. The components of the proposed facilitation policy would be as follows:

- a) *decision to reduce the number of institutions which interfere with transport and customs procedures;*
- b) *draft and pass laws containing transport and trade directives that would define:*
  - the terms and conditions of transport and the environment under which it operates;

- the conditions governing free competition within the framework of the market;
- the resources to permit the financing of the investments, operations, and maintenance of the transport system;
- the respective roles of the various agencies responsible for regulation, on the one hand, and transport services, on the other;
- the principles of liability applicable to transporters, aside from those of common law;
- the rules governing private enterprise and intermediaries in the profession;
- the policy in respect to international transport law; and
- the role of the different modes.

## CHAPTER III

### PROJECT EXPERIENCE AND SECTOR WORK

#### Bank Experience

3.1 Bank experience on trade and transport facilitation has been mixed. In spite of attempts made to substantiate and solve logistic issues, government will to solve problems has been generally lacking. On the other hand, progress in the Bank and the borrower's understanding of the meaning and needs of facilitation has been substantial. A general operational review (GOR) prepared by the Bank's Transportation Department in June 1987 reported:

#### *Operational Review*

3.2 *The overall impression of this GOR is positive rather than negative. In approaching transport industry development the Bank has had to deal with a complex network of interrelated issues impinging on some of the most sensitive policies, and to contend with natural Bank inertia to move from well known infrastructure lending to volatile transport services lending. Treading on such new grounds, the Bank has found no ready parameters to serve as guidance; in delivering its advice, the Bank has had to search for innovative solutions which could accommodate the Bank's lending instruments with the borrower's needs and constraints. The path has not been easy. Yet, the overall Bank effort has been substantial and rewarding. From the present forward and backward perspective, the grounds for developing a coherent (facilitation) strategy now seem quite firm. Before proceeding further it is necessary to take stock of past trends, innovations, and achievements; the following list highlights the innovative trends in which Bank actions have materialized and where achievements can be found:*

- ***Deregulation**, including an approach to substitution of public legal interference by commercial practices*
- ***Privatization**, focussing on such aspects of management and operational activities which can be transferred to the private sector within specific policy environments*
- ***Use of resources**, both technical (rehabilitation of local resources) and operational (utilization of assets)*
- ***Documents and procedures standardization**, meaning the technical simplification in administration which can be achieved within limited fiscal and policy environments*
- ***Intermodal coordination**, which embodies the departure from inflexible modal systems towards cost-effective pricing and multimodal choices*
- ***Institutional facilitation**, reflecting country priorities towards easier trade management, including management of "non-factor" (transport and insurance) services on imports and exports*
- ***Development of freight-forwarding**, reflecting the unprecedented recent growth of "third-party" intermediaries as a result of containerization and communications.*

3.3 The GOR, however, found that in terms of lending activity, facilitation had absorbed negligible resources (US\$ 21.5 million up to 1987, or 2 percent of lending for transport operations, excluding infrastructure, Table 4).

3.4 A second review carried-out in 1992 <sup>1</sup> recommends, "[...] given that transit facilitation is a complex, time consuming multi-country undertaking, donors must anticipate that their technical and financial assistance will have to be extended through consecutive interventions over a period not of years, but of even decades." The recommendations of this operational review are enclosed in Annex 2.

**Table 4: Summary of Bank Group Lending Activities for Road Transport and Transport Facilitation**

### 1. Summary of Bank Assistance

	AFRICA		ASIA		EMENA		LAC		TOTAL	
	Amount (\$ m.)	Percent								
Transport Divisions	90.2	84	462.1	83	54	33	15.8	42	622.3	72
IDF*	17.1	16	7.4	1	0.6		0.7	2	25.8	3
IFC			85.4	16	109.9	67	21.2	56	216.5	25
<b>Total</b>	<b>107.3</b>	<b>100</b>	<b>554.9</b>	<b>100</b>	<b>164.7</b>	<b>100</b>	<b>37.7</b>	<b>100</b>	<b>864.6</b>	<b>100</b>

\* International Development Financing/International Finance Corporation.

### 2. Lending Activity by the Main Topics of this Review

	Components		Volume	
	Number	Percent	(\$ m.)	Percent
Road Transport Industry	131	88	843.1	98
Road Transport Facilitation	18	12	21.5	2
<b>Total</b>	<b>149</b>	<b>100</b>	<b>884.8</b>	<b>100</b>

### 3. Lending Activity by Lending Instruments (Transport Division)

	Africa		Asia		EMENA		LAC		TOTAL	
	Account (\$ m.)	Percent								
Specific Investment	49.2	55	93.1	19	11.9	41	2.4	15	158.8	25
Import Credit	35.2	39	388.9	80	a/				424.1	68
Sector Loan	5.7	6	5.1	1	17.3	59	1.5	9	29.6	5
Reconsta. Credit					a/		12	76	12	2
<b>Total</b>	<b>90.1</b>	<b>100</b>	<b>487.1</b>	<b>100</b>	<b>29.2</b>	<b>100</b>	<b>15.9</b>	<b>100</b>	<b>622.3</b>	<b>100</b>

a/ Excluding post-war European reconstruction import credits

<sup>1</sup> Transit Traffic Facilitation in Sub-Saharan Africa, Review of Bank Assistance 1960-1990, September 15, 1992 (OED) – in draft form.

#### 4. Lending Activity by Categories

	Number of Components	Amount (\$ m.)	Average amount per operation (\$ m.)
Equipment supplies	24	584.25	23.5
Physical facilities 1/	2	13.8	6.9
Manufacturing industries 2/	29	216.5	7.5
Assistance to the industry 3/	50	31.2	0.6
Studies	33	15.8	0.5
Technical Assistance	17	20.5	1.2
Training	10	2.5	0.25
Institutional Facilitation 4/	38		6/
Policy dialogue 5/	19		
<b>Total</b>	<b>222</b>	<b>884.6</b>	<b>11.75</b>

1/ Includes facilities for intermodal coordination

2/ IFC Investments

3/ Includes IDF lines of credit

4/ Includes assistance to freight-forwarding

5/ Policy dialogue carried through lending

6/ Partly included in technical assistance and assistance to industry in general

7/ Not necessarily matching the number of operations.

8/ Average per operation

#### Sector Work

3.5 In terms of impact, the GOR and the OED review found that when sector work has been deep in content and broad in scope, the Bank has been able to provide a sound base for its lending and ultimately reach its goals. On the other hand, when sector work has been deficient, not sufficiently coordinated with borrowers or lacking depth or clarity, the Bank has failed to create a base for its supporting policy dialogue and, often, failed to reach its goals. In brief, increased and more coherent sector work should result in a more structured and informed Bank approach to the policies underlying the sub-sector and on project concepts better suited to serve the needs of Bank borrowers. Availability of technical expertise has been an important missing element —especially the repeated scarcity of sufficient Bank technical support to facilitation work prior to and following the project cycle.

3.6 The first sector work on facilitation was carried out in LAC in 1976<sup>2</sup>. After this first initiative, facilitation work has been given substantial emphasis; and a number of studies have been carried out including facilitation components, particularly in the African Region. The Technical Department for Africa has completed a series of studies on corridor economics, logistics, and facilitation (paragraphs 2.31.) which have clarified the most cost-effective approach to land-locked country logistics<sup>3</sup>. These studies have been followed by transit corridor evaluation guidelines<sup>4</sup> which are a practical guide to economic evaluation of international transit costs and transit improvements. A summary note on the corridor studies is contained in Annex 1. Complementary to these studies, the study of logistic costs in Zaire (para. 2.31) has brought another dimension to facilitation—the competitiveness dimension—which has led to further sector work in Côte d'Ivoire and in the Customs Union of Central Africa (UDEAC)<sup>5</sup>. The most important conclusions of these studies can be summarized as follows:

- a) to approach facilitation through a comprehensive program of transport and trade rationalization—including transport logistics, policies and regulations, transport intermediaries, customs and institutional environment, documents and procedures, banking, insurance, and communications;
- b) to seek government conviction and will in the execution of the program;
- c) to schedule the program over more than one lending operation, possibly one SAL followed by a sector loan, and "in crescendo" from small and easy to ambitious and comprehensive;
- d) to tackle first such policies and regulations which can be changed at the institutional and parastatal level while preparing for a policy reform with definition of macroeconomic conditions which may be considered in future lending (this is the approach currently proposed in the UDEAC policy reform program).

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<sup>2</sup> Analysis of Road Transport Industry in Central-America, June 1997. Intermodal Transport: A Regional Survey, June 1982.

<sup>3</sup> Sub-Saharan Africa Transport Corridors  
- the Case of Mali, February 1989  
- the Case of Burkina Faso, June 1990  
- the Case of Niger, May 1990  
The Great Sakes Corridor Study, March 1990

<sup>4</sup> Transit Corridor Evaluation: a Management Perspective, Technical Department, Africa Region, 1990

<sup>5</sup> Zaire, Facilitation of Transport and Trade, May 1991. Regional Cooperation for Adjustment: a Program of Transport Policy Reform for member countries of the UDEAC, January 1992.  
Côte d'Ivoire, Facilitation of Agricultural Exports, July 1993.

## Other Work on Facilitation

3.7 The United Nations agencies —UNCTAD in particular, ICC (International Chamber of Commerce), CCC (Customs Cooperation Council), IRU (International Road Transport Union), IATA (International Air Transport Association), FIATA International Freight-Forwarders Association), GATT ITC (International Trade Center)— have made a substantial contribution to facilitation. In spite of the controversial policies on shipping and insurance sponsored and backed by UNCTAD from the early 1960s<sup>6</sup>, the work done on software programs for customs, facilitation of documents and procedures, and promotion of international instruments to support intermodal transfers of freight (Multimodal Transport Convention, Terminal Operators Convention, etc.) is solid and represents a substantial step forward in organizing trade and transport.

