

IMPLEMENTING FACILITATION ON TRADE AND TRANSPORT CORRIDORS

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ABSTRACT

A recent study showed that 75% of delays on trade corridors are caused by poor facilitation, while only 25% were the result of the infrastructure itself. The authors are implementing facilitation measures on southern African routes to foster international trade and optimize benefits from the recently declared Free Trade Area and coming Customs Union. This paper describes the emerging practices for effective implementation. The paper describes the leadership role of the Trans Kalahari Corridor Management Committee in piloting new initiatives and the success of its member working groups assisted by task teams in implementing action plans. It addresses the methodology used to sustain efforts over time through reinforcing commitment and seeking continuous improvements. Almost all corridor proposals in the SADC region include one stop border posts (OSBP). Having been involved in the implementation of several OSBP in the region, the authors analyze their lessons learned and provide insights on how to maximize the benefits achieved.

INTRODUCTION

According to research, transport cost as a percentage of total import costs in 7 land locked African countries is over 20%, compared to 4.7% for industrial countries and 2.2% for the US. (Stone, 2001) The estimated total cost of border crossing in Africa is the equivalent of the cost of inland transportation of over 1600 km. (Limao and Venables, 1999) From a different angle, the World Bank's Global Economic Prospects 2004 estimated that every day spent in customs compliance adds nearly 1 % to the cost of goods. Reducing documentation and border delays can save days, thereby (1) enabling greater vehicle utilization and (2) reducing capital tied up during shipments and in increased inventory to hedge against the unpredictability of shipment time. This paper provides insights on the state of emerging practice in facilitation implementation on southern African routes based on the authors' recent experience.

Major global industries source inputs world-wide and various stages of the manufacturing process are outsourced to the optimal location based on such factors as skilled and/or low cost labor, reliable energy and resource proximity. Modern just-in-time and just-in-sequence manufacturing and retailing techniques minimize the cost of maintaining inventories through "warehousing in transit". Such systems require not only fast, but 100% predictable supply chains, cargo tracking and rapid electronic transfers of information and payments.

The World Trade Organization (WTO), national governments, regional economic communities and development lenders increasingly recognize that improved facilitation and logistics are a major factor in trade competitiveness and economic growth. Many infrastructure projects now include related facilitation investment. An example is the Kazungula Bridge project connecting Zambia and Botswana over the Zambezi River. In addition to the engineering design work, the feasibility study (supported by the African Development Bank) incorporates a study of overall corridor performance to identify facilitation measures that should be undertaken as part of the project to insure that the objectives for the bridge construction are achieved. The project includes harmonization of border documents and establishment of a one stop border post and overload control facility. The scope of work entails both design of specialized facilities and of a process for achieving harmonization and simplification of procedures. The project will institute a multilateral corridor committee mandated to insure that the facilitation measures are taken. The second preparation component is a financial

assessment of the PPP arrangement for bridge construction and other project components. The two countries are funding this assessment directly with involvement from all public and private sector stakeholders affected by the project. In addition to defining the BOT framework for the bridge, the assessment is evaluating the potential for anchor projects to be promoted and of using the BOT fee structure to fund the corridor committee and facilitation activities on the corridor. The BOT framework is also anticipated to include bridge maintenance. The governments involved have been very pro-active in the development of the project and are very supportive of the facilitation aspects. They have formed and funded a bilateral, interagency team of government experts to lead the project development and execution.

For infrastructure projects, development bank loans often incorporate one stop border posts as a project component or require participating governments to establish a corridor management committee to identify and implement facilitation measures needed to insure the performance of the route once constructed and transport operators using it. Facilitation measures can be funded by a grant which accompanies the infrastructure loan or be a condition of the loan. Examples of incorporating facilitation in infrastructure projects can be found in the regional highways connecting Kenya and Ethiopia, Nigeria and Cameroon, and Ghana to Burkina Faso and Mali.

