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TRADE AND TRANSPORT ENABLING ENVIRONMENT POLICY ASSESSMENT – TRADE HUB RESPONSE TO COMMENTS

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TRADE HUB AND AFRICAN PARTNERS NETWORK

TRADE AND TRANSPORT ENABLING
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DISCLAIMER

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CONTENTS

- Introduction 3**
- 1. Corridor Selection and Other Corridor-related Issues 4**
 - 1.1 USAID Comment #1 4
 - 1.2 USAID Comment #2..... 4
 - 1.3 Trade Hub Response..... 5
- 2. WTO Trade Facilitation (Bali Package)..... 9**
 - 2.1 USAID Comment #1 9
 - 2.2 Trade Hub Response..... 9
- 3. Common External Tariff..... 10**
 - 3.1 USAID Comment #1 10
 - 3.2 USAID Comment #2..... 10
 - 3.3 Trade Hub Response..... 10
- 4. Certificate of Origin 11**
 - 4.1 USAID Comment #1 11
 - 4.2 USAID Comment #2..... 11
 - 4.3 Trade Hub Response..... 11
- 5. Customs..... 12**
 - 5.1 USAID Comment #1 12
 - 5.2 Trade Hub Response..... 12
- 6. Fertilizer and Seed 13**
 - 6.1 USAID Comment #1 13
 - 6.2 Trade Hub Response..... 13
- 7. Bilateral Road Transport Agreements 14**
 - 7.1 USAID Comment #1 14
 - 7.2 Trade Hub Response..... 14

LIST OF TABLES

Table 1. Corridors Considered vis-à-vis the Three Criteria Used 5

Table 2. Trade Flows for Cattle and Cereals, from April 2013 to March 2014..... 6

INTRODUCTION

This document is the response to comments received from USAID West Africa on the Trade and Transport Enabling Environment Policy Assessment, submitted on July 16, 2014. The study is a contract deliverable and provides the basis for the TTEE component's activities going forward.

The TTEE Team reviewed the observations and comments on the Trade and Transport Enabling Environment Policy Assessment and provides the responses to them in this document. The comments and responses are discussed under the following headings:

1. Corridor selection and other corridor-related issues
2. WTO Trade Facilitation (Bali Package)
3. Common External Tariff (CET)
4. Certificates of origin
5. Customs
6. Fertilizer and seed
7. Bilateral Road Transport Agreements

I. CORRIDOR SELECTION AND OTHER CORRIDOR-RELATED ISSUES

I.1 USAID COMMENTER #1

“Corridor Selection: The TTEEA needs to do a better job of explaining how the four corridors were chosen over other corridors. There’s no data to support the selection of the four intended corridors. Without such a defensible selection process, the reader is left to wonder why WATH isn’t taking advantage the benefits of the other corridors:

- Abidjan-Lagos corridor (the most populous and economically active/important);
- Ouaga-Lomé (efficient port); or
- Cotonou-Niamey corridor (that could link up to Kano in Nigeria and the synergies with USAID/Nigeria’s NEXTT Project along the important LAKAJI corridor).

TTEEA’s corridor selection criteria is based on (i) alignment with WATH’s value chains; (ii) potential to increase trade in those value chains; and (iii) geographic diversification away from on-going efforts. There should, at a minimum, be a matrix of all the potential corridors that WATH considered working on. After which, a process of elimination should clearly narrow the focus to the four identified corridors. For example, the reader does not even know what the key value chains from the four corridors are, nor their potential for increased trade. In sum, the corridor selection needs to be supported by empirical evidence, which remains lacking or altogether unconvincing.”

I.2 USAID COMMENTER #2

- “It states that the selected corridors will be where WATH puts all their attention; that seems a bit presumptive and unless better description is provided concerning what is traded along those corridors I am afraid we may have very lopsided advances in the selected value chains (but perhaps I am missing something)
- The corridor selection process was weak- see Commenter 1 above.
- Corridors selected demonstrated little in terms of overall goals of job creation etc, and from an FTF lens little data was demonstrated on the value of commodities for selected corridors, just adjectives like "little" or "medium"
- Not a single corridor has rice as a traded commodity
- I would pick one additional corridor to conduct a transport profitability study”

1.3 TRADE HUB RESPONSE

Criteria for the selection of the priority corridors and the characteristics of the various corridors were discussed extensively within the entire team. As stated in the report (page 12) and by Commenter 1, three criteria were used for the corridor selection (presence of several project value chains, potential for increasing trade in the project’s target value chains, and to the extent possible, possibility to implement activities that would not overlap with similar ongoing efforts). We agree that the criterion mentioned by Commenter 2, job creation, is extremely important in the project context and believe it is closely tied with the second criteria, potential to increase trade. The value chains in the four corridors proposed are listed in Table 4 (page 19) of the report. Although for some corridors data is available on the extent of trade, thanks to the CILSS data collection effort, it is lacking for others. In general, the project relied on the extensive experience of its staff in assessing the trade volumes in trade, and checked the qualitative assessments derived with Mr. Brahim Cissé, the CILSS staff technically in charge of the trade data collection effort. Table 1 below shows all corridors considered and the three criteria used for the selection of the focal corridors. Table 2 shows recent trade data volumes for relevant corridors.