3.8 Of special importance to facilitation in Africa is the work carried-out by UNCTAD, in coordination with ICC, on the development of ASYCUDA<sup>7</sup>, and on the identification of needs for simplification of documents and procedures, FALPRO<sup>8</sup>. This work, funded by UNDP and by donors including the World Bank, has been substantial in coverage, but it has been generally weak in follow-up and in attention to implementation. In addition, ICC, CCC, ITC and UNCTAD have more recently supported the introduction of electronic data interchange (EDI) systems and communications UN-EDIFACT<sup>9</sup>. A brief summary of the above initiatives follows:

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<sup>6</sup> The Code of Conduct Convention for Liner Shipping and the promotion of domestic insurance in developing countries have not produced the desired results.

<sup>7</sup> Automated Systems for Customs Data (SYDONIA in its French version)

<sup>8</sup> Facilitation Program of UNCTAD

<sup>9</sup> Electronic Data Interchange for Administration, Commerce and Transport.

3.9 The work on software programs for the customs administration or ASYCUDA has been encouraged by UNCTAD as part of its technical cooperation activities and is a computerized system to assist the customs administration with the clearance of goods. The ASYCUDA system aims at: (a) reducing the administration costs of external trade control activities; (b) helping government to bring about more effective application of external trade regulations; and (c) establishing an information system for the control of external trade through statistics. The ASYCUDA program and its applications are made available to UN member governments free of cost as part of UN technical assistance projects. These projects may be financed by bilateral, multilateral, or other agencies (UNDP) to cover the cost of technical assistance which is estimated at about 30 man/months and includes technical assistance for customs experts, training of operators, and support equipment. The ASYCUDA software programs are not trouble-free. Development of the programs has met substantial teething problems; installation of the programs and implementation of the assistance required, has also met with occasional unhappy results. Looking backwards on past experience, the most important missing elements seems to be definition of needs and coordination of assistance. At present, program design at UNCTAD is undergoing development with a view to offering a product better suited to LDC needs. In spite of the above, the ASYCUDA programs have brought substantial improvement to LDC need for administration, customs, and transport. A brief evaluation of three of the programs currently available in French-speaking West Africa (ASYCUDA in Mali, GAINDE in Senegal and SYDAM in Côte d'Ivoire) is enclosed as Annex 3.

3.10 Complementary to ASYCUDA, UNCTAD is in the process of developing the UN-EDIFACT lexicon for document transmittal through electronic data interchange systems. This is the most recent product of the UN/ECE Working Party on Facilitation of International Trade and Transport Procedures and is meant to rationalize paperwork by means of abbreviated paperless documentation which could be transferred through EDI from one business partner to another. The UN-EDIFACT is still in development, but it has already been adopted by the ICC for international L/C transactions. The possibility of inputting freight-forwarding, commercial, and shipping documents (in particular the shipping manifest on international freight shipments) by EDI communications is extremely relevant here: Recent facilitation studies in Côte d'Ivoire<sup>10</sup> show that the processing of shipping manifests at West African ports contributes to major revenue losses.

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<sup>10</sup> Côte d'Ivoire "Facilitation of Agricultural Exports" of July 1993, examines in detail the export transport chain for seven major agricultural commodities (totaling about 60 percent of the country's revenues) from farm-gate to international destination, and identifies cost-effectiveness of both export and import transactions (inputs).

3.11 Still complementary to the computerized technological advances in systems and procedures, UNCTAD provides active support to the trade and transport manual documentation through the work of FALPRO (Facilitation Program). FALPRO is dedicated to the simplification of procedures and facilitation of documents following the UN layout key standards for internationally accepted (ICC) documents and L/C procedures. FALPRO programs are an essential part of facilitation. After years of sound work as a fairly self-contained unit, FALPRO is now working in close association with ASYCUDA. FALPRO staff needs are therefore contingent on the demand for services for software programs; and this has negatively affected FALPRO's performance. In the past the problem with FALPRO was associated with the unit's need for increased resources and clout for implementation of its programs; not with its technical capacity. It would be essential for UNCTAD to bring FALPRO back to self-sufficiency and to associate the work of the unit to project financing carried out by multilateral or bilateral agencies as a complement to customs facilitation and EDI communications<sup>11</sup>.

3.12 A review in depth of the facilitation activities carried out by UN Agencies is now being sponsored jointly by the World Bank and by UNDP, with UNDP financing. The rationale for the review is to know more about the cost-effectiveness of facilitation activities, partly financed in the past by UNDP financial cycles, and to propose a coherent program in logistics and facilitation operations in Africa, which can be acceptable to donors and meaningful to African countries. A draft final report should be available in November 1993. The indications of the review could be used by UNDP and the World Bank as a guidance to channel funds to specific projects, and to recommend phasing out of others.

3.13 Concerning the work of other institutions, the late 1960s marked the beginning of a dynamic phase of trade facilitation, stimulated to a large extent by a United Kingdom Government Enquiry into the Simplification of International Trade Procedures. This resulted from a combination of three powerful commercial forces: post-war trade expansion, the arrival of unit-load —especially containerized transport —and the advent of high-capacity jet air freighters. These forced shipping consortia, airlines, and multinational companies to look for common fora in which they could work out new documents and procedures and agree on necessary changes to existing, primarily paper-based, information systems.

3.14 The SITPRO Enquiry, opening in 1968, was one of the earliest responses to these needs. Its report in 1970 set the facilitation scene in Europe for most of the next twenty years. Its main conclusions were that:

- The problem was specifically one of information flows.
- These flows made up an outdated, largely informal, but well understood, worldwide information exchange system.
- There were immediate, urgent needs for improving these flows through the simplification and standardization of paper documents and manual procedures.
- The long-term future for facilitation would lie in the exchange of information between linked computer systems.

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<sup>11</sup> Despite these difficulties, results have provided a substantial return on very modest outlays. Simplified export documentary systems, aligned on the UN/EEC lay out key, have been introduced in some thirty countries. Most of these countries have set up facilitation committees, which have not only widened reforms beyond documentation, but also provided a convenient focus for continuing contact with UNCTAD.

- Systematic reform would call for a multi-disciplinary activity, bringing together government and business interests at the international, as well as national, level

The report also recommended the establishment of an executive agency to implement these and other proposals, and the Simplification of International Trade Procedures Board (SITPRO) was set up as a semi-autonomous body with substantial government funding.

3.15 At the same time, in the United States, the National Committee on International Trade Documentation (NCITD) published an analysis of costs of completing a wide range of export and import documents and of complying with associated formalities. This showed average costs in each direction of about 7 percent of the value of the goods. When this calculation was applied to national external trade totals, it did much to persuade governments and business of the need for early facilitation reforms.

3.16 In summary, the role of UN and other international agencies on facilitation has been substantial and in general of great value to trade and transport. Individual initiatives and programs may be criticized<sup>12</sup>, but for many years the UN and other agencies facilitation efforts have been commendable. The weakest points of the programs have been supervision and implementation. Lacking instruments of implementation, and often adequate funding, programs have fallen short of expectations. This is particularly true of the regional programs, potentially the most needed. Recent facilitation programs designed in coordination and with the support of the World Bank, which has adequate instruments of execution at its disposal, could have a different impact since they contain elements (provisions for implementation and execution) which could make them more successful.

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<sup>12</sup> The Advance Freight Control Information Systems (ACIS) promoted by UNCTAD has fallen short of expectations, the priority and resources invested, seem to be questionable.

## CHAPTER IV

### DESIGNING A FACILITATION PROGRAM

#### **Identification of Issues and Program Components**

4.1 The complex-coverage of trade and transport logistics makes facilitation a multidiscipline undertaking. It affects various institutions and impinges on diverse government policies. Designing a facilitation program is therefore a highly specific task which must start at the lower end of the problem scale, in each one of the disciplines identified as "issues."

4.2 A checklist for identification of facilitation components is enclosed as Annex 4. The checklist is intended as a guide for designing a transport and trade facilitation strategy. Identification of issues should lead to a dialogue with the borrower; this dialogue should create awareness of these issues at the country level and within the financial institution leading the reform effort. Based on the findings of the initial identification, a full program may be designed which can be included in a lending operation<sup>1</sup>.

4.3 Four points need to be addressed at this stage: First, is the need of clarity and depth in the identification of inter-related issues. Often a look at transit time at ports leads to monetary issues or to banking problems (Angola); road transport operations lead to issues surrounding operators liabilities (Cameroon); freight-forwarding leads to financial issues in terms of trade (most LDCs); containerization leads to insurance and terminal planning (Ethiopia); port logistics lead to institutional interference and immobilization (Mozambique, Côte d'Ivoire), etc.; Depth in identification means the uncovering of the interaction between the various components of a logistic operation and the ramifications from a transport problem to regulatory, financial, and trade related aspects. All such aspects must be part of identification.

4.4 Second, is the need to build, even at this stage, borrower conviction and awareness of the reality of the problem and of the possibility and benefits of solving it—that is, to quantify the problem. The best examples of this approach have been the corridor studies, the facilitation study in Zaire, and the recent study in Côte d'Ivoire (paragraphs 2.31 and 3.6).

4.5 Third, is the need to prepare a mechanism for execution of the proposed actions or program based on the will of the government to act on the issues. This mechanism is better understood as a multidiscipline committee receiving its authority from the highest level (Prime Minister or Economic Council) and authorized to enact policy reform, regulatory change, and procedural change, as advised by the committee. The typical committee would be formed along the lines of the transport and trade facilitation committees sponsored by UNCTAD<sup>2</sup>.

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<sup>1</sup> Most Bank project work on facilitation has followed the latter pattern.

<sup>2</sup> The Competitiveness Committee in Côte d'Ivoire headed by a former Minister of Finance, part of the SECAL Competitiveness project. The Transport and Trade Facilitation Committee in Ethiopia (prior to the recent war), part of the strategy of the Transport Sector project.

4.6 Fourth, is the need to emphasize three basic perspectives in which facilitation may be necessary: the multimodal transport perspective; the trade perspective; and the regional perspective.

4.7 *The multimodal transport perspective:* International multimodal transport<sup>3</sup> based on modern technology, especially containerization and electronic data interchange (EDI), has established itself in trades between developed countries and is now spreading to the trades to and from developing country. Lack of foresight in judging the magnitude of the massive introduction of containerization caused many developing countries to be totally unprepared for multimodal transport. Lack of preparedness in turn has meant that virtually no developing country's transport organization is engaged in multimodal transport. This means that this transport technology is being planned almost exclusively by operators from developed countries. Owing to the "newness" of the concept, the expertise in the field is extremely limited, and developing countries therefore need to make increasing efforts to ensure the safeguarding of interests of indigenous MTOs, shippers, and actual carriers.

