Implementing the WTO Trade Facilitation Agreement; Challenges and Opportunities

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PRESENTATION OUTLINE

I. Background

II. Role of the WBG in trade facilitation

III. Challenges and opportunities
Reduction of supply chain barriers:
If all countries reduce halfway to global best practice (Singapore)
= +4.7% Global GDP (US$ 2.6 trillion)
+14.5% World Trade (US$ 1.6 trillion)
(WEF 2103)

TRADE FACILITATION LEADS TO BIG GLOBAL GAINS

Full implementation of TFA:
Benefits
US$110 billion ≤ US$ 210 billion/year
Through reductions in time spent at customs
[Hillberry & Zhang 2015]

Adoption of e-documentation for air cargo:
= US$12 billion annual savings through reduced paperwork related delays (70-80%)
[WEF, WB and Bain & Company 2013]

Reduction of delay prior to shipment:
+ 1 day = - 1% trade
[Djankov, Freund, & Pham 2006]
IMPORTANCE OF LOGISTICS COSTS

- Logistics costs drive competitiveness
  [Barbero 2010; Guerreroa, Lucenti and Galarza 2010]
- Logistics costs are critical for the efficiency of the manufacturing global value chains, as well as sourcing decisions by GVCs and potential participation of domestic manufacturing firms in GVCs
- Logistics costs have different impacts on industries (logistics intensity) and firms (size)—higher for logistics-intensive operations such as food, metal, chemical and paper manufacturing and higher for SMEs
  [Memedovic et al. 2008; Farahani, Asgari & Davarzani 2009, 59; Guasch 2011]
LOGISTICS COSTS BURDEN ON SMALLER FIRMS

Average logistics cost as a % of sales

LOGISTICS COSTS IMPACT CONSUMER PRICES

60% of the cost related to the importation of pineapples CR to Saint Lucia related to documentation preparation, border clearance, transportation and logistics.

Source: Adapted from: Logistics, Transport and Food Prices in LAC (2009) and OECS Backward Linkages Study (2008)
# OBJECTIVE & BENEFITS OF THE WTO TFA

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Benefits for Traders</th>
<th>Benefits for Government</th>
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<tbody>
<tr>
<td><strong>Transparency + Fairness</strong></td>
<td>• Predictability</td>
<td>• Better compliance</td>
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<td>• Reduced time/costs</td>
<td>• More informed decisions</td>
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<td></td>
<td>• Creation of mechanism of accountability for the government</td>
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<tr>
<td><strong>Better Governance</strong></td>
<td>• Reduced costs</td>
<td>• Better compliance</td>
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<td></td>
<td>• Reduced delays</td>
<td>• More effective government</td>
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<td></td>
<td>• Reduced complexity</td>
<td>• More efficient government</td>
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<td><strong>Modernized Border Procedures and Controls</strong></td>
<td>• Reduce clearance times and costs</td>
<td>• Align with modern business practices</td>
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<td>• More effective government</td>
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Role of the World Bank

TRADE AND COMPETITIVENESS GLOBAL PRACTICE

World Bank Group is a major provider of trade related assistance

Analysis and Diagnostics
Technical Assistance
Financing of major trade infrastructure and institutional reform projects
Research and data products (LPI/Doing Business)
Global advocacy and partnerships

Part of this is the WBG’s support to the WTO’s TFA agenda through the Trade Facilitation Support Program (TFSP)
T&C projects directly cut trade costs and facilitate trade by:
improving cooperation across border management agencies, harmonizing procedures, and
fostering smoother and more cost-effective logistics.

TRADE AND COMPETITIVENESS GLOBAL PRACTICE

Role of the World Bank

Support of trade facilitation and logistics

Software

Reengineering of systems and procedures, reduction of red tape, improvements in the competitiveness of transport and logistics markets, institutional development and coordination of trade-related agencies, and increasing the professionalism of logistics service providers.

Hardware

Trade-supporting infrastructure investments such as roads, ports, cargo handling facilities, and ICT systems.

Maximize economic impact

(e.g. complementing cross-border road projects with reforms to streamline border clearance processes)
TRADE FACILITATION SUPPORT PROGRAM (TFSP)

Role of the World Bank

Objective

Assist developing countries in reforming and aligning their trade facilitation laws, procedures, processes & systems to enable implementation of the WTO TFA Requirements.