Table 1. Corridors Considered vis-à-vis the Three Criteria Used

Corridor	Presence of several project value chains	Potential for increasing trade in value chains	Other donor-funded activities present
Selected Corridors:			
Tema–Ouagadougou	Large amount of general goods and livestock, some cereals, cashew, shea.	High: livestock, cashew, shea Medium: cereals	DFID Food Markets: Focus on addressing trade barriers (exact foci TBD) JICA: Assessment of this and two other corridors to be conducted late 2014 after which focal corridor will be selected. World Bank: Support to the extension of CBC platform to this corridor. BA: Border information center
Abidjan–Bamako	Large amount of general goods, maize, livestock, and medium amounts of millet and mangoes, cashew, and shea	High: livestock, maize, cashew, shea Medium: Millet, mangoes	JICA: Assessment of this and two other corridors to be conducted late 2014 after which focal corridor will be selected.
Dakar–Bamako	Large amount of general goods, livestock; some millet, sorghum, yellow maize	High: livestock, maize Medium: millet, sorghum	BA: Border information center at Dakar port
Cotonou–Parakou–Fada N’Gourma–Ouagadougou	Some general goods, large amounts of livestock, some cereal, shea and cashews	High: livestock Medium: cereal	
Bama-Koury	Some parboiled rice	Low to medium: rice	
Other (Non-Priority) Corridors Considered:			

Abidjan-Lagos	Large amount of general goods, little trade in project's export and regional trade commodities	Low: all focal commodities	World Bank: Trade and transport facilitation EU: Joint border posts (Ghana-Togo, Benin-Lagos) BA: Border information center (Ghana-Togo, Nigeria-Benin, Ghana-Cote d'Ivoire)
Lomé-Ouagadougou	Large amount of general goods, some cereals, some livestock	Low to medium: cereals, livestock	JICA: Funding for joint border post and, through Borderless, road harassment efforts. JICA: Assessment of this and two other corridors to be conducted late 2014 after which focal corridor will be selected.
Cotonou-Niamey	Large amount of general goods, large amount of maize, some livestock, some export commodities (mainly within Benin)	High: cereals Medium: livestock	EU: Joint borders post BA: Border information center
Zinder-Magaria-Magatar-Kano	Large amount of general goods, cereals, livestock, some parboiled rice	High: all value chains but rice Low to medium: rice	DFID-funded Food Markets: Focus on addressing trade barriers (exact foci TBD)
Lagos-Kano-Jibia	Large amount of general goods, livestock cereals, cashews and shea	High: All value chains	USAID NEXTT: Extensive efforts in trade and transport facilitation
Bobo-Bamako	Some parboiled rice and cereals	Low to medium: rice and cereals	CILSS: Road harassment efforts
Conakry-Bobo	Medium amount of general goods, some parboiled rice and cereals	Medium: Rice and cereals	CILSS: Road harassment efforts

Table 2. Trade Flows for Cattle and Cereals, from April 2013 to March 2014

Cattle								
Corridor	Tema-Ouaga	Dakar-Bamako	Abidjan-Bamako	Abidjan-Ouaga	Fada-Parakou-Cotonou	Cotonou-Niamey	Ouaga-Niamey	Lomé-Ouaga
Heads	113,794	79,673	44,398	35,036	14,161	11,481	1,734	1,479
Ranking	1st	2nd	3rd	4th	5 th	6th	7th	8 th
Cereals								

Corridor	Bouake-Bamako	Dakar-Bamako	Techiman-Ouga					
MT	27,401	17,463	11,516					
Ranking	1st	2nd	3 rd					

Source: CILSS-collected data

As described on page 19 of the report, the four corridors selected are “multi-purpose” corridor, combining general merchandise trade from ports to dry ports and regionally-produced commodities. Each corridor also has several regionally-produced commodities. This approach differs from that used by the ATP projects where a specific corridor for each commodity was chosen and although in some cases these commodity-specific corridors partly overlapped (e.g., on the corridor from Tema northwards where the livestock and maize corridors overlapped starting from Techiman), the approach itself was single-commodity specific. We believe such multi-purpose corridors help us better address trade and transport constraints as only some of the constraints are commodity specific, and if actors from different value chains work together on the same corridor, progress is likely to be faster. It should also be noted that in all cases, these multi-purpose corridors link large markets and production centers, allowing for the greater potential to increase trade and job creation.