4.8 A great deal percentage of the containers entering developing countries are still stripped in the port of entry, and the cargo is moved inland as breakbulk cargo, thereby denying the advantages of containerization and multimodal transport to the country. This less-than-cost-effective situation is being aggravated by a parallel lack of regulations concerning multimodal transport, a very poor level of information and/or understanding of the entire concept and of its influence on national transport capabilities and economies. This in turn has resulted in a low level of planning in some government departments on how best to cope with multimodal transport. While there is a growing realization both at public and private levels of the potential benefits of multimodal transport, the current pattern of control is not likely to change in the short-term unless a concerted effort is made to inform governments and interested commercial transport organizations in LDCs of the economies of containerization. The multimodal transport perspective should be a part of issues identification.

4.9 *The trade perspective:* from the perspective of the user of transport, the buyer or the seller of goods, only the total transit time and price matters. It is, therefore, important to appraise transit as a total concept in which immobilizations caused by trade or transport transactions contribute to the total transit time and financial cost of the operation. Documents and procedures, their cost, and the time consumed in their preparation are integral factors of transit cost.

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<sup>3</sup> International multimodal transport is defined in the United Nations Convention on International Multimodal Transport of Goods as meaning "the carriage of goods by at least two different modes of transport on the basis of a multimodal transport contract from a place in one country at which the goods are taken in charge by the multimodal transport operator (MTO) to a place designated for delivery situated in a different country." (Art. 1 of the Convention)

4.10 *The regional perspective*: From a sub-regional point of view, the discrepancies between national transport laws and regulations, trade procedures and documents, commercial, insurance, and banking practices create as many impediments to long-term integration process. The gradual and harmonized development of multimodal transport in a sub-regional context should bring a new and system-wide approach to analyze these issues and improve the international transport of goods in each country concerned. Multimodal transport should foster regional integration by facilitating intra-regional trade in the countries as well as international trade in the sub-region. For example, it might stimulate non-traditional exports and create an opportunity for developing regional transport operators who could compete with international operators.

4.11 In order to derive maximum benefits from the new transport technologies, both the physical infrastructure and the institutional framework need improvement at the national level and need coordination at the sub-regional level. For the smooth development of transport services and to avoid misallocation of resources, it will be necessary to formulate policy measures on a national and sub-regional basis that reflect the character of international multimodal transport. The regional perspective should therefore be an integral part of issues identification in designing a facilitation program.

### **Preparation of a Facilitation Program**

4.12 *Multidiscipline Approach*: In order to facilitate the introduction of policy reforms in a country or in various countries in a sub-region, and to secure an appropriate environment for development of national or sub-regional trade and multimodal transport systems, the following multidiscipline measures will have to be considered in the approach:

- (i) *Regulatory measures* to harmonize transport liability regimes and insurance practices, and to provide an appropriate legal framework for the establishment and development of multimodal transport operators (MTOs) in the sub-region;
- (ii) *Trade and transport facilitation measures* (customs regulations, trade and transport documentation, electronic data interchange technology) and their acceptance by the trading community, transport operators, government agencies, banks, and insurance companies;
- (iii) *Development policy measures* to secure the smooth development of transport services and to avoid misallocation of resources, particularly regarding the improvement of physical infrastructure (inland clearance depots or ICDs, intermodal transfer facilities, etc.) and transport equipment; and
- (iv) *Sub-regional co-ordination measures* to secure the appropriate harmonization and integration of the different actions taken at national level.

### **Development criteria**

4.13 The development objectives of a project on transport and trade facilitation would be to enhance the transport capabilities, the economic development, and the economic integration of one or various countries through the gradual development of the country or through its regional integration.

4.14 The immediate objectives would have to allow a step-by-step implementation of multimodal transport and of facilitation of procedures in the sub-region. In particular, they should consider the following.

- a. Creating awareness of trade and transport issues among national transport regulating entities, carriers, and users;
- b. Strengthening freight-forwarding sector's management and services;
- c. Strengthening customs systems and procedures;
- d. Strengthening institutions involved in the transit of import-export cargo;
- e. Simplifying documents, procedures and logistics related to international transport operations within the country. In particular, definition and implementation of documents and procedures leading to the establishment of ICC standard UN lay-out key documents for international transport;
- f. Relieving congestion at the main national ports by making a gradual change towards the Door-to-Door movement of containerized imports and exports;
- g. Studying the feasibility of establishing cost-effective private ICDs in the countries to relieve port congestion and further streamline line-haul and distribution operations between ports and inland destinations;
- h. Providing assistance in the improvement of communications (EDI);
- i. Providing appropriate coordination between the different actions implemented at national levels to secure harmonization and compatibility in the development of cost-effective transport in the sub-region.

#### **Proposed Actions and Studies**

4.15 The expected outputs of such a project would include the following:

- a. Creation of a *Trade and Transport Facilitation Committee* (TTFC) in each country, with sub-regional coordination. These committees, composed of key decision-makers from the public and private sectors, should work closely with regional trade facilitation committees where they exist;
- b. Up-dating existing national laws, regulations, and procedures on transport-related matters in each country so as to allow comparison between the laws of a region;
- c. Formulation of appropriate recommendations to unify and harmonize transport-related laws, regulations and procedures within a region;

- d. Formulation of appropriate recommendations to unify and harmonize transport insurance practices;
- e. Formulation of appropriate recommendations on trade and transport facilitation measures;
- f. Formulation of appropriate recommendations on transport infrastructure and operations in each country;
- g. Implementation of institutional instruments and procedures to obtain a concerted development of multimodal transport in the sub-region.

### **Organization of the Program**

4.16 In order to allow for a gradual implementation of the necessary changes, the program should be organized in three phases: *Phase I to cover a diagnosis* of the present situation in each country and formulate an approach for harmonizing the different situations; *Phase II to develop recommendations* for improvement and to propose a coordinated plan of action for each country; and *Phase III to carry out the implementation* of the recommendations. In other words, the program should provide: first, identification of issues and remedies; second, preparation of proposals; and third, after review by government, implementation of the selected recommendations.

4.17 The satisfactory conclusion of one phase should not imply that the next phase has to be executed. Each phase will produce a plan for further actions which will serve as a guideline at national as well as sub/regional levels for the work in the next phase. This plan of action will have to be endorsed by government through its facilitation committee and, if deemed necessary, by any existing sub-regional institutional structure dealing with transport issues.

4.18 A typical description of each phase is presented below. It must be understood that the activities contained in each phase of the program should be adapted to the local situation of each country.

#### **Phase I**

4.19 A diagnosis of the international transport situation in each country should be provided. In particular, certain legal tasks in the area of transport facilitation should be identified. An action program leading to the enhancement and the facilitation of freight-forwarding activities and the coordination of actions related to transit of domestic and international cargo should be prepared. Specific proposals should be presented to streamline and simplify procedures in cargo handling between the concerned authorities (port, customs, transport operators, freight-forwarders, etc.). Among the proposals, attention should be drawn to the opportunity of installing a computer package for automatic customs data entries, control, and management to speed up the processing of customs import and export declarations and other appropriate systems. To implement this action program, a Trade and Transport Facilitation Committee should be established. A model of possible terms of reference for a typical committee is included as Annex 5 to these guidelines. The committee should analyze and discuss the recommendations of Phase I in order to ensure that these recommendations can reasonably be implemented at a later stage.

4.20 The national diagnosis should be synthesized at the sub-regional level, if required, and a proposal for coordinated actions to be taken by each country should be prepared. This proposal and the action program should serve as the guidelines for the activities of Phase II.

## **Phase II**

4.21 Phase II activities are a continuation of Phase I outputs. The following topics will probably deserve special attention:

- a. The regulatory environment related to trade and transport in a country consists of a network of provisions which are of procedural rather than legal nature. Complicated procedures, including customs formalities, are not the result of legally binding relations or international conventions. They are merely procedures which have developed over the years and could be simplified without major legislative change. Work is necessary for re-drafting and bringing to acceptable sub-regional and international standards the most important trade and transport related regulations of a national legislation.
- b. Some regulatory changes might also be required to facilitate customs, banking, and commercial handling of multimodal transport operations. Minor amendments to the exchange control regulations might be proposed to the national Central Bank in order to cover the use of multimodal transport documents in documentary credits issued and advised by national commercial banks. A change in the current status and legal scope of the freight-forwarders might be considered to give national operators easy access to the necessary foreign exchange required to operate as an international freight-forwarder. A change in policies concerning import/export insurance may be required. In coordination with the various institutions involved and with the Chamber of Commerce, a plan might be presented to national traders to change their practice of trade terms (INCOTERMS) in order to promote the development of EDI communications.
- c. National operators usually do not value the potential of containerization as a means for streamlining output and reducing transport added costs. In some countries, containers are considered as heavy lifts and penalized with antiquated rating systems. Modern container transport regulations should be drafted using, where appropriate, the Customs Convention on Containers (1972) as a basis. In addition, the freight-forwarding sector may need technical assistance to improve cargo traffic flows and container movements through the creation of more efficient and practical procedures.

4.22 Phase II should provide draft proposals for terms and conditions of carriage, terminal operators liability, specific documents and procedures to be facilitated, scope and compatibility of current computer systems, a blue-print for improved logistics, and a short-term plan of action to relieve congestion at the main national ports. These proposals should be as realistic as possible and blend both state-of-the-art solutions with the current national environment and needs. Each one of the potential remedies and recommendations should be thoroughly reviewed and discussed in the field with management and staff of the institutions involved in the transit process, and presented for consideration to the Facilitation Committee. This set of proposals should serve as guidelines for the activities to be carried out in Phase III.

4.23 Phase II should also consider the need to train a number of government officials on international trade and transport issues, including practices, procedures, and documents related to trade facilitation, multimodal transport, and container operations.