Vision

- Implementation focused
- Rapid response capability
- Deep engagement with the private sector
- Strong monitoring, evaluation & results framework
- Complementary & sequenced Technical Assistance (TA) activity
- IFC-WB presence in most countries, project components included at national and regional levels
- Global expertise
The World Bank Group’s Trade and Competitiveness Global Practice is providing technical assistance and support to countries as they work to implement the TFA through the Trade Facilitation Support Program. Donor countries and organizations have so far contributed more than US $36 million to the Program, which will be used to support implementation of all TFA measures through technical assistance and knowledge building.

**Role of the World Bank**

THE ROLE OF THE WORLD BANK GROUP

- Building National Consensus & establishing supporting mechanisms for PPD
- Constructive Engagement through NTFCs
- Enabling Transparency and Impartiality
- Identifying Full and Effective Implementation of technical measures
62 countries have formally requested TFSP assistance

53 Validation Missions Completed:

- Implementation commenced in 34 countries (32% in SSA)

Albania, Azerbaijan, Bosnia and Herzegovina, Bangladesh, Burundi, Bolivia, Botswana, Colombia, Costa Rica, Cape Verde, Dominica, Ethiopia, Fiji, Micronesia, Grenada, Ghana, Guatemala, Honduras, Jamaica, Jordan, Kyrgyzstan, Cambodia, Kiribati, Saint Kitts and Nevis, Laos, Saint Lucia, Sri Lanka, Liberia, Lesotho, Moldova, Montenegro Madagascar, Macedonia, Myanmar, Mongolia, Malawi, Nigeria, Nicaragua, Nepal, Panama, Peru, Papua New Guinea, Philippines, Serbia, Rwanda, Solomon Islands, Sierra Leone, Suriname, Sao Tome and Principe, El Salvador, Swaziland, Togo, Tajikistan, East Timor, Tonga, Tanzania, Ukraine, Vietnam, Vanuatu, Samoa, Kosovo, Zambia
Prioritization and sequencing of WTO TFA provisions:

- Building consensus around reform priorities amongst all relevant stakeholders

Technical Challenges:

- A general lack of awareness of processes and procedures exists among traders
- Mandatory documents and official fees and charges are often not published or made easily accessible
- Excessive manual processes and outdated legislation
- Lack of an integrated ICT environment & inefficient logistics
- Lack of an integrated approach to risk management for border clearance across border agencies
- Multiple checking of documents and duplication in data entry and recording
General understanding and knowledge of the TFA:

- Multiple interpretations of the TFA
- Lack of clear understanding of the legal implications of the TFA
- Not all agencies are up to speed
- Other Government Agencies (OGAs) not fully integrated into TFA agenda
- Advocacy work needs to be undertaken to ensure buy-in from all relevant stakeholders

Planning reforms:

- Establishment of Trade Facilitation Committees involving both the private and public sectors can be difficult
- Challenges exist with selecting activities requiring donor support vs. self-implementation
- Non-existent or weak NTFC’s
SPECIFIC CHALLENGE ARTICLE 23: NATIONAL TRADE FACILITATION COMMITTEES

Article 23 - Institutional Arrangements

• Inadequate administrative structure and processes; creation of a clear and common vision for trade facilitation among public and private sectors is needed
• Varying degrees of understanding of possible TFA implications on institutional culture, change management and operational practices
• Low level of proactive dialogue as a basis for consultation with the business community prior to the design of laws or development of procedures
• Creation of or enhancement of National Trade Facilitation Committee to champion trade facilitation reforms and convene public and private sector around a sustainable reform agenda is needed
Challenges & Opportunities

TFA: OPPORTUNITIES

- The provision for ‘special and differential treatment’ within the TFA allows developing and LDC member to say when it will implement each measure – allowing each country to set their own timeline for implementation based on where they stand. In addition, they can also identify measures that require technical assistance for implementation and call on donor support to meet these.

- For reformers, the TFA provides a wonderful opportunity to leverage the agreement to get reluctant government affiliates on board.

- Through the obligatory **National Trade Facilitation Committees**, the TFA provides a structured, consistent and inclusive environment for regular consultations between the private and public sectors of the trading community to plan, implement and monitor practical and impactful improvements to the trading landscape. This includes support of the donor community which is part of the WTO TFA implementation framework.