That said, given the comment of the Commenter 2, we have added one exception to this general rule of multi-purpose corridors by adding a single-commodity corridor for rice. The assessment considered inclusion of the Benin-Nigeria trade in parboiled rice. However, most of this rice is transported through numerous small roads connecting Benin to Nigeria, and therefore, there is no single corridor. After discussions with CILSS, the project proposes to focus, as the previous ATP project, on trade of parboiled rice from Bama, Burkina Faso, where the local women have taken up parboiling as an income-generating activity; this rice is mainly destined for markets in Mali and Guinea. The team therefore proposes to add one single-commodity, short rice corridor from Bama, Burkina Faso, to Koury, Mali, to address the cross-border issues in parboiled rice trade.

Our reasons for not selecting the three corridors pointed out by Commenter 1 are as follow:

- Abidjan-Lagos corridor: Although this corridor is, as pointed out by Commenter 1, the most populous and economically active/important, it is also a target corridor of a large, complex project, the Abidjan-Lagos Trade and Transportation Facilitation Project (ALTTFP). ALTTFP is a project financed by the World Bank and supported by ECOWAS, with a goal to reduce barriers to trade and transport in ports and on the roads. The project activities cover trade facilitation, road infrastructure development, monitoring of trade and transport progress and efforts to reduce HIV/AIDS transmission. Importantly also, there is very little trade in the project’s focal commodities in the Abidjan-Lagos corridor, both in export-oriented and regional trade commodities. I.e., the majority of the trade in this corridor is general goods trade. The project therefore decided that the project’s resources are better spent in corridors where there is no such large project active and where there is significant trade in project’s focal commodities.
- Ouagadougou-Lomé: Although this corridor has a relatively efficient port, as pointed out by Commenter 1, and would therefore be an interesting corridor for the project activities, there is relatively little trade in project focal commodities in this corridor, given that (for the commodities originating in the Sahel) Lomé and Togo markets are not as large as those of nearby coastal countries and for commodities such as shea and cashew, Togo is not as

important for processing/export as Ghana and Côte d'Ivoire. Some cereals, particularly maize, are exported from Togo northwards but again, quantity is not as great as e.g., from northern Côte d'Ivoire. Currently, there is also little need for efforts on road harassment as Togo has virtually eliminated road barriers. Finally, JICA is supporting activities of Borderless in this corridor which was considered a further reason for not selecting it. However, the project proposes to continue to follow activities on this corridor and to highlight these improvements as well as models for port efficiency in efforts on other corridors.

- Cotonou-Niamey corridor: This corridor is an important corridor for export of cereals from northern Benin to Niger and for transit trade in general goods from Cotonou to Niamey. As pointed out by the Commenter 1, the corridor also links up to Kano in Nigeria and has synergies with USAID/Nigeria's NEXTT Project along LAKAJI corridor. There is relatively little livestock trade in this corridor (it is the sixth of eight among the CILSS-monitored corridors in terms of volume). There is also relatively little trade in the project's export commodities. The project therefore made the decision not to focus on this corridor.

Finally, in regards to the transport profitability study, the project proposes to carry out such a study on the Tema- Ouagadougou corridor.

2. WTO TRADE FACILITATION (BALI PACKAGE)

2.1 USAID COMMENTER #1

“Bali Package – WTO Trade Facilitation Agreement (TFA): The TTEEA needs to include work on TFA implementation in West Africa. USAID wants to ensure full implementation of the WTO TFA, taking into account transition periods and capacity-building needs. For example, in line with commitments in the TFA, we would target a substantial reduction in costs to trade, particularly import and export (but also certain costs related to transit), and reduce times to clear goods within five years. We would also expect significant increases in trade volume within five to seven years.

Obviously, the WTO commitments are at the national level; therefore, implementation will occur at the national level. And WATH should consider supporting TFA in countries that overlap with its geographic focus (e.g., Senegal, Mali, Cote d’Ivoire, Ghana, Burkina Faso, Benin). USAID has laid out its approach to grouping and sequencing the specific TFA commitments, which may guide WATH interventions in West Africa. See attachment.”

2.2 TRADE HUB RESPONSE

These issues were not identified in detail as it was considered that their content is highly dependent on specific discussions between US government and the West African governments and organizations in question. At the same time, several of the proposed project activities at the regional level support implementation of the aspects of the Bali Package at national level. These include the following identified areas of support to ECOWAS (report pages 36-37):

1. ALISA
2. Collection and dissemination of road harassment data
3. Support to CET implementation (see below)
4. Support to full realization of ETLs

Since most the implementation of the TFA is at the national level, the project proposes to collaborate with USAID bilateral programs in the design and targeting of the activities. Even before the WTO-FTA was signed, the USAID-Nigeria Project NEXTT and the contractor (Crown Agents) had been assisting the Nigeria Customs Service in implementing certain provisions of the new Bali Package. At the same time, the project proposes to work with ECOWAS to ensure the implementation of TFA taking into consideration that TFA implementation is a major effort requiring regional and national coordination.