### **Phase III**

4.24 Phase III should aim at assisting the governments in the implementation of the recommendations contained in Phase II. This phase should provide technical assistance to government and private sector in:

- a. the finalization of legislative changes to national transport laws and regulations
- b. the finalization of customs-related changes in documents and procedures and their introduction into the appropriate electronic program for customs transactions
- c. the introduction of changes in the commercial, insurance and banking sectors
- d. the introduction of changes in the transport operators' environment.

### **Management Arrangements**

4.25 The activities covered in each phase can be grouped into four major areas: customs; transport legislation; trade and transport facilitation; and transport operations. They should require appropriate coordination arrangements to make the best use of available national capabilities, sub-regional expertise, and international technical assistance.

4.26 In each country the program should rely on national counterparts specialized in the three areas to compile information on the current national situation. Sub-regional expertise should be used to synthesize the results obtained at national level and to prepare the pertinent guidelines for the work of the national counterparts. The agency executing the program should provide overall guidance on the development of the project as well as specific ad-hoc consultancy when and where required.

4.27 The project team should include a transport legislation specialist (preferably a consultant from the sub-region), a transport operations specialist, a number of customs advisers, a trade and transport facilitation specialist, and a *project coordinator*. He/she will coordinate the activities carried out by the team of consultants. It will therefore be desirable to identify a consultant with enough experience and practice to have a global perception of the major issues involved.

4.28 A program preparatory mission is recommended. The preparatory assistance mission will provide the opportunity to identify and meet the potential project counterparts. It will then be possible to adjust the objectives and amend the work program proposed in Phase I according to the local situation, and to the experience and practice of the counterparts in each country, in order to achieve the stated objectives and make the best use of available local expertise. In addition, the preparatory mission will secure coordination with other ongoing and related technical assistance projects. When and where they exist, these projects will be identified and the project activities amended accordingly.

4.29 *Risks*: The development of the project might be affected by a number of risks which have been analyzed for each phase.

#### **Phase I related risks**

- a. This phase relies on active contributions from the private and public sectors to identify the main issues affecting international transport in the country. The role of the national counterparts (national capabilities) will be essential. These counterparts should provide all the necessary information which might be required to carry out an objective diagnosis of the present transport situation, particularly regarding laws and regulations, customs and commercial practices, and transport operations.
- b. This phase of the project may be subject to delay if the pace taken by the country in its contribution is not well planned.

#### **Phase II related risks**

- a. This phase relies on the effective contribution of the Transport and Trade Facilitation Committee. The committee is a high-level decision-making body whose task will be to agree on the scope and to supervise the proposals for simplification and modernization of formalities, procedures, and documents used in international trade and transport in the country. It might organize pertinent sub-committees to deal with legal issues, to solve the day-to-day bottlenecks at port level, and to provide the basis for lateral communications between local institutions directly involved in the movement of goods in and out of the country as well as for sub-regional coordination. The committee will have to be operational at the very beginning of the project (during Phase I), with the full collaboration of the various institutions. The project might be delayed by the effective launching of these national committees, and some of the expected project outputs might not be obtained if those bodies do not function effectively at the end the Phase I.
- b. Phase II may be subject to delay if the pace taken by the country in its contribution is not harmonious. A decision will have to be made whether to revise the timing of the activities of the project or to drop the activities which cannot be performed.
- c. This phase should include an important component of training, complemented by the delivery of workshops.

#### **Phase III related risks**

This phase also relies on the effective performance of the national Transport and Trade Facilitation Committee. The main risk associated with the third phase is related to the effectiveness of government in agreeing on an adequate policy environment which will contribute to the implementation of the proposed facilitation program.

## **Implementation and Execution**

4.30 Implementation of the facilitation program should start during the third phase, but will overlap with project execution whenever the program has been made a part of the financing of a project. This was the approach taken in Ethiopia<sup>4</sup>, where the third phase has not been carried out yet because of the war. The Ethiopian experience illustrates a specific risk of the program approach since by spreading actions over time, facilitation programs are subject to the same risks as projects are. Implementation with the project has also been the approach selected for Mozambique (Roads and Coastal Shipping Project, ROCS -1).

4.31 Comments on implementation and execution made in paragraphs 4.21 through 4.23 are relevant here.

4.32 The terms of reference for the Transport and Trade Facilitation Committee contained in Annex 5 are also relevant to implementation and execution.

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<sup>4</sup> Transport project, 1989. The third phase of the Ethiopian Facilitation Program should be carried out in coordination with the Emergency Recovery and reconstruction Project (ERRP) which encompasses some of the Transport Project components.

## CHAPTER V

### POLICY REFORM - LENDING IMPLICATIONS

#### Requirements of Reform

5.1 The proposals for a facilitation program which could be originated as a result of policy reform will normally encompass various sectors and sub-sectors. Reform of such broad content will be difficult and should be undertaken as a result of a broad Bank consensus fully acceptable to the country or countries included, at least in its general scope.

5.2 Substantiation of the proposed reforms will need detailed studies prior to the preparation of a project document or regional sector report (in the case of a regional initiative). As an example, preparation steps for two of the current transport and trade facilitation initiatives in Africa (Côte d'Ivoire UDEAC) are highlighted in Boxes 6 and 7 below. As a pre-requisite of any subsequent project dialogue and/or action, two ingredients seem essential: First, to design the approach in the project document in such a way that flexibility is built into the decision-making process in two specific areas: the degree of reform required and the timing for introduction of reform. Flexibility of approach will be required at the time of project negotiations with a view to adjust the overall goals of the Bank with the will of the government. Second, to obtain and substantiate in a satisfactory form during project preparation the government's will and conviction to carry out the proposed reforms.

#### Box 6.

The preparation of the Competitiveness SECAL in Côte d'Ivoire (Dec. 1991), required sectoral studies related to the fiscal, commercial and transport sectors. In the case of transport and trade procedures, separate studies of customs on the one hand and of transport and trade on the other, were prepared. The transport and trade study was based on the Transport Sector Review (TSR) completed by the Bank (June 1991). The customs study team worked in close coordination with the transport/trade study team. The resulting matrix of recommendations of the SECAL contained a priority selection of proposals of both studies under the following headings: External Trade-International Competitiveness; Promotion of Domestic and External Competition; and, Export Incentives. Measures proposed in the Matrix of the SECAL were designed as a *first step* to be complemented at a later date with a sector lending instrument, the current Transport Sector Project now under preparation.

**Box 7.**

The preparation of the UDEAC regional initiative (Customs Union of Central Africa encompassing Cameroon, Congo, Chad, Central Africa, Gabon and Equatorial Guinea) has taken a different path. A fiscal Green Cover report dated October 1991, proposing lending conditionalities for future operations became the subject and part of a Protocol of Agreement signed by the finance ministers of the six UDEAC partners in November 1991. It has been followed by a Transport Sector Report (now in Green Cover turning into Grey Cover) to be presented as a base document for a potential structural adjustment operation. The report will contain proposals for transport and trade conditionalities, prepared jointly by the European Community (EEC) and by the Bank, related to transit, customs, shipping, freight-forwarding, banking and insurance. The conditionalities would be outlined in a joint protocol agreement in the same manner as the fiscal measures for future reference in subsequent lending operations.

5.3 *Flexibility of approach:* In the case of the SECAL competitiveness project (Box 6), the reform proposals designed in the project preparatory studies were the subject of laborious negotiations and were tuned down. The Bank and the government agreed to carry out studies to ascertain the feasibility and timing of the original full proposals. This decision, which is now being implemented, is satisfactory to both parties. It is the result of the flexibility built up in the original proposals.

5.4 The above example illustrates the need to reformulate project contents when warranted by changing political/economic climate and conditions. In conceiving facilitation measures flexibility for reformulation is an essential requisite of project design.

5.5 The approach to policy reform exemplified in the above Bank projects also contains an *important ingredient of joint decision-making and joint project design* between government and Bank. It moves to the field or to the open, delicate arguments on policies which could otherwise become bottlenecks at the moment of implementation. This approach could contribute to an implementation culture, meaning to have things happening in the open or in the field as much as possible. It also means that design of future sector projects can be influenced upstream when things can be changed and options considered.

5.6 *Government Conviction and Will:* In looking back at the Bank experience in transport facilitation, it is easy to note that cross-sectoral issues related to transport and trade are not often reflected in the lending programs and, therefore, have been very rarely selected as conditionalities for lending, or have seldom been the subject of lending operations<sup>1</sup>. At the root of the problem we find the type of reforms needed to facilitate specific aspects of customs, transport practices, or trade situations. Reforms required usually impinge on important vested interests of groups or institutions which carry substantial monetary value, and therefore are difficult to dismantle. Without government conviction that the reforms proposed will contain strong economic impact (and therefore are warranted), and without government will and power to act on the proposed reforms, the transport and trade facilitation proposals will not be acted upon.

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<sup>1</sup> General Operational Review of Road Transport and Transport Rehabilitation, June 1987 (Transportation Department, OPS).

5.7 *Resources for execution:* A natural consequence of the complexity of reform proposals required to carry out a facilitation program is the necessity to plan adequate resources for execution. The pervasive nature of the policy reforms proposed is such that sustained supervision will be required at the implementation stage. Since implementation culture is still weak in many African governments, this means reinforced supervision and execution resources which may, *first*, keep alive the will of acting upon policy reform and, *second*, coordinate government actions to implement reform.

### **Lending Implications and Instruments**

5.8 Implementation of a facilitation strategy presupposes both active participation and follow up. This should take place at the highest possible level and under the supervision of the Facilitation Committee.

5.9 The Bank Group could intervene in the form of a structural adjustment credit for the transport sector (the funds of which would be released in accordance with the progress made and the steps taken) to finance the technical assistance components, equipment and software to be identified. The subject is complex:

- a. while some of the measures envisaged can be taken in the context of a sectoral transport project, others —particularly the ones that have to do with banks— involve other disciplines; hence there is a problem of project structuring;
- b. the present difficulties in Africa are mostly managerial; but the African borrowers frequently attribute them to the absence of material means: poor management leads to a lack of material means, either because the material is not properly maintained, or because it gets stolen, or because it is used inefficiently and not soon enough; and the desire to have as many material components as possible in a project can be explained by the personal advantages derived from procurement and the award of contracts; as a result, defining the project will pose a problem;
- c. the most important instruments for obtaining policy reform are the conditions attached to lending operations, without which disbursement should not be carried out.