The Aid for Trade Project on the North-South Corridor provides another example within the overlapping areas of the Southern African Development Community (SADC), Common Market of Eastern and Southern Africa (COMESA), East African Community (EAC). Engineers evaluated the current state of infrastructure, operations and facilitation on the route and proposed infrastructure investments according to a prioritized timetable, as well as operational improvements for the railways and Port of Dar es Salaam and facilitation measures, such as one stop border posts and an integrated weigh station system to further reduce the number of stops. It was launched on 6-7 April 2009 and had committed funding as of that date of US\$1.5 billion.

INSTITUTIONAL MECHANISMS FOR IMPLEMENTATION

The World Customs Organisation (WCO) recommends several reforms that support and enhance trade and transport facilitation, using instruments, such as the safe framework of standards to facilitate and secure global trade and the revised Kyoto Convention. Examples of these are given below. The SADC Transport Protocol recommended the development of Corridor Planning and Corridor Management Committees to address the need for improved facilitation on regional corridors and implementation of the WCO instruments. To achieve these goals, the Governments of Botswana, Namibia and South Africa drafted a "Memorandum of Understanding on the Development and Management of the Trans Kalahari Corridor" (MoU), which was officially signed by their Ministers of Transport at the Port of Walvis Bay in 2003 (however ratified as late as 2006).

The Trans Kalahari Corridor Management Committee (TKCMC) is composed of representatives of transport operators, infrastructure and transport authorities; Customs, Immigration and other border authorities; freight forwarders, businesses and other agencies interested in the corridor. It is governed by the core Committee comprising representatives of the Ministries of Transport of TKC countries who report to the Ministers of Transport. The Committee is supported by an Operations Committee, two Working Groups (customs and transport) and national Corridor Groups (in Namibia and Botswana and still to be created in South Africa). The MoU also provides for the establishment of a full time Secretariat, which was implemented in 2007 with the appointment of a full time program coordinator. Funding derives from annual contributions from the three contracting authorities. The option of a tonnage levy, based on a sustainability study (2004), is still to be explored. The USAID Southern Africa Global Competitiveness Hub has provided technical assistance to TKCMC for its facilitation initiatives.

The MoU lays out an action plan for improved operation of the Corridor with time frames for achievement. The action plan was based on the inspection of the route carried out in 1999 and confirmed by later inspections. While the time frames were not reached, many of the objectives have been achieved and the action plan is still relevant. Major achievements of the TKCMC for the corridor are successful implementation of the Single Administrative Document (SAD), common transit procedures, harmonization of border operating hours and axle load limits on the route. The

SAD consolidated about 50 documents into a single form and is now being rolled out on other regional corridors.

With the advent of the Program Coordinator, the TKCMC Working Groups have become more active in organizing task teams to implement parts of the customs and transport action plans. Currently, task teams are working on identifying risk factors on the route to set up coordinated risk management procedures, setting criteria for accredited economic operators in the three countries, finalizing a Corridor Service Charter, and developing a Customs Interface and Connectivity ASYCUDA system so that data and forms can be transferred electronically among custom agencies on the corridor and downloaded to change from a transit to an entry document without unnecessary reentry of data.

The Task Teams are operational and research extensions of the TKCMC Customs and Transit Facilitation Working Group on specific technical issues that require further work and investigation. The Working Group determines the terms of reference and time frame required for each Task Team to conclude their assignments and report back to the Working Group. Two examples follow to illustrate the task team approach being used.

Task Team on Systems Interface and Connectivity

This task team comprises Customs technical officers and information technology specialists drawn from the Botswana and Namibian Customs Administrations and their supporting IT departments. Driven by the mandate from the Working Group, the task team developed a work plan (road map) with timelines and interim milestones for completion of different tasks and adoption of new measures. Since interconnectivity in the entire SADC region has been a challenge for many years, the task team adopted a two phase approach. The Phase I objective is to investigate the possibility of making declaration information (SAD 500) available for viewing on either system of the two countries while Phase II aims at enabling direct exchange of information (declaration and other) upon being keyed into either system. A pilot for Phase I was officially launched in November 2008 by the Co-Chairpersons of the TKCMC with commitment of the Customs Administrations of Botswana and Namibia. The pilot ran for a period of two months (December 2008 and January 2009) with monitoring by the task team members telephonically and follow-up visits to the borders. At the lapse of the pilot period, both (national) teams assessed the progress and reported to a bilateral meeting. A post pilot questionnaire was developed for administration by the border post officials and feedback indicated modifications needed.