3. COMMON EXTERNAL TARIFF

3.1 USAID COMMENTER #1

“**ECOWAS Common External Tariff (CET)**: There’s no mention in the TTEEA of support for CET implementation, capacity building, harmonization with WTO rules, and efforts to address other challenges – all of which WATH should be considering.”

3.2 USAID COMMENTER #2

“CET and COO - see Comment #1 above.”

3.3 TRADE HUB RESPONSE

The CET-related activities proposed are discussed on page 36. Given the current heavy involvement of GIZ for the support to ECOWAS in the implementation of CET (see report, page 17) as well as activities already planned by the Borderless Alliance, the exact activities to be supported by the project will require continued discussions between ECOWAS and the project management; these discussions would likely benefit from the presence of USAID. In fact, USAID West Africa has been a major supporter to the development and implementation of CET, from an analysis of the impact of the UEMOA CET on other ECOWAS countries up to the point of drafting the agreement. Given the gap between the previous and current Trade Hub projects and therefore the gap in USAID support to the CET implementation, GIZ has stepped its role and therefore, specific focus of USAID support would require careful consideration. The project therefore proposes to discuss with ECOWAS on how the Trade Hub can support ECOWAS by filling in implementation gaps at both national and regional levels and thereafter discuss the issue with USAID.

4. CERTIFICATE OF ORIGIN

4.1 USAID COMMENTER #1

“Certificates of Origin (COO): The TTEEA makes no mention of the issues related to COOs. The Food Across Borders conference identified COO requirements at the border, which are sometimes demanded on products, even regionally grown products that in principle should enjoy free movement within the framework of the implementation of the trade liberalization scheme.”

4.2 USAID COMMENTER #2

“CET and COO – see Commenter #1 above.”

4.3 TRADE HUB RESPONSE

We agree that this is an important issue and the demand for certificates of origin, which goes against the conditions of ETLs, has been identified as one of the top-priority activities in the report (number 11, page 24). This constraint affects all corridors and has also been mentioned in corridor-specific activities that are presented in Annex 2 (pages 45, 46, 49, and 51 for the four corridors).

5. CUSTOMS

5.1 USAID COMMENTER #1

“Customs: Shouldn’t there be more efforts to harmonize and simplify customs procedures as part of the TTEEA? If, along a trade’s logistics chain, 90% of the cost to trade occurs at the ports, then a concerted effort by WATH to tackle this problem needs to be made.”

5.2 TRADE HUB RESPONSE

Part of the efforts to support the full implementation of ETLs will be towards simplification of trade procedures and simplification of documentation by coming up with a single customs declaration document for the Free Trade Area (FTA). The clearance procedures in ports could be addressed. However, it has been realized that the problems in ports are greatly related to infrastructure constraints. There are other donors working in ports to address these issues by promoting implementation of Single Windows (SWs) and infrastructure development.

6. FERTILIZER AND SEED

6.1 USAID COMMENTER #2

“More work and research needs to be done to assess the value added on the fertilizer and seed fronts so as not to duplicate with not only RAO programs but also those of bilateral missions – where is WATH's added value, which was not clear to me.”

6.2 TRADE HUB RESPONSE

We agree that the issues related to the efforts on trade in fertilizer and seed – two commodities that are very different from the products the Trade Hub has worked on – require careful consideration and because of this we proposed targeted activities. Since the preparation of the report, the discussions have continued and we continue to propose focused targeting of issues related to these two issues. While working closely together with WAFP and CORAF (to minimize overlap and ensure complimentary efforts), the Trade Hub proposes to focus on issues related to road harassment, documentation (e.g., certificate of origin), type and condition of the vehicle and axle load, as well as advocacy for improved trade conditions.

7. BILATERAL ROAD TRANSPORT AGREEMENTS

7.1 USAID COMMENTER #2

“Is the elimination of bilateral agreements a realistic goal for the liberalization of transport?”

7.2 TRADE HUB RESPONSE

Pending the revision of the Inter State Transport Convention (ISTC) of 1982, countries have already been making bilateral efforts to remove quotas. For example, quotas in Abidjan have been eliminated and Tema no longer follows a strict quota system. Based on this, the Trade Hub believes there is currently willingness by governments to continue such process of elimination and proposes that it will continue to provide support for the countries in realizing this objective, as discussed under activity 9, pages 23-24 of the report. At the same time, the project proposes to support ECOWAS in the implementation of the Road Map for Axle Load Supplementary Act which includes the elimination of rotation system and quotas by replacing it with direct hauler contracts.