5.10 *Agreement on conditionalities:* The approach proposed in the UDEAC fiscal and transport initiatives (Box No. 7) is based on the following steps:

- a. preparation of a sector report, in this case regional, substantiating and defining desirable policy conditionalities and other actions which could become conditions of effectiveness or disbursement in subsequent lending operations —SAL or specific lending— for a country or countries in a sub-region;
- b. agreeing on the proposals of the report, between co-financiers and between co-financiers and borrowers, at a meeting or workshop invested with sufficient authority to commit the countries by the decisions taken;
- c. signing a protocol of agreement outlining the decisions taken at the workshop by a representative with enough authority to commit the country government.

5.11 The conditionalities agreed upon become instruments of policy change if future lending has to be considered in specific sectors.

5.12 The role of the sector work in the preparation of the basic workshop document must not be underestimated. We are talking of an effort similar, in content and resources needed, to an appraisal.

5.13 *SAL Operations*: Structural adjustment operations, in particular if they are followed by sector investments in sequence, are a good instrument in achieving policy reform on facilitation. The approach taken in Côte d'Ivoire (Box No.6) with the Competitiveness SECAL followed by a Transport Sectoral Project is a good example of two operations in sequence, the second of which takes on redefining and adjusting the policy process left unfinished by the first.

5.14 A number of criteria are important here:

- a. outlining in the initial sectoral effort (in this case the Transport Sector Review of 1991 and the preparatory papers of the SECAL) a time-frame, an order of magnitude, and a priority list of the subjects earmarked for reform, and completing the above with the scope of the reform, and with the essential products to be obtained from the reform effort;
- b. setting up the objectives of the SAL at the lowest possible level, but designing them in such a way that would lead to areas in need of global reform through one or various lending operations;
- c. preparing the ground and scheduling a long sequence of lending operations suitable to achieve the desired global reform objectives identified.

5.15 *Specific Sector Investments*: Specific lending operations can be used, in particular, when policy reform can be linked to specific investments desirable to the country and when projects can be designed by the Bank with a definite dual objective: investment and policy.

5.16 The General Operational Review of 1987 shows, however, a very low level of compliance of conditionalities on specific lending operations. Supervision and lack of compliance with conditions agreed upon seem to be at fault.

5.17 In light of the above, it seems desirable to suggest that the full array of disbursement conditions and options available to the Bank should be investigated when preparing a facilitation operation as part of a sector investment.

## Transit Corridor Evaluation Summary

1. A major effort to study transit corridors linking landlocked countries (LLC) to the sea in West Africa was recently completed by the World Bank.<sup>1/</sup> The study reiterates the need for a methodology which quantifies the overall benefits and costs to each of the countries involved, taking into account factors which at first sight may not seem directly related to the actual flow of goods but which are perceived by both shippers and freight-forwarders as major determinants in the choice of one corridor over another. Such exogenous factors include, but are not limited to, the trucking allocation agreements (e.g., the one third/two thirds rule) between LLCs and Transit countries (TCs), the maritime sipping codes (e.g., the UNCTAD 40/40/20 Code of Conduct), customs procedures, freight-forwarding fees, and storage policies. Proper quantification of net benefits or costs for each of the countries involved in the transit movement is probably the first step for serious negotiations of transit policies, customs, and trade facilitation procedures between the *governments* involved. The periodic estimation of those benefits and costs may also serve as a deterrent to unilateral decisions by customs and transport ministries to alter facilitation procedures without proper assessment of the economic and financial impact of those changes on their countries and their importers or exporters.

2. To illustrate the magnitude of the costs incurred with transit traffic flows in the Sahelian region, the World Bank study estimates that in 1987 the total direct generalized costs (including ocean shipping costs) for the 337,000 tonnes of transit traffic to/from Mali were approximately US\$100 million. The total economic cost for Mali for this transit traffic was roughly 5 percent of the estimated GDP for 1987. Payments to other countries for the transit traffic totaled US\$48 million, approximately 50 percent of total direct costs. To obtain a significant reduction of the direct cost of transit traffic and of payments to other countries, Mali should attempt to reduce shipping rates for its imports and exports. A reduction of 25 percent of the present conference rates, by using a combination of non-conference and tramp shipping, would reduce the transport bill by 10 percent and the payments to foreign countries by 18 percent. These results highlight the importance of reducing shipping rates and suggest that Mali should attempt to take as much advantage as possible of the non-conference shipping market. Moreover, an analysis of the composition of total generalized costs of imports to Bamako originated in Atlantic Europe suggest that shipping rates represent 33-37 percent of the cost per tonne while land transit costs and port charges account for 30-33 percent and 6-9 percent respectively. Delays in ports and terminals caused by low productivity and slow customs clearance and red tape add between 29-45 percent to the total time from origin to destination and are longer than the sea leg of the movement which represents 29-36 percent of the total time, depending on the seaport chosen. The analysis of the composition of the total transit time is necessary to identify major bottlenecks and estimate the inventory costs incurred with the movement. The latter reflects the inventory financing costs to the consignee, since the capital invested in the imported goods en route could be earning interest elsewhere. In the case of Mali the inventory costs estimated at a 10 percent interest rate ranged from 7-8 percent of total costs.

3. Direct transport and transit charges are only elements of much larger total transit-transport costs faced by the landlocked country. The concept of generalized cost is based on the fact that direct costs are only one element of the total transport cost. The prices charged for handling and moving freight are important but so are the costs attached to *average transit time*, the *reliability of delivery* times, and the *loss and damage* to goods.

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<sup>1/</sup> Infrastructure Division, Technical Department, Africa Region (AFTIN)- "Corridors de Transport en Afrique Sahelienne, Le Cas du Mali (Rapport No. 7670-MLI); Le Cas du Burkina Faso (Rapport No. 8813-BUR); Le Cas du Niger (Rapport No. 8814-NIR)." The World Bank 1989 & 1990.

4. For example, the longer the transit times, the higher are the inventory financing costs for the owner (consignee), because the capital invested in the goods could be earning interest elsewhere. These other, more indirect transit costs may, when taken together, be far higher than the direct transport prices charged, although they are not reflected in terms of immediate out-of-pocket costs. Any improvement which reduces the direct costs of transport may also affect these other elements of generalized cost and thus the total benefits of the improvement.

5. Similarly, the study estimates that the total cost for Burkina Faso's international traffic in 1988 was US\$133 million or 23 percent of the total value of its imports and exports and 7 percent of its GDP. The land transport portion of that bill was roughly US\$73 million (4 percent of GDP) while the ocean shipping costs were estimated at US\$33 million (2 percent of GDP). Furthermore, it was estimated that Burkina's general cargo generates annual gross revenues of US\$30 million (about 100\$US/ton) for Côte d'Ivoire, and US\$3.3 million for Togo (about 50\$US/ton). In Niger, the total generalized cost in 1988 for the international traffic was estimated at US\$150 million or 37 percent of the total imports. The land transport cost for that traffic was estimated at US\$67 million (3 percent of GDP) while the ocean shipping costs amounted to US\$36 million or 1.5 percent of GDP. The international traffic of Niger generated annual gross revenues of US\$25 million (US\$100/ton) for Benin, US\$7.6 million (US\$86/ton) for Togo, and US\$3.3 million (US\$90/ton) for Nigeria. In short, the costs and benefits involved in transit movements are quite important and their proper evaluation is crucial if the decision-makers are interested in assessing the impact of major changes in transport policy and facilitation procedures.

6. The technical and economic evaluation of transit corridors which link landlocked (LLC) countries to the sea is somewhat complicated because one must take into account the infrastructure, operations, and institutional aspects in at least two countries and very often in more than three countries. Furthermore, the analysis must examine in detail the custom procedures, inter-country agreements, and trade facilitation procedures in all the countries involved. The economic evaluation of improvements in a transit corridor would usually be incomplete if only the effects on transit traffic are considered. Normally, transit infrastructure is an integral part of the domestic transport network of the transit country. It is the nature of most transport investments that the improvement of the infrastructure for one specific flow will also improve conditions for all other traffic using the *same* infrastructure. Consequently, three distinct flows may have to be considered.

- (1) Transit traffic: between the landlocked country, the seaport, and overseas;
- (2) Domestic traffic: internal transport of goods within the transit or landlocked countries; and
- (3) Mutual trade or regional traffic: goods flowing between the landlocked and transit countries.

In order to appraise any infrastructural improvement to the transit system, the costs and benefits stemming from each of these individual flows must be estimated. Moreover, as discussed previously, the distribution of net benefits between landlocked and transit countries must also be considered. It is necessary to evaluate the *financial* effects for both countries, and then the real resource effects as market prices often do not reflect social costs. The appraisal is further complicated when transit goods are carried in vehicles owned by nationals of both the transit and landlocked countries. The relatively simple appraisal technique used in most transport investments (multiplying total flow by the unit reduction in social costs) is inadequate. A much more complex analysis of flows and costs, together with consideration of competition within the transport sector, is required.

## TRANSIT TRAFFIC FACILITATION IN SUB-SAHARAN AFRICA

Review of Bank Assistance: 1960-1990

September 15, 1992

Operations Evaluation Department

114. A large percentage of the hundred-odd million of inhabitants in LLCs encompassed in this review (Uganda, Rwanda, Burundi, Malawi, Zambia, Chad, CAR, Niger, Burkina Faso, and Mali) will for the next decade or so be increasingly dependent on overseas aid, not only for development but for physical survival. Limited aid can be delivered by air, most of it will have to come on surface routes, and since surface routes traverse the territory of littoral neighbors, it is imperative that transit conditions be improved. On their own, LLCA and littoral countries cannot do it. Donors must therefore play a much more active role than in the past. Given that transit facilitation is a complex, time consuming, multi-country undertaking, donors must anticipate that their technical and financial assistance will have to be extended through consecutive interventions over a period not of years but of decades. It might therefore be advisable for donor planning to rely more on adherence to basic principles than to elaboration of elusive details.