Phase II commenced upon completion of Phase I. A benchmark mission to institutions that have done some work on the intervention is planned to enhance the programme of Phase II. The system is being introduced on the Botswana and Namibia border and will later be rolled out between Botswana and South Africa. When completed the TKCMC will be the first corridor where ASYCUDA data can be transferred from country to country giving it considerable competitive advantage.

Task Team on Risk Management

This task team comprises Customs technical officials (lately extended to include Immigration officials). Given the mandate from the Working Group, the team developed a work plan with corresponding timelines for completion of tasks. The key objective was to assess risks on the corridor. The team undertook field visits to all borders on the TKC, including the Port of Walvis Bay, with the objective of establishing a comprehensive list and description of corridor-related risks (operational and infrastructure). The team developed and administered a questionnaire to targeted agencies. The agencies interviewed were Customs, Immigration, transporters, freight forwarders and clearing agents and port authorities in Namibia. The findings and recommendations of the team have been submitted to the Working Group with a proposed implementation plan. The Working Group has directed the task team to continue working on the assignment until a corridor Risk management system is developed and implemented under its leadership.

IMPLEMENTING ONE STOP BORDER POSTS

A One Stop Border Post (OSBP) is where persons, vehicles and goods make a single stop to exit one country and enter another. Generally, its implementation includes simplification of documents and procedures and greater use of ICT. Depending on existing facilities, new facilities or facility modifications are required.

The one stop border post concept was first experimented with during World War I in France. Implementation began in earnest in the late 1940s in Europe and the United States. Currently, implementation within SADC is on-going at Chirundu (Zambia-Zimbabwe border), Ressano Garcia/Lebombo (Mozambique/South Africa), TK/Mamuno (Botswana-Namibia border). A feasibility study has been completed for OSBP introduction at Katima Mulilo/Wenela (Namibia-Zambia border) and Oshikango/Santa Clara (Angola-Namibia border) and initial discussions are underway.