- There are also first mover advantages in terms of those countries who are ready to move forward on trade facilitation projects will have a greater likelihood of support from donors.
**NTFC: Who should participate?**

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<tr>
<th>Government Agencies</th>
<th>Business Community</th>
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<tbody>
<tr>
<td>• Department of Trade/Commerce/Industry</td>
<td>• Chamber of Commerce</td>
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<td>• All border agencies including</td>
<td>• Brokers and Freight Forwarders Associations</td>
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<tr>
<td>▪ Customs</td>
<td>• Industry associations</td>
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<tr>
<td>▪ Border Police</td>
<td>• Representation for SMEs</td>
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<tr>
<td>▪ Human, animal and plant health</td>
<td>• Where ports, airports, clearance terminals or warehousing facilities</td>
</tr>
<tr>
<td>▪ Standards</td>
<td>are privatized representation</td>
</tr>
<tr>
<td>• Agencies responsible for monitoring imports or exports (documentary or physical</td>
<td>by trade body or individual senior managers</td>
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<tr>
<td>checks)</td>
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<tr>
<td>• Agencies responsible for international airports, rail or road infrastructure</td>
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**Types of capacity building for NTFCs**

- ✓ Experience sharing
- ✓ Advocacy
- ✓ Dissemination
- ✓ Communication
- ✓ Expertise support
- ✓ Private sector capacity building through associations
- ✓ Global Alliance for trade facilitation for private sector associations
TFA: OPPORTUNITIES FOR THE PRIVATE SECTOR

**Challenges & Opportunities**

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<th>Identify priorities most important to Business</th>
<th>Identify issues business have on trade; open discussions to solve the problems with the tools provided by TFA.</th>
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<tbody>
<tr>
<td>Establishment of a National Trade Facilitation Committee (NTFC) is the first critical step and mandatory provision of the TFA. It provides a structured and inclusive environment for consultations between the public and private sector to plan, implement, and monitor the reform process.</td>
<td>Provide reality check to governments and donors: validate TFA categorizations</td>
</tr>
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Demand a plan, timelines, and metrics: work with border agencies through the NTFC to develop the plan for implementation.
OPPORTUNITIES: LEVERAGING FOR RESULTS

ZAMBIA
• NTFC established
• Set up of risk management unit and policy at Bureau of Standards (ZABS)
• Established connectivity to ASYCUDA World - ZABS and revenue authority (ZRA)
• Border agency cooperation established by signing an MOU between ZRA and ZABs

MADAGASCAR
• Through a successful public private dialogue mechanism between government and the private sector, Madagascar removed Advance Cargo Declaration fee, which has saved the private sector 10 million euros in fees.
• TFC enhancement and capacity building support
KOSOVO
• NTFC established
• Risk Management framework adopted

ALBANIA
• NTFC established
• Risk Management framework adopted

MONTENEGRO
• NTFC established
• Risk Management framework adopted

MOLDOVA
• NTFC established
The TFA ++ Opportunity

**TFA / Trade Facilitation**
- Building Accountability and transparency
- Simplifying and Automating
- Harmonizing and Standardizing where required
- Improving governance and modernizing border control agencies

**Infrastructure & Facilities**
- Investing and Improving Gateways and Corridors
  - Ports
  - ICDs
  - Utilizing Public Private Partnerships
- Airports
- Road/rail corridors

**Logistics Services**
- Improving regulation for entry & operation of logistics service providers including freight forwarders, truckers, customs brokers etc.
- Improving market structure and competition
- Focusing on competence and quality of service

**Specialized Opportunities**
- 'Green' Logistics
- City/Urban Logistics (eCommerce)
- Agro-logistics
OPPORTUNITIES: LEVERAGING FOR RESULTS

- Reduction in import clearance time from 11 days in 2012 to 1.5 hours in 2014
- Reduction in export clearance time: 3 days to 1.5 days
- Elimination of $50 fee for importers tax exemption certificate resulting in total savings of approx. $2.6 million between 2013 and 2014.
- Increased productivity of transporters and other logistics providers as a result of
  - shorter turnaround time for clearance of goods
  - savings associated with lower parking fees, demurrage costs, warehousing rent and storage penalties.

The money value of the higher productivity exceeds approx. $6 million a year

Source: TMEA
A vendor was recently selected (DP World) by the GoR for a 25-year concession to develop and operate the Kigali Logistics Center (KLC).

The National Logistics and Distribution Services Strategy identified key demand sources for Rwanda - products moving up the value chain, especially those in the horticultural sector, and markets beyond Rwanda - Eastern DRC, Burundi and suggested the needed for a Logistics center.

Investment proposed at US$35 million

The KLP will help strengthen Rwanda’s logistics performance tremendously on cargo handling, exports and domestic distribution, and warehousing capacity.