### Inception/Preparation

115. Corridors provide an opportunity for multi-modal transport, involving railways (which are parastatal organizations), private trucking firms, and port agencies (which are also parastatal). Parastatal agencies are not held in high regard by shippers. This is due to perceived management inefficiencies, shortage of railway rolling stock, poor availability of port cargo *handling* equipment, cumbersome customs regulations, and high levels of corruption. In addition, major difficulties associated with road transport (which is by and large the preferred mode) relate to poor condition of roads, to severe damage to roads caused by heavy volumes of overloaded trucks (particularly oil tankers), and to harassment by customs and police officials. All these factors add to the cost of transport. Consequently:

#### first recommendation:

Donor assistance for transit facilitation must no longer be delivered as just another component of a highway, port, or railway project. It must be *planned* and delivered as an integrated package.

116. Donor assistance will fall under two categories: (a) Financial (for creation or maintenance), and (b) Technical (for improvement of policies and operations).

#### second recommendation:

*Infrastructure and Equipment: Minimum emphasis on capital formation; maximum emphasis on maintenance*<sup>1</sup>

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<sup>1</sup> The only exception ought to be for new corridors expected to encourage trade among the Sub-Saharan countries. So far, the tendency was to improve corridors that would facilitate overseas trade. Comparable attention ought to be given to corridors between, say, CAR and Sudan, Niger and Chad, Mali and Burkina Faso.

**third recommendation:**

*Operational Policy: Minimum* —emphasis on regulation and maximum emphasis on staff training and career *development*.<sup>2/</sup>

117. Transport system performance is affected by the balance of imports and exports and the choice of route for each. Exports are affected by world markets, which for coffee, tea, cotton, timber and minerals (that is to say, the principal exports of landlocked countries in SSA) are presently depressed and likely to remain so for some time to come. Route choices are also influenced by political relations, border hostilities, and traditional arrangements for shipping a particular product out of a particular port. Transport services are affected by the prevailing work ethos regarding work discipline, financial scrupulousness and familiarity with modern business practices; absence of any one of these characteristics leads to poor service, poor utilization of equipment, unused capacity, and operational losses.

**fourth recommendation:**

Since no recipient or donor can, on his own, resolve such a multitude of problems, genuine collaboration is to be regarded not merely as desirable, but as absolutely necessary.<sup>3/</sup> Generally speaking, the private sector in recipient countries should be encouraged to participate far more than it has in the past whenever any donor-assisted initiative is planned to facilitate transit traffic.<sup>4/</sup>

**Appraisal**

118. The appraisal phase of future interventions should focus on four topics: institutional barriers, technical assistance, privatization, and specific measures to strengthen a particular point of the transport chain.

**fifth recommendation:**

Relaxation of institutional barriers must be vigorously pursued because it promises to encourage competition and to reduce costs.<sup>5/</sup>

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<sup>2/</sup> Truck overloading is a common occurrence that leads to rapid road deterioration. Attempts to standardize axle load limits are usually slowed by pressures from the truck owners who want time to phase out existing fleets. Enforcement is an altogether different issue: the bribes necessary to avoid fines are usually treated as one element of the cost of doing business.

<sup>3/</sup> Fortunately, the one element not in short supply is local expertise regarding what needs to be done to facilitate transit traffic. In all recipient countries, domestic and international firms working in transport, shipping, forwarding and warehousing, as well as academics and consultants who have been observing local trends and conditions for years, would make invaluable contributions to the design of better interventions.

<sup>4/</sup> Extensive interviews conducted in early 1992 by OED staff in the 15 SSA countries suggest that private sector participation would not only help identify the specific obstacles which impede the free flow of traffic in specific corridors but would also offer solutions that would be feasible in the specific socio-political environment.

<sup>5/</sup> Standardization of trucking regulations and axle loads, streamlining of customs procedures in ports and at border crossings, and greater interlining of railway rolling stock would go a long way towards removing obstacles to the free flow of goods and passengers. There is much scope for increasing the use of unit trains

**sixth recommendation:**

Recipient resistance to *technical assistance* is a fairly widespread phenomenon, often justified by the poor quality of expatriate staff. At the appraisal phase, donors must see to it that the technical assistance they offer is of the highest quality. By the same token, recipients who accept financial assistance must also agree to accept the technical assistance that goes with it.

**seventh recommendation:**

In order to encourage efficiency, the donor community ought to require a high degree of *privatization* of many of the functions currently performed by parastatal agencies.<sup>6/</sup>

**eighth recommendation:**

Donors must pay the greatest attention to railway modernization in SSA.<sup>7/</sup> One possible improvement would involve obtaining recipient agreement to have a donor appoint one or more members to the railway Board of Directors as a precondition for loan approval and disbursement of funds. Similar conditions could apply to other parastatal agencies (such as Port Authorities) receiving large donor assistance.

119. Current *administrative* arrangements in the Bank, with different divisions responsible for different country programs, are not suitable for the delivery of assistance to multi-country.

120. Working-level contacts among the Bank, other donors and recipients have to be significantly strengthened. Bank staff working in Anglophone countries are not sufficiently aware of conditions in neighboring Francophone countries. Bank staff are not sufficiently in contact with their counterparts in major donor agencies. Technical staff in member countries have few opportunities to meet, and thus to begin collaborating, with their counterparts in the neighboring country. Working-level contacts cannot be established as long as corridor projects depend on periodic visits from Washington-based staff.

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for transit traffic, and this would reduce both delays and cost. However, unit trains depend upon interlining locomotives and the concept falls apart when it becomes necessary to stop trains simply to change locomotives.

<sup>6/</sup> In the case of railways, functions that are ripe for privatization include both rolling stock and track maintenance. The railways themselves ought to retain adequate supervisory staff for inspection and control. However, these functions are generally a small part of the total cost of equipment maintenance and maintenance of way. Port operations offer greater latitude for privatization, including equipment operation, equipment maintenance, and even stevedoring. It is doubtful that the efficiency of these operations can be improved in any other way. In addition, pilotage and tugboat operation can also be privatized, a common practice in many ports of the world.

<sup>7/</sup> The long-term objective ought to be to make greater use of existing railway facilities which, if properly managed, have inherent cost and even travel time advantages because the distances involved generally fall within the range where rail can compete with road transportation, certainly for bulk commodities, including container traffic. Actual experience with most railway projects shows that objectives have not been achieved for a variety of reasons, the most important of them being government interference in tariff matters and in the appointment of senior staff.

**ninth recommendation:**

Specially selected Bank staff must be posted in the field and granted sufficient authority to plan and supervise Bank-financed corridor projects.

121. For the Bank, this will be an expensive step. However, the Study Team considers this to be its most important recommendation. In SSA, the present state of railways, the inefficiencies of parastatal organizations, and the poor quality of most road infrastructure result in costly and unreliable transportation for both domestic and transit flows. Issues and problems are well understood. Some relate to the shortage of capital for reconstruction and maintenance; others to inefficient management and unacceptable levels of corruption; still others to the lack of training and to the choice of what frequently turns out to be inappropriate technology.

122. Constant Bank presence in the field is necessary to avert this evil. Also, and this is particularly true in the case of railways and ports, it is not always clear that major equipment is acquired because it is really needed or because some supplier wants to sell it. Examples of malfunctioning or poorly utilized equipment are legion. Most of them can be explained in terms of provision of inappropriate technology, or failure to include after-sales maintenance. For this reason alone, the Study Team feels that supervision of Bank Assistance delivery ought to be done by the staff resident in the field who would be fully empowered to control funds and personnel associated with any Bank-financed project. Specifically, the Study Team feels that contract awards ought to be done independently of government agencies, and that construction contracts ought to include arrangements for a 10-year maintenance contract with the firm that executed the work.

## **CUSTOMS SOFTWARE PROGRAMS**

### **(Evaluation of current programs available in Mali, Senegal and Côte d'Ivoire)**

#### **1. Sydonia (ASYCUDA) — Mali**

Mali is currently using version 1.2 of Sydonia which was developed by UNCTAD in 1983. This system has gone thru significant changes since that time. The latest release is version 2.5; version 2.6 will be out by the year's end. After version 2.6 there will be no more revisions to Sydonia version 2.x. Instead, development will begin in earnest on version 3.0. The design that went in to Sydonia was very good and well thought out. That does not mean that Sydonia is without its problems. The refusal to provide source code and file descriptors and the quality control or lack thereof that has been imposed in Geneva has left many users with a bad impression. Fortunately, it appears that most if not all of these problems are being addressed and resolved. UNCTAD is now giving out the file descriptors and bringing a programmer from each country into the U.N. for training and familiarization with the internals of Sydonia. UNCTAD has also implemented a quality control division to take responsibility for the testing of new releases of Sydonia. The stated direction of Sydonia version 3.0 is toward a Unix based open system which will support such standards as EDIFACT and SQL. While it will be at least one to two years before version 3.0 is available, it is possible to run version 2.x under Unix. This system under Unix is approximately 30 percent faster than the equivalent Prologue system and offers better security and flexibility. The same hardware that is used to run Prologue version 3.0 may be used to run Unix. Initially, it will be more difficult to implement the Unix version than it will the Prologue version, since UNIX is much more sophisticated than Prologue. However, this drawback can easily be overcome with sufficient training and support. Since UNCTAD has stated that version 3.0 will be Unix based, this problem must be faced eventually. Functionally, Sydonia offers most if not all of the features that Mali requires. One feature that is still lacking, but will appear in version 3.0, is a selective examination module. This module would make use of past examination findings as well as local criteria to help determine the risk of a shipment. The features that Sydonia does possess include: manifest support, customs declarations, accounting procedures, licensing, warehousing, and statistics. If Sydonia is weak in any areas, it is in the area of flexible entry reports. Most of the reports are summary type. The most impressive features of Sydonia are its cost and the operational support that is given from the U.N. Sydonia is free and along with it come technical advisors to help in the rationalization and streamlining of the customs paperwork. Another strong point of the system is the support of international standards. While Sydonia is certainly not a perfect system, it is a cost effective system, and if the proper platform is chosen it can also be a flexible system. Another advantage that Sydonia has in a developing country is that it is very well suited to an environment with poor telecommunications. Sydonia's hardware requirements are very modest. A 80386 PC will perform just fine under Prologue or Unix; however, since the cost difference between an 80386 and an 80486 is minimal it would be prudent to purchase the more powerful machine. The memory that is required is in the neighborhood of one megabyte per user until the number of users exceed ten, and then the memory requirements per user are reduced somewhat.

## 2. Gainde — Senegal

Gainde is a traditional mainframe based system. It is very new and is currently experiencing the growing pains that come with a new product. The Senegalese are not willing to sell it. Gainde runs on ISM MVS mainframes under CICS. It was written using Computer Associates product Universe. The Senegalese currently have approximately 100 users of Gainde and are experiencing slow response time even though they are using two IBM 4381 s. Work is currently under way to convert Gainde from the Universe product to other Computer Associates products called Ideal and Datacom. This conversion along with the upgrade to an IBM 3090 should improve response times tremendously. Gainde covers all of the major functions that are required in a customs system. The modules that they currently support are: manifests, declarations, licenses, warehousing, collections, in-transit goods, selectivity, tariff calculations, and examination findings. Gainde is very sophisticated and has many good features; however, the biggest problem it faces in a developing country is the reliance on a centralized system. A centralized system requires a very good communications infrastructure which countries like Mali do not possess. There is no doubt that within one to two years Gainde will have matured into a very robust system, if the problems associated with proprietary architectures (IBM and Computer Associates) do not hamper them. The designers of Gainde built into the system the ability to support international standards such as EDI and EDIFACT. The Dakar Port Authority is going to implement an open port system called Escal; and Gainde will be able to interface with it and accept data from it. The hardware/software configuration that the Senegalese are using to support GAINDE is as follows:

- 2 IBM 4381 (1 92E and 1 91 E) running MVS/SP
- 6 IBM 3380 Dasd units
- 3 3880 Tape drives
- 2 3720 Communications controllers
- Vtam and NCP for telecommunications
- 100 3270 terminals (Both PC emulations and actual terminals)
- 1200 programs to comprise the bulk of GAINDE

This configuration allows the support of 100 concurrent users processing approximately 300 - 400 declarations per day and 3 - 4 manifests per day.

### 3. Sydam — Côte d'Ivoire

Sydam appeared to be the most stable of the large systems that were evaluated. The Ivoirians have built Sydam into what appears to be a very stable system. Sydam supports the major functions that a Customs system must possess such as manifest, warehousing, collections, penalties, and declarations. From a users standpoint Sydam is not very friendly, there are no facilities for on-line help or code lookups. It is these features that makes Sydam look old and dated. Other drawbacks to Sydam include the lack of support and no desire to support international standards such as EDI and EDIFACT. Another drawback to Sydam is the closed environment in which it operates. Private companies that may already be automated are not allowed to prepare data on their own system and simply transfer it to Sydam. Instead, they are forced to key all data in. The local port authority, like that in Dakar, is preparing to implement ESCALE as an automated port community system; however, unlike Dakar, the policy in Abidjan is that Sydam will not draw data from ESCALE. On the positive side Sydam does work and more than pays for itself, since the consignors and transitaires are forced to use it and also must pay to use it. Sydam requires Honeywell Bull DPS6000 series computers running GCOS6 as an operating system and TPS6 as the data base. This machine is available in a range of configurations from a small single processor unit all the way up to a six processor unit. Sydam, like Gainde, makes very good use of preprinted forms for manifests, declarations, liquidation notices, examination instructions, and receipts. There are currently two data centers in Abidjan to support the operations of Sydam. The hardware/software installed in each location is:

- 2 Honeywell Bull DPS6000
- 595 Mbgabytes of Dasd
- 4 Honeywell Bull tape drives
- 49 modems
- GCOS6 as the operating system
- TPS6 as the data base.

This configuration allows Sydam to process approximately 400 declarations per week at the seaport and 300 declarations per week at the airport. On an average there are 25 concurrent users of Sydam with a maximum of 60. Under the current configuration the practical maximum number of users would be in the range of 100.

## Checklist for Identification of Facilitation Components

The following topics may include items in need of facilitation. A checklist of potential problem area topics is provided for identification purposes.

— Regulatory measures:

- (a) institutional interference and means of facilitation
- (b) policies and regulations
  - (i) commercial
  - (ii) fiscal
  - (iii) financial
  - (iv) transport-related
    - maritime and water transport
    - land-related
    - multimodal
    - national/regional
- (v) profession-related
  - transport intermediaries criteria of qualification
  - liabilities/responsibilities
  - standards of services

— Trade and transport facilitation measures:

- (a) role of customs controls: criteria for a "risk management policy" on customs clearances
- (b) banking practices and monetary policies affecting trade and transport
  - (i) exchange controls
  - (ii) foreign-currency regulation
  - (iii) import/export monetary controls surplus to ICC letter of credit requirements
- (c) documents and procedures: compliance with UN lay-out key for documentary procedures
- (d) insurance practices

— Development policy measures:

- (a) shipping and water transport
- (b) modal and intermodal logistics including port and land interfaces
- (c) infrastructure facilities and their role in facilitation of logistics
- (d) land-transport
  - (i) road
  - (ii) rail
  - (iii) transport intermediaries
- (e) communications (electronic)
- (f) air transport

- Sub-regional coordination measures
  - (a) bonded facilities for transit traffic
  - (b) priority itineraries for transit traffic
  - (c) cost-recovery measures for use of transit infrastructure
  - (d) bilateral traffic-sharing agreements between neighboring countries
  - (e) liability provisions for international traffic
  - (f) road controls on transit traffic
  
- Human and institutional resources development measures (HRID)
  - (a) the primary role of ministries should be as policy makers;
  - (b) administrative and operational control of transport services should be delegated to the agencies responsible for providing these services;
  - (c) effective performance of transport service requires the application of objective criteria for the contracting of services, and the recruitment of personnel — subjective ministerial interventions in these areas must be eliminated;
  - (d) ministerial policies and procedures should not restrict the effective performance of services; and
  - (e) government ministries must be supportive of institutional restructuring, including the definition of sector strategies which take into account the level of resources available.

The sustainability of HRID reform also depends upon the commitment of private sector organizations. Change resulting from external pressure on such organizations is often marginal and difficult to sustain. Governments must actively seek to include private sector organizations in the reform process.

Topic	Potential Problem Areas	Suggested Actions
(a) Shipping	Shipper's Council allocation of capacity <ul style="list-style-type: none"> <li>◆ Delays</li> <li>◆ Cost</li> </ul>	<ul style="list-style-type: none"> <li>- Computerization of allocation process with entries made "a posteriori".</li> <li>- Privatization of Shipper's Council activities.</li> </ul>
(b) Modal and intermodal logistics ◆ Port interface	<ul style="list-style-type: none"> <li>◆ Late arrival of "Shipping Manifest" to destination port.</li> <li>◆ Lack of local counterpart funds to cover L/C bank charges on imports</li> <li>◆ Port congestion with freight waiting clearance (customs)</li> <li>◆ Multiple handling and transport operations at port.</li> </ul>	<ul style="list-style-type: none"> <li>- Deposit and Fax of manifest at/from embassies/consulates at country of origin to ship agents and/or consular agents at destination.</li> <li>- Use of EDI communication.</li> <li>- Central Bank/Chamber of Commerce financial facility for importers.</li> <li>- Privately-owned and managed ICDs for container long-term storage</li> <li>- Input of "shipping Manifest" at customs 24 hours after ship arrival.</li> <li>- Auctions of freight after reasonable period.</li> <li>- Port rates review and upgrade</li> <li>- Review freight-forwarding tariffs and rationale for multiple handling.</li> <li>- Logistic study of handling operations (basic commodities) and regulations.</li> </ul>
(b) Modal and intermodal logistics ◆ Land Transfers	<ul style="list-style-type: none"> <li>◆ Multiple handling- excessive cost at transfer points</li> <li>◆ Pilferage/loss at transfer points.</li> </ul>	<ul style="list-style-type: none"> <li>- Review freight forwarding tariffs, scope of operations and equipment levels.</li> <li>- Review modal regulations for freight transport.</li> <li>- Review liability levels for freight in transit.</li> <li>- Review loading/unloading practices on truck railcars.</li> <li>- Review writing and contents of documents (transit).</li> <li>- Review insurance levels (freight and transport unit).</li> <li>- Review transit management practices of carrier.</li> </ul>
(c) Infrastructure facilities	<ul style="list-style-type: none"> <li>◆ Lack of capacity for storage</li> <li>◆ Inefficient use of transport facilities.</li> <li>◆ Inadequate maintenance of facilities.</li> <li>◆ Ownership of facilities</li> </ul>	<ul style="list-style-type: none"> <li>- Review parastatal and private freight-forwarding storage rates.</li> <li>- Review provisions of Investment Code.</li> <li>- Review potential for an ICD.</li> <li>- Review storage rates.</li> <li>- Review management practices of parastatals.</li> <li>- Review maintenance responsibilities, private sector incentives and Investment Code provisions.</li> <li>- Review privatization prospects and user rates.</li> </ul>

Topic	Potential Problem Areas	Suggested Actions
(d) Customs	<p>Its means of administration, performance and overall influence on freight immobilization and transit time;</p> <ul style="list-style-type: none"> <li>◆ Manual tasks and/or degree of introduction of electronic data processing;</li> <li>◆ Customs declarations <ul style="list-style-type: none"> <li>• timing and rationale for information</li> <li>• documentation</li> </ul> </li> <li>◆ Policies: risk management</li> <li>◆ Pre-shipment quantity and quality inspection</li> </ul>	<ul style="list-style-type: none"> <li>- Assess overall performance, means of operation and computerization levels.</li> <li>- Selection of electronic program compatible to needs <ul style="list-style-type: none"> <li>• provision of technical assistance for access to program.</li> </ul> </li> <li>- Assess and workout program jointly with transport, intermediaries (facilitation)</li> <li>- Assess fiscal risk of encouraging "risk management policy".</li> <li>- Assess needs of professional services such as SGS</li> </ul>
(e) Institutional Interference	<ul style="list-style-type: none"> <li>◆ Impact of informal transactions and payments on freight immobilization.</li> </ul>	<ul style="list-style-type: none"> <li>- Assess, study cost, try to obtain government conviction and will to provide corrective action.</li> </ul>
(f) Banking and financial practices	<ul style="list-style-type: none"> <li>◆ Banking regulations and procedures</li> <li>◆ Foreign-currency regulation</li> <li>◆ Exchange rate regulation</li> <li>◆ Liquidity of imports</li> </ul>	<ul style="list-style-type: none"> <li>- Assess needs for facilitation and make proposals.</li> <li>- Join dialogue on foreign currency reform.</li> <li>- Join dialogue on exchange rate regulatory reform</li> <li>- Work plan with Central Bank to easy financial provisions.</li> </ul>
(j) Communications	<ul style="list-style-type: none"> <li>◆ Power and telecommunications situation in the country.</li> <li>◆ Use of EDI communications</li> <li>◆ Introduction of UN-EDIFACT</li> </ul>	<ul style="list-style-type: none"> <li>- Assess preparedness of country to receive EDI systems specifically customs, ship agents, freight-forwarders, banks, port authority, etc.</li> </ul>
(h) Policies and regulations <ul style="list-style-type: none"> <li>◆ Commercial</li> <li>◆ Fiscal</li> <li>◆ Transport</li> </ul>	<ul style="list-style-type: none"> <li>◆ Inadequate trade procedures</li> <li>◆ Restrictive Trade Regulations</li> <li>◆ Disincentives to transport operators to improve services capabilities and invest in equipment replacement</li> <li>◆ Road Transport (domestic) <ul style="list-style-type: none"> <li>• entry limitations</li> <li>• quantify restrictions</li> <li>• economic regulations</li> <li>• import restrictions</li> <li>• safety regulations</li> <li>• technical inspections</li> <li>• vehicle registrations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Assess trade regulatory procedures for compliance with ICC rules on imports and exports and propose facilitation.</li> <li>- Assess cost of import/export major commodities and start dialogue with government on deregulation.</li> <li>- Assess fiscal environment of trade and propose measures</li> <li>- Assess rationale, content and effect on efficiency; propose modifications or updating.</li> </ul>

Topic	Potential Problem Areas	Suggested Actions
(i) Transport intermediaries and operators: standards, criteria of qualification and role	<ul style="list-style-type: none"> <li>◆ Freight-forwarders <ul style="list-style-type: none"> <li>• regulatory and economic environment</li> <li>• entry into the profession.</li> <li>• standards and qualification</li> <li>• liability provisions</li> <li>• financial performance</li> <li>• agency network coverage</li> </ul> </li> <li>◆ Customs Brokers <ul style="list-style-type: none"> <li>• reliability</li> <li>• criteria of qualification</li> <li>• regulatory environment</li> </ul> </li> <li>◆ Ship Agents/port handlers stevedores <ul style="list-style-type: none"> <li>• economic and contractual environment</li> <li>• performance</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Assess current situation and propose modernization (e.g. FIATA standards) and/or study role of freight-forwarding in non-factor services financial flows.</li> <li>- Assess performance and discuss with customs; prepare ground for regulatory modernization.</li> <li>- Assess situation through study of professional capabilities.</li> </ul>
(j) Documents and Procedures	<ul style="list-style-type: none"> <li>◆ Compliance with UN layout key standards</li> <li>◆ Compliance with ICC Rules</li> <li>◆ Compliance with national and standard international practices.</li> </ul>	<ul style="list-style-type: none"> <li>- Facilitation of documents to UN layout key standards.</li> <li>- Facilitation of procedures to ICC international requirements.</li> <li>- Thorough review of import/export documentation and proposals.</li> </ul>
(k) Insurance	<ul style="list-style-type: none"> <li>◆ Restrictions on insurance of imports</li> <li>◆ Protection of national companies</li> </ul>	<ul style="list-style-type: none"> <li>- Assessment of the situation and proposals.</li> <li>- Dialogue at appropriate level.</li> </ul>

## National Trade and Transport Facilitation Committee

### Terms of Reference

#### A. Purpose and Objectives

1. The purpose of the National Trade and Transport Facilitation Committee (NTTFC) is to encourage the modernization of transport practices and technology in support of the international trade of the country.
2. The specific objectives of the committee are as follows:
  - (a) to provide a national forum for the facilitation of formalities, procedures and documentation used in international transport and trade (*facilitation objectives*);
  - (b) to propose, for government approval, draft transport and trade-related regulations and practices (*regulatory objectives*);
  - (c) to make policy recommendations on future transport investments (*development policy objectives*); and
  - (d) to increase awareness of the methods and benefits of transport and trade facilitation (*training objectives*).
3. These four specific objectives will lead to the following activities:
  - (a) Facilitation objectives:
    2. to ensure the proper coordination in the field of facilitation of international trade and transport;
    3. to keep under review the procedures required in international trade, including multimodal transport, with a view to their simplification and harmonization;
    4. to collect and distribute information on international trade and transport formalities, procedures, documentation, and related matters;
    5. to pursue the simplification and alignment of trade and transport documentation on the basis of the United Nations layout key, including documents designed for use in computer and other automated systems; and
    6. to promote the adoption of the standard trade and transport technology and international codes for trade and transport information (EDI communications).

*(b) Regulatory objectives:*

1. to review, comment, amend, and propose for government approval new draft documents on liability, civil responsibility, banking and intermodal transport regulations (including container transport) with a view to update current regulations and practices embodied in the Commercial Code and other legal texts;
2. to follow up on the final approval of proposed regulations and practices with the various institutions concerned and through institutional and executive channels; and
3. to examine the convenience for the country to adhere to international conventions which can facilitate international trade and transport, including the *United Nations Convention on the Carriage of Goods by Sea*, the *International Multimodal Transport of Goods Convention*, the *Kyoto Convention*, the *1972 Customs Convention on Containers*, and the *Convention on Temporary Admission of Containers*.

*(c) Development Policy objectives:*

1. to review the policy content of intermodal investments (such as potential ICDS) and to facilitate, as appropriate, the introduction and development of transport and trade technologies and investments (such as EDI technology); and
2. to address, as a national consulting body, questions related to the institutional development of intermodal regional and international transport (such as the international coverage of national companies; public responsibility and management of facilities; joint-ventures; etc).

*(d) Training objectives:*

1. to organize and implement campaigns to publicize the benefits and requirements of simplified documents and procedures, aimed at policy-makers and senior decision-makers in government organizations, parastatal bodies and transport operators, and customs and other regulatory bodies;
2. to organize and present a series of seminars or workshops for policy-makers and senior decision-makers, and for middle and junior managers in transport operations, to make them aware of multimodal transport principles, practices and implications; and
3. to organize, as a follow-up to the awareness programs, short visits by technical experts to advise on how to streamline transport logistic operations and to maximize the benefits derived from facilitation.

**B. Composition and Authority**

4. The National Committee would bring together representatives of all parties concerned with multimodal transport and trade in the country:

- transport authorities
- other government agencies (customs/Ministries of Finance, Planning, Central Bank, etc.)
- other banking institutions

- insurance companies
- transport users (shippers, consignees, importers, exporters, freight forwarders, etc.)- Chamber of Commerce
- international transport operators (shipping companies, airlines, MTOs and their agents)
- port authorities and transport terminal operators (including ICD operators)
- inland transport operators (road, rail, inland waterways).

5. The lead organization for the National Committee should be identified by the National Central Planning Unit, in consultation with the concerned ministries. It might be convenient to give this responsibility to the Ministry of Transport/Communications, which can also provide secretariat services to the committee or to the Ministry of Finance as responsible for customs. The committee will designate a *chairman*, preferably the minister, the secretary general, the permanent secretary of the ministry. The committee will also appoint a *National transport coordinator*, who will have full-time responsibility of national facilitation and human resource development activities and who will prepare the agenda for meetings of the national Committee.

6. The authority of the committee is part of the authority of the respective participating institutions.

### **C. Scope of the Committee Recommendations**

7. The committee is a consulting body. It will have authority to prepare recommendations and advise on domestic and foreign policy matters related to the development of trade and transport. Its recommendations will be made in the form of proposals to the institutions concerned and to the executive branch of the government.

8. The chairman of the committee will, at the request of the committee, submit the committee's proposals to the appropriate authority.

### **D. Work Program**

9. The committee will prepare and implement its work program aimed, *inter alia*, at:

- (a) the implementation of harmonized national transport regulations and the organization of trade facilitation and multimodal transport training activities;
- (b) the development of policies and solutions to trade facilitation and multimodal transport problems, in particular regarding daily problems of port operations, inland transport as well as customs related issues; and
- (c) the national promotion of the development of electronic data interchange systems (EDI).

10. The committee will meet regularly (e.g., once every two months) or at the request of its chairman or any of its members.

11. The minister of the designated chairman ministry will chair the committee meetings. The representative of the Chamber of Commerce could act as executive secretary.

**E. Sub-regional Coordination**

12. From each of the National Committees, two of three members, including the chairmen and the national transport coordinators, will constitute the Sub-Regional Trade and Transport Facilitation Committee, which will meet every six months. The basic terms of reference for this Sub-Regional Committee are:

- To monitor regional progress in the field of transport and trade and to coordinate regional awareness campaigns;
- To identify common inhibitions (technical, institutional or commercial);
- To identify common solutions/regional action required to solve existing problems,
- To set region-wide standards for documentation, tariff structures, EDI, etc.

13. *The Sub-Regional Committee will have an important role to play.* Some activities, such as standard-setting, necessarily have to follow a top-down approach, while the very nature of facilitation measures and multimodal transport requires that cross-border coordination takes place. In fact, the need for coordination will not be confined to the trading partners and third countries, since the introduction of facilitation measures and multimodal transport by one country and not by its neighbors may create problems with respect to transit trade from, to, or through such countries.

14. The important steering role of the Sub-Regional Committee could be substantially strengthened by assigning *ad-hoc* expert services at its disposal.