Benefits of OSBP

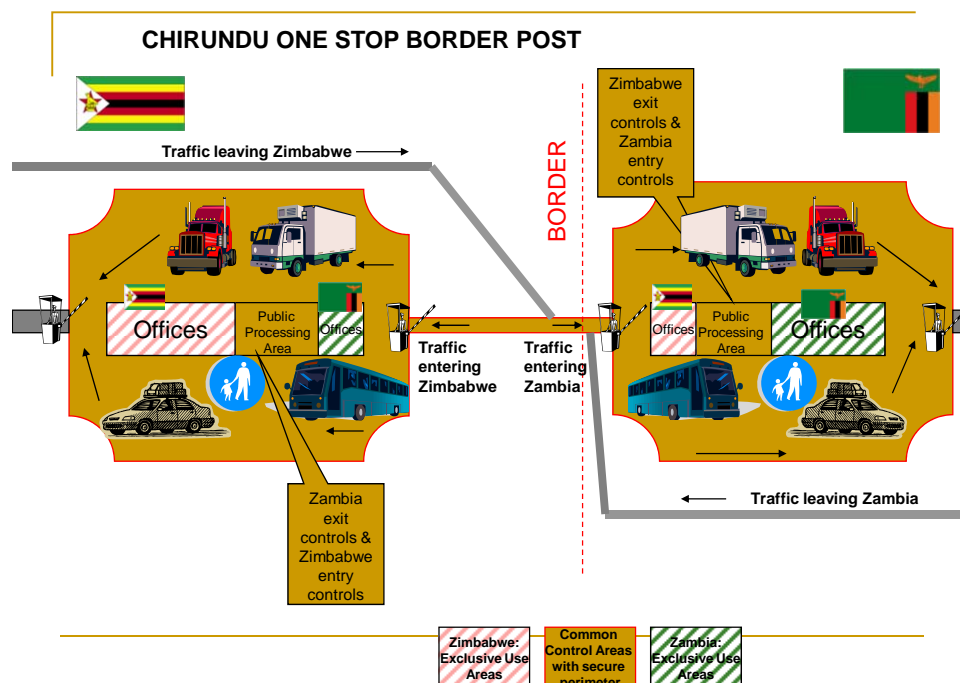
- *For travelers* – One stop, where cars are ideally cleared in lanes and passengers do not leave their cars unless a problem is detected. Tourism is important in most SADC countries. Friendly, hassle-free borders will encourage cross-border tourism.
- *For road transporters* –Currently, commercial transporters wait for 1-7 days to clear borders adding to transport and logistics costs which are transferred to the consumer thereby reducing domestic buying power and international competitiveness of exports.
 - The value of a container load of manufactured goods in a low to middle income country is estimated as US\$20,000-50,000 per TEU. The value of time is estimated at US\$20-30 per TEU or 0.1% of value per day. A 3 day delay per TEU therefore costs about US\$60-90. If this is multiplied by the volume of goods imported, the magnitude of the problem is apparent. To compensate for unreliability, manufacturers typically order 1-3 months ahead of need.
 - From the transporters perspective, a 2 day delay at Chirundu northbound each month at a vehicle fixed cost and driver cost of US\$200 per day, would cost US\$4,800 annually and for a fleet of 150 vehicles would be a cost of US\$720,000 added to the cost of transport. The reduction of clearance time to 2 hours would mean a vehicle wait cost of US\$50 or an annual vehicle operating cost reduction from the above scenario of US\$4,200 and for the fleet of US\$630,000.
 - A trade and facilitation program in southeast Europe reduced clearance times 60% by procedural improvements, pre-selection of declarations for inspections, and advanced processing of documents, which represents a few of the measures being instituted at SADC borders in conjunction with OSBPs. (de Wulf, 2005).
- *Border agencies* exercise important controls that protect public health and safety and regulate trade. Coordinated risk management, fast track incentives for accredited economic operators and submitting/exchanging data electronically at an OSBP, as the TKCMC is working toward, will enable border agencies to achieve their objectives at less cost while meeting national goals for facilitation and trade growth. Agricultural inspection using international standards can be done only once and jointly by the agriculture officers of both countries.

Basic OSBP Operating Principles:

- The country of entry hosts officers carrying out exit procedures so that the entire exit and entry process occurs in one facility.
- A law establishing extraterritoriality authorizes officers to carry out exit procedures in the adjoining country.
- Officers carry out their own border control laws even when acting in the adjoining country, but only within the common control zone established by a bilateral agreement between the border countries.

- Entry procedures cannot begin until all exit procedures are completed and jurisdiction has formally passed from the exit state to the entry state. This is to avoid any conflict over jurisdiction within the OSBP.
- Wherever possible, inspections and other procedures are carried out jointly to increase effectiveness and save time.
- Cross-border risk assessment of persons and goods should be used to decrease the number of physical inspections.
- Simplification of documents and procedures as well as harmonization of regulations occur more readily in an OSBP and increase its benefits.
- Sequencing of procedures and minimizing distance between them reduce the time spent by officers and border users.

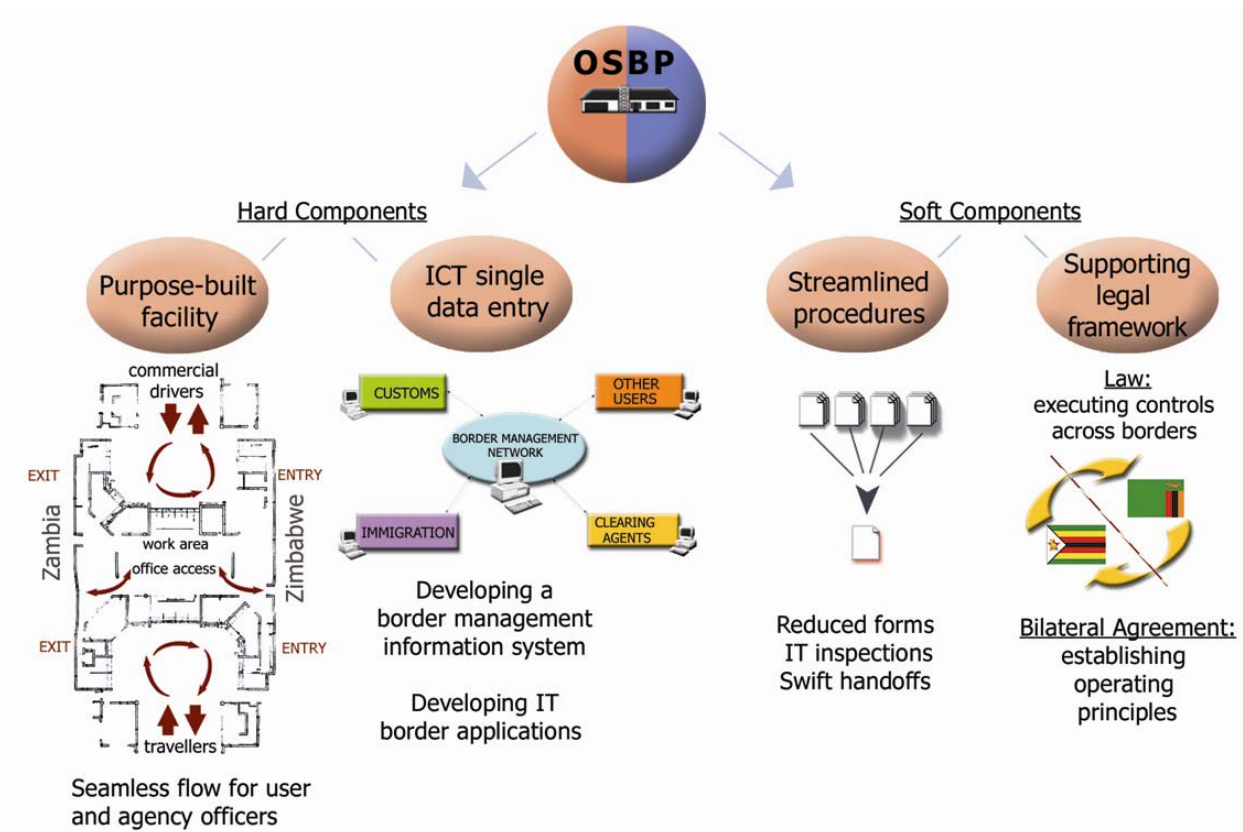
The figure below illustrates conceptually the operational setup in an OSBP using the facility being developed on the Zambia – Zimbabwe border as an example.



Project Implementation

Implementing an OSBP is complex because many border agencies are involved. While customs, immigration and police have the largest role, agriculture, health and any other agencies active at the border should be involved in the planning. Four critical components need to be considered. Two are soft components: the legal framework as well as harmonization of regulations and simplification of documents and procedures. Two are primarily hard components: the physical facilities and traffic patterns and the ICT component which involves computers and inter-connective networks as well as software development. A feasibility study should be conducted to create a baseline on traffic, border operations, causes of delays, physical facilities, use of ICT and the existing legal framework. It should provide recommendations for the design of the OSBP to serve as a starting point for implementation.

It is recommended that a senior level steering committee is formed to reinforce political commitment and the decision-making process. Technical task teams should be formed for the four components to convene both at the national level and cross-border level to address specific issues and enhance the outcomes. Task team members must commit to work on the project for the duration to be effective.



Implementation Time Line

A time line is necessary to set out the specific tasks to be accomplished. It provides time frames and interim milestones to keep the project on task. It is critical that these tasks are undertaken simultaneously and that the task teams confer since the tasks all overlap and affect the implementation of the others. A series of meetings are scheduled at strategic points in the process to encourage this sharing of progress and coordination of plans for the OSBP. It is also critical that the attendees of the first meeting include people with the concrete technical skills in legal drafting, border control operations, information systems implementation, and engineering/facility design. They will become the core of the implementation task teams in each of the four areas.

- The process opens with the Steering Committee members and the technical teams selected by the border agencies and private sector. The first meeting provides an opportunity to ensure that everyone shares the same goals and understanding of the OSBP concept, that the political commitment is confirmed, and that the technical teams have clear work plans.
- The teams then work at the national level in their agencies or as a national group. It is suggested that the national group meet as a whole once during this period to coordinate their activities.
- A second Steering Committee meeting will provide the opportunity to share progress and coordinate task activities at the bilateral level. Final decisions will be taken on the physical design, so that the final engineering design and tendering of construction contracts can take place. Procurement of equipment can also be authorized at this time. Procedural changes and IT applications will also be discussed and approved.
- Following this meeting, the team will again work at the national level.
- The third bilateral meeting will be at the technical level to finalize plans for all tasks and plans for the transition to OSBP.

- A Steering Committee meeting will be held to finalize all decisions and preparations for the opening of the OSBP.
- Following this Steering Committee meeting, training will be conducted for both the border agencies and the private sector users. A public awareness program should also be implemented.

For example: It is necessary to develop the legal framework component that empowers border officials to operate in the adjoining state and to host foreign officials on their territory. It is essential that the work on the legal framework begin immediately in the first Steering Committee meeting and that progress is closely monitored to keep it on track. Components of the legal framework:

- A law passed by the national legislature that supersedes the laws and regulations governing the location of border control execution for each border agency to allow extraterritorial jurisdiction and hosting of foreign officers at those borders where an OSBP is established. Once passed by the legislature, this law can be used for any OSBP designated by the state. It eliminates the need to change every law governing a border control agency and insures that actions taken by border control officers will be upheld in court.
- A Bilateral or Multilateral Agreement that defines the common control zone (CCZ), how border agencies will operate in it and various operational and management issues, such as the sequencing of controls, the immunities of foreign officers, operation of the private sector in the CCZ and the management and maintenance of facilities.

The Feasibility Study should analyze the current laws to determine if this legal framework is the best way to enable extraterritorial jurisdiction and foreign hosting based on a review of the laws governing each border agency. It should also review the legal instruments available to give the OSBP operating agreements the force of law. The legal task team leader should make a spreadsheet of the approval steps for legislation in each participating country, so the process can be monitored and the team can provide clarification as needed. The operating agreement needs to be negotiated nationally and multilaterally at each bilateral meeting. It is negotiated among the Ministries involved in the OSBP and the private sector representatives. It can be signed by the Ministers taking the lead in OSBP implementation and then ratified according to national procedures. It may take 6-8 drafts before the concerns of all affected parties, both public and private, are fully taken into account in the draft. It should have a provision for amendment and adding schedules, so that it is a flexible document that can respond to issues that arise in the implementation and operation of the OSBP. There may be other issues such as the electronic sharing of information which also require an agreement or law. An attorney from the participating countries should be assigned to the process. For some OSBPs, it has been found helpful to have a legal consultant who does the research and leads the team in drafting and redrafting the documents.

CONCLUSIONS

Facilitation measures are critical to realizing the intended benefits of transport investments. They are increasingly included in infrastructure projects. It is necessary that a specific budget is set aside to implement them. Too often cost overruns on infrastructure cause the funds to be reallocated to the infrastructure. To contain cost and insure applicability, it is best to use technical staff of the agencies involved. They understand current operations, opportunities for improvement and constraints. Working within the agency, they can draw on agency resources and help to insure that recommended changes are practical. They can also insure that there is agency buy-in during the process. For OSBP implementation, a senior level Steering Committee provides decision-making capacity and direct buy-in.

Implementation in the region is frequently delayed. If a change is done within an existing structure that involves public and private sector stakeholders, like the TKCMC, the institution may be able to provide the leadership to keep the project on track. If not, then a project manager will be needed. He/she must have strong leadership and organizational skills as well as be of sufficient stature to

maintain the political support for the project. Baseline data is critical for shaping the project and for evaluating its impact once implemented. The project should have a work plan with clear assignments of responsibility to individuals within task teams. It must also have a time line, so the task teams commit to interim milestones and completion dates. The project manager will be responsible for reviewing these throughout the process and making any adjustments necessary. For a one stop border post, the tasks are all inter-related and it is critical that each task proceeds according to the timeline and that there is adequate sharing as the project proceeds